



Certified Public Accountants

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CIBOLA COUNTY, NEW MEXICO

FINANCIAL STATEMENTS

JUNE 30, 2007

CIBOLA COUNTY, NEW MEXICO

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CIBOLA COUNTY, NEW MEXICO

Official Roster

Elmer Chavez	Commissioner-Chairman
Bennie Cohoe	Commissioner-First Vice Chairman
Jane Pitts	Commissioner-Second Vice Chairman
Edward Michaels	Commissioner
Antonio Gallegos	Commissioner
Norma Dominguez	County Treasurer
Eileen M. Martinez	County Clerk
Pablo Sanchez	County Assessor
Johnny Valdez	County Sheriff
David Ulibarri	County Manager
Fred Rodarte	Probate Judge

Independent Auditors' Report

Mr. Hector H. Balderas, State Auditor
and
Elmer Chavez, Chairman and
The Board of County Commissioners
Cibola County, New Mexico

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cibola County, New Mexico (County), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

During the year ending June 30, 2007, the County did not adequately account for the increases and decreases in its agency funds correctly. Agency funds are considered to be fiduciary funds. Governmental Accounting Standards Board (GASB) Statement No. 34, paragraph 69 states that fiduciary funds should be used "to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs." Agency funds are used to account for situations where the government's role is purely custodial, such as the overpayment of taxes, taxes paid in advance and undistributed taxes. It was not practicable to extend our procedures sufficiently to determine the correct balances of agency funds.

Because of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Statement of Fiduciary Net Assets – Agency Funds, and the Statement of Changes in Assets and Liabilities – All Agency Funds.

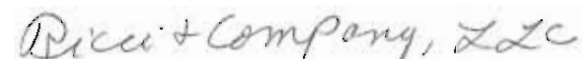
Mr. Hector H. Balderas, State Auditor
and
Elmer Chavez, Chairman and
The Board of County Commissioners
Cibola County, New Mexico

In our opinion, with the exception of the statements disclaimed above, based on our audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for each governmental fund for the year then ended in conformity 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 financial position of each nonmajor governmental fund of the County, as of June 30, 2007, and the respective changes in financial position and the budgetary comparison of all nonmajor funds as applicable thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2008 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons of the County. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied to the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Albuquerque, New Mexico
November 6, 2008

**CIBOLA COUNTY, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Our discussion and analysis of the Cibola County's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2007. The County's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information which includes this management's discussion and analysis. Please read it in conjunction with the County's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The County's net assets *increased* by \$2,695,106 from a year ago.
- During the year, the County received \$15,799,595 in total revenues.
- Total cost of all of the County's programs was \$13,104,489.
- The General Fund reported an *increase* in net assets of \$1,732,512.
- The resources available for appropriation were \$7,279,671.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (found on pages 13 and 14) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund Financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining fiduciary statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 13. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about the activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CIBOLA COUNTY, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2007

These two statements report the County's *net assets* and changes in them. You can think of the County's net assets—the difference between assets and liabilities—as one way to measure the County's financial health, or *financial position*. Over time, *increases* or *decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the *overall health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities—Most of the County's basic services are reported here, including the law enforcement (*Sheriff*), volunteer fire, public works, and recreation departments, and general administration. Property taxes, gross receipts taxes, rental revenues, service fees, and state and federal grants finance most of these activities.
- Business-type activities—The County charges a fee to governmental entities for housing inmates to help it cover all or most of the cost of certain services it provides. The County's detention center is reported here.
- Component units—The County includes one separate legal entity in its report—the Cibola General Hospital. Although legally separate, this “component unit” is important because the County is financially accountable for it.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's major funds begins on page 16. The fund financial statements begins on page 16 and provide detailed information about the most significant funds—not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Commission establishes many other funds to help it control and manage money for particular purposes (like the Consolidated Dispatch Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the State of New Mexico). The County's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- *Governmental funds*—Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted into cash. The governmental fund statements provide

CIBOLA COUNTY, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2007

a detailed *short-term view* of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in the reconciliation at the bottom of the fund financial statements.

- *Proprietary funds*—When the County charges customers for the services it provides—whether to outside customers or to other units of the County—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. There are two proprietary funds; the component unit – Cibola General Hospital and the Care of Prisoners Fund – County Detention Center.

The County as Trustee

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or *fiduciary*, for taxes collected for various governmental entities school districts, State Department of Health Services Child Trust, overpayment of taxes, state costs, and taxes paid in advance. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 32 and 96. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The County's *combined* net assets *increased* by \$2,695,106 from a year ago. Our analysis below focuses on the net assets (Table 1) and the changes in net assets (Table 2) of the County's governmental and business-type activities.

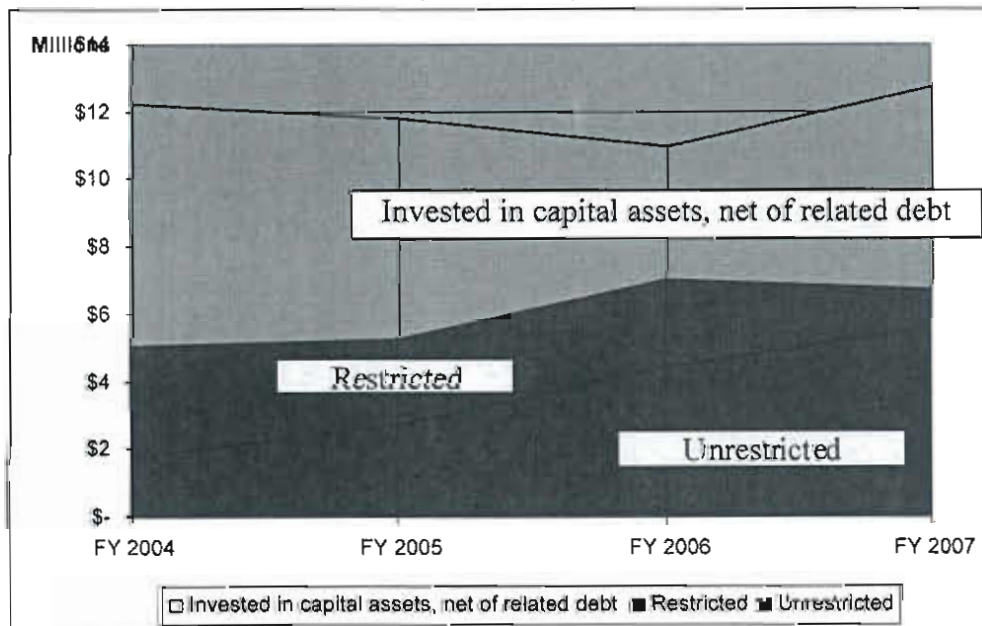
**CIBOLA COUNTY, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2007**

**Table 1
Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2006</u>
Current and other assets	\$ 12,481,481	\$ 11,365,145	\$ 837,543	\$ 1,120,763	\$ 13,319,024	\$ 12,485,908
Capital assets	<u>20,135,252</u>	<u>20,026,592</u>	<u>7,210,736</u>	<u>7,518,729</u>	<u>27,346,008</u>	<u>27,545,321</u>
Total Assets	<u>\$ 32,616,733</u>	<u>\$ 31,391,737</u>	<u>\$ 8,048,299</u>	<u>\$ 8,639,492</u>	<u>\$ 40,665,032</u>	<u>\$ 40,031,229</u>
Long-term liabilities outstanding	\$ 13,291,628	\$ 8,462,685	\$ 12,825	\$ 7,356,748	\$ 13,304,453	\$ 15,819,433
Other liabilities	<u>1,692,006</u>	<u>1,072,617</u>	<u>612,375</u>	<u>778,087</u>	<u>2,304,381</u>	<u>1,850,704</u>
Total Liabilities	<u>\$ 14,983,634</u>	<u>\$ 9,535,302</u>	<u>\$ 625,200</u>	<u>\$ 8,134,835</u>	<u>\$ 15,608,834</u>	<u>\$ 17,670,137</u>
Net Assets:						
Invested in capital assets, net of related debt	\$ 5,509,691	\$ 10,914,836	\$ 7,210,756	\$ 22,001	\$ 12,720,447	\$ 10,936,837
Restricted	6,742,034	7,023,575	-	-	6,742,034	7,023,575
Unrestricted	<u>5,381,374</u>	<u>3,918,024</u>	<u>212,343</u>	<u>482,656</u>	<u>5,593,717</u>	<u>4,400,680</u>
Total net assets	<u>\$ 17,633,099</u>	<u>\$ 21,856,435</u>	<u>\$ 7,423,099</u>	<u>\$ 504,657</u>	<u>\$ 25,056,198</u>	<u>\$ 22,361,092</u>

As of June 30, 2007, the County has positive balances in all three categories of net assets over the last three years, both for the government as a whole, as well as for its separate governmental and business-type activities. In contrast, Invested in Capital Assets experienced a slight *decrease* in fiscal year 2005 and 2006 and Restricted Net Assets slightly *decreased* in fiscal year 2007.

**Total Net Assets
Governmental and Business-Type Activities
(In millions)**



CIBOLA COUNTY, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2007

Total net assets of the County's governmental activities *decreased* by 19 percent (\$17,633,099 compared to \$21,856,435). *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from \$3,918,024 at June 30, 2006, to \$5,381,374 at the end of this fiscal year.

This *decrease* in total governmental net assets resulted primarily from the restructuring of our 1997 series bond debt and the payoff of our 2002 New Mexico Finance Authority (NMFA) Detention Center (jail) construction loan and our 2000 series bond debt, which allowed us to reclassify the net assets related to the Detention Center, as business-type net assets. The majority of the *increase* in unrestricted governmental net assets arose from the bond debt restructure, allowing us to take advantage of lower interest rates and the opportunity to payoff a major loan with the NMFA (Detention Center construction loan). The resulting affect lowered our debt service payments over the life of the new bonds.

The net assets of our business-type activities are used to finance the operations of the County Detention Center. The unrestricted net assets of our business-type activities *decreased* by 56 percent, or \$270,313. The reason for this *decrease* is attributed to the increase in care of prisoner's operation costs, primarily the health and dental care of each Inmate. These costs are mandated by law and the County is constantly looking for ways to keep these costs down.

The major source of revenue for the Detention Center is the billing for housing and medical services of Inmates from outside the County detained here in Cibola County. Those fees and services generated \$2,369,313 during the year. The County can only use these revenues to finance the continuing operations of the Detention Center operations. The Center has operated at full capacity for more than a year now; servicing Cibola County, the State, other Counties and Municipalities throughout the State. Future plans for the expansion of the Center are ready to be put into place as soon as the County feels such expansion is feasible.

The combined unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$5,593,717 at the end of this year. This amount, compared to last year's \$4,400,680 *increased* 27 percent, or \$1,193,037. Again, the restructuring of our outstanding bond debt reduced our long-term liabilities resulting primarily in this *increase* in our combined unrestricted net assets. Our total assets of the primary government remained virtually unchanged between 2006 and 2007.

**CIBOLA COUNTY, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2007**

**Table 2
Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 606,231	\$ 298,710	\$ 2,369,313	\$ 1,886,359	\$ 2,975,544	\$ 2,185,069
Operating grants and contributions	3,983,047	2,679,517	-	51,344	3,983,047	2,730,861
Capital grants and contributions	1,409,845	788,546	-	-	1,409,845	788,546
General revenues:						
Property taxes	2,411,032	2,340,421	-	952,974	2,411,032	3,293,395
Other taxes	3,560,135	4,069,470	343,968	-	3,904,103	4,069,470
Other revenues	<u>(6,826,788)</u>	<u>504,662</u>	<u>7,615,897</u>	<u>33,599</u>	<u>789,109</u>	<u>538,261</u>
Total revenues	<u>5,143,502</u>	<u>10,681,326</u>	<u>10,329,178</u>	<u>\$ 2,924,276</u>	<u>15,472,680</u>	<u>13,605,602</u>
Expenses:						
General government	3,903,929	2,610,063	-	-	3,903,929	2,610,063
Public safety	1,689,202	2,176,078	-	-	1,689,202	2,176,078
Health and welfare	1,554,062	1,451,589	-	-	1,554,062	1,451,589
Culture and recreation	172,533	207,303	-	-	172,533	207,303
Public works	1,829,248	1,144,008	-	-	1,829,248	1,144,008
County Detention	-0-	-0-	3,118,135	3,008,425	3,118,135	3,008,425
Debt Service	<u>748,396</u>	<u>449,473</u>	<u>88,984</u>	<u>367,498</u>	<u>837,380</u>	<u>816,971</u>
Total expenses	<u>9,897,370</u>	<u>8,038,514</u>	<u>3,207,119</u>	<u>3,375,923</u>	<u>13,104,489</u>	<u>11,414,437</u>
Excess (deficiency) before Transfers	<u>(4,753,868)</u>	<u>2,642,812</u>	<u>7,122,059</u>	<u>(451,647)</u>	<u>2,368,191</u>	<u>2,191,165</u>
Transfers	<u>530,532</u>	<u>(167,527)</u>	<u>(203,617)</u>	<u>585,074</u>	<u>326,915</u>	<u>417,547</u>
Increase (decrease) in net assets	<u>\$ (4,223,336)</u>	<u>\$ 2,475,285</u>	<u>\$ 6,918,442</u>	<u>\$ 133,427</u>	<u>\$ 2,695,106</u>	<u>\$ 2,608,712</u>

The County's total revenues *increased* by 13.7 percent or \$1,867,078. The total cost of all programs and services before transfers also *increased* during the year by 14.8 percent or \$1,690,052. We added several new programs during the year that contributed to the rise in our expenditures. The highlight of the year was the restructuring of our 1997 series bond debt and the payoff of our 2000 series bond and the 2002 NMFA jail construction loan. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Revenues for the County's governmental activities *decreased* by 51.8 percent (\$5.5 million), while total expenditures *increased* by 23.1 percent (\$1.85 million). The *decrease* in net assets for governmental activities in 2007 was \$4,223,336 compared to a \$2,475,285 *increase* in net assets in 2006.

As stated before, County Management took one major action this year that affected both the governmental and business-type activities and resulted in the large decrease in governmental activities' revenue and the increase in expenditures; that being the restructuring our old bond debt into new debt and locking it into a lower interest rate. In addition, we used \$2.9 million in reserves to pay down the debt and paid off one major loan and paid off (defeased) a junior lien bond debt. In doing this bond restructure, capital assets and bond debt related to the Detention

CIBOLA COUNTY, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2007

Center was reclassified from the General Fund and our Bond Fund to the Enterprise Fund (Detention Center).

The cost of all *governmental* activities this year was \$9.89 million compared to \$8.0 million last year. Several reasons for the \$1.89 million *increase* were additional expenses incurred from the restructuring of our bond debt, an increase in our public works services and improvements, and an increase in our debt service for the year because of the loan and bond payoffs.

Overall, the County's governmental program revenues *decreased* in 2007 from \$10.68 million to \$5.1 million, principally based on the reclassification of revenues related to the Detention Center (jail) loan payoff and capital assets placed in the Enterprise (Detention) fund. Please refer to the next paragraph under "Business-type Activities".

Business-type Activities

Revenues of the County's business-type activities (see Table 2) reported \$10.3 million and expenditures reported \$3.2 million for the Detention's operations in 2007. The County Detention Center is the only operation reported here as business-type activity. The annual cost of the detention of county prisoners has *increased* to \$3.2 million dollars compared to \$1.2 million in 2002. This equates to a 166.6 percent *increase* over those 5 years. However, the 2007 costs *decreased* 5 percent, or \$168,804 from 2006. The main reason is the payoff of the jail construction loan which relieved the County of loan payments.

Building our own jail and operating it has proved to be one of the best decisions that County Management has made. Of course, it was the actions of prior Board of County Commissioners and our current Board that has enabled the County to do such. The County can better control costs and operations of detaining prisoners.

The total revenues *increased* a whopping 253.2 percent or \$7,404,902 during the year. There are two reasons for this increase. First, bond restructure proceeds were reclassified into this fund as mentioned in preceding paragraphs to better account for the Enterprise Fund (Detention Center or jail) as a whole. And secondly, capital assets housed in our Bond Fund were reclassified into this fund for the same reason stated above; better accounting. With that said, the increase is comprised mostly with the accounting entries to restate the Enterprise Fund's true asset valuations, and the remaining revenues received during the year. An Enterprise Fund is accounted for on the full accrual basis of accounting. In this way, we are better able to show its true function and operations.

**CIBOLA COUNTY, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2007**

THE COUNTY'S MAJOR FUNDS

As the County completed the year, its governmental funds (as presented in the combined balance sheet on page 16) reported a combined fund balance of \$10.89 million, which is 3.7 percent more than last year's total of \$10.5 million. The *increase* in fund balance is made up primarily of the increase in cash and investments of \$529,037 and an increase in Accounts Receivables of \$496,320.

General Fund Budgetary Highlights

Over the course of the year, the Board of County Commissioners revised the County budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June 2007). The second category includes changes that the Commission made during the year. Finally, the Commission approved several increases in appropriations to prevent budget overruns at year-end.

Even with these adjustments, the County spent \$356,794 less in the general fund than was budgeted. The General Fund received \$211,370 more in revenues than what we budgeted. In addition, only \$683,936 was actually transferred out of the General Fund to other funds; \$1,469,270 less than budgeted. With these realizations, the General Fund was able to strengthen itself during 2007.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the County had \$40.6 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (Refer to Note 6, pages 47 and 48). Major assets are County Infrastructure, the County Hospital, which is leased to Cibola General Hospital, and the Criminal Justice Complex (County Prison).

Debt

At year-end, the County's governmental activities had \$14.1 million in long-term bonds and notes outstanding (refer to Note 7, page 49).

**CIBOLA COUNTY, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2007**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2007 budget and tax rates. One major factor was the refunding (restructuring) of our 1997 series bonds and the payoff of the outstanding 2002 jail loan and the 2000 series bonds. Another was the conversion of our Clerk's office recording software to a newer more advanced system. And of course, the available tax base that finances our countywide operations.

These indicators were taken into account when adopting the General Fund budget for 2008. Current and proposed tax rates charged on sales and services and property taxes greatly influenced the budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Manager's Office, at Cibola County, 515 W. High Street, Grants, New Mexico, 87020-2526.

Cibola General Hospital a component unit of the County has issued a separate financial report which may be obtained by contacting the Hospital's administration at 1016 East Roosevelt Avenue, Grants, New Mexico, 87020.

CIBOLA COUNTY, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Cibola General Hospital
ASSETS				
Cash and investments	\$ 10,073,274	245,440	10,318,714	449,988
Receivables				
Taxes, net of allowance	1,374,603	77,002	1,451,605	-
Due from other funds	492,814	-	492,814	-
Due from agency fund	116,106	-	116,106	-
Prison receivables	-	515,101	515,101	-
Patients accounts receivable, net of allowance	-	-	-	3,749,764
Miscellaneous	252,114	-	252,114	3,109
Prepaid expenses	172,570	-	172,570	240,552
Inventories, at cost	-	-	-	191,040
Current assets	<u>12,481,481</u>	<u>837,543</u>	<u>13,319,024</u>	<u>4,634,453</u>
Capital assets (net, where applicable, of accumulated depreciation)				
Land	2,838,454	-	2,838,454	-
Work in process	182,935	124,966	307,901	-
Buildings and improvements	3,897,211	-	3,897,211	-
Furniture and equipment	788,913	-	788,913	-
Automobiles	385,271	-	385,271	-
Infrastructure	2,788,947	-	2,788,947	-
County prison	-	7,085,790	7,085,790	-
County hospital	8,678,324	-	8,678,324	4,193,831
Advance refunding escrow costs, net	299,681	-	299,681	-
Bond issuance costs, net	275,516	-	275,516	-
Assets limited as to use	-	-	-	5,275,913
Other assets	<u>20,135,252</u>	<u>7,210,756</u>	<u>27,346,008</u>	<u>9,469,744</u>
Total assets	<u>32,616,733</u>	<u>8,048,299</u>	<u>40,665,032</u>	<u>14,104,197</u>
LIABILITIES				
Accounts payable	170,183	70,807	240,990	717,821
Accrued wages	87,333	-	87,333	-
Accrued payroll taxes and benefits	87,694	-	87,694	966,995
Inmate trust accounts	-	13,826	13,826	-
Deferred revenues	371,264	14,051	385,315	-
Compensated absences	162,296	30,142	192,438	-
Accrued interest	54,500	-	54,500	-
Due to other funds	-	492,814	492,814	-
Current portions of long-term debt	<u>758,736</u>	<u>-</u>	<u>758,736</u>	<u>-</u>
Current liabilities	1,692,006	621,640	2,313,646	1,684,816
Long-term debt, net of current portion	<u>13,291,628</u>	<u>18,504</u>	<u>13,310,132</u>	<u>-</u>
Total liabilities	<u>14,983,634</u>	<u>640,144</u>	<u>15,623,778</u>	<u>1,684,816</u>
NET ASSETS				
Investment in capital assets, net of related debt	5,509,691	7,210,756	12,720,447	4,193,831
Restricted for:				
Debt service	2,492,377	-	2,492,377	-
Special projects	3,264,128	-	3,264,128	-
Capital outlay	985,529	-	985,529	-
Unrestricted	<u>5,381,374</u>	<u>197,399</u>	<u>5,578,773</u>	<u>8,225,550</u>
Total net assets	<u>\$ 17,633,099</u>	<u>7,408,155</u>	<u>25,041,254</u>	<u>12,419,381</u>

See Notes to Financial Statements.

CIBOLA COUNTY, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities				
General government	\$ 2,485,690	520,123	132,903	807,618
Public safety	3,107,441	86,108	1,714,976	207,180
Public works	1,829,248	-	97,079	395,047
Culture and recreation	172,533	-	-	-
Health and welfare	1,554,062	-	920,585	-
Interest on long-term debt	748,396	-	-	-
Total governmental activities	<u>9,897,370</u>	<u>606,231</u>	<u>2,865,543</u>	<u>1,409,845</u>
Business - type activities				
Prison facility	3,222,063	2,369,313	-	-
Total primary government	<u>\$ 13,119,433</u>	<u>2,975,544</u>	<u>2,865,543</u>	<u>1,409,845</u>
Component Unit-Cibola General Hospital	<u>\$ 17,357,307</u>	<u>17,312,368</u>	<u>25,415</u>	<u>-</u>

General Revenues
Property taxes
Gross receipts taxes
Motor vehicle taxes
Gas taxes
Cigarette taxes
Federal payment in lieu of taxes
Environmental protection taxes
Investment income
Other general revenues
Transfers to / from enterprise fund
Transfers to / from component unit
Capital contributions to enterprise fund
Total general revenues and transfers
Change in net assets
Net assets, beginning
Net assets, ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

	Primary Government			Component Unit Business-type Activities
	Governmental Activities	Business - type Activities	Total	
\$	(1,025,046)	-	(1,025,046)	-
	(1,099,177)	-	(1,099,177)	-
	(1,337,122)	-	(1,337,122)	-
	(172,533)	-	(172,533)	-
	(633,477)	-	(633,477)	-
	(748,396)	-	(748,396)	-
	<u>(5,015,751)</u>	-	<u>(5,015,751)</u>	-
	-	(852,750)	(852,750)	-
	<u>(5,015,751)</u>	<u>(852,750)</u>	<u>(5,868,501)</u>	-
	-	-	-	(19,524)
\$	2,411,032	-	2,411,032	856,955
	3,032,289	343,968	3,376,257	-
	322,275	-	322,275	-
	150,416	-	150,416	-
	988	-	988	-
	1,117,504	-	1,117,504	-
	54,167	-	54,167	-
	612,159	95,890	708,049	319,475
	57,781	23,279	81,060	94,813
	203,617	(203,617)	-	-
	326,915	-	326,915	(326,915)
	<u>(7,496,728)</u>	<u>7,496,728</u>	<u>-</u>	<u>-</u>
	792,415	7,756,248	8,548,663	944,328
	<u>(4,223,336)</u>	<u>6,903,498</u>	<u>2,680,162</u>	<u>924,804</u>
	<u>21,856,435</u>	<u>504,657</u>	<u>22,361,092</u>	<u>11,494,577</u>
\$	<u>17,633,099</u>	<u>7,408,155</u>	<u>25,041,254</u>	<u>12,419,381</u>

CIBOLA COUNTY, NEW MEXICO
COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007

	Major Funds	
	General	Debt Service
ASSETS		
Cash and investments	\$ 4,333,980	2,239,767
Receivables		
Taxes, net of allowance	814,734	311,330
Intergovernmental	4,569	-
Miscellaneous	-	-
Due from other funds	783,341	-
Total assets	\$ 5,936,624	2,551,097
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 26,744	-
Accrued wages	87,333	-
Accrued payroll taxes and benefits	87,694	-
Due to other funds	-	-
Deferred revenue	595,477	58,720
Total liabilities	797,248	58,720
Fund Balances		
Reserved for subsequent years' expenditures	987,927	-
Reserved for debt service	-	2,492,377
Unreserved, undesignated	4,151,449	-
Special revenue	-	-
Capital project	-	-
Total fund balances	5,139,376	2,492,377
Total liabilities and fund balances	\$ 5,936,624	2,551,097

See Notes to Financial Statements.

<u>Road Fund</u>	<u>Indigent Fund</u>	<u>Other Non Major Funds</u>	<u>Total</u>
913,429	246,480	2,339,618	10,073,274
85,033	134,845	28,661	1,374,603
-	-	80,984	85,553
-	-	166,561	166,561
-	-	-	783,341
<u>998,462</u>	<u>381,325</u>	<u>2,615,824</u>	<u>12,483,332</u>
84,274	-	59,165	170,183
-	-	-	87,333
-	-	-	87,694
-	-	174,421	174,421
<u>387,649</u>	<u>24,377</u>	<u>3,995</u>	<u>1,070,218</u>
<u>471,923</u>	<u>24,377</u>	<u>237,581</u>	<u>1,589,849</u>
133,508	-	-	1,121,435
-	-	-	2,492,377
-	-	-	4,151,449
393,031	356,948	1,392,714	2,142,693
-	-	985,529	985,529
<u>526,539</u>	<u>356,948</u>	<u>2,378,243</u>	<u>10,893,483</u>
<u>998,462</u>	<u>381,325</u>	<u>2,615,824</u>	<u>12,483,332</u>

CIBOLA COUNTY, NEW MEXICO
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
June 30, 2007

Total fund balances - Governmental Funds (Balance Sheet - Governmental Funds)		\$ 10,893,483
Amounts reported for governmental activities in the Statement of Net Assets are different at June 30, 2007 because:		
Delinquent property taxes receivable net of allowance for doubtful accounts are not considered available financial resources and therefore are reported as deferred revenue in the fund financial statements		698,954
Prepaid expenses are expensed in the government fund financial statements but not in the entity-wide financial statements		172,570
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. These assets consist of:		
Total capital assets	\$ 38,454,655	
Less accumulated depreciation	(18,894,600)	
Related debt	(14,050,364)	
Total capital assets, net of related debt and depreciation	<u>5,509,691</u>	
Some liabilities are not due and payable in the current period and therefore are not reported in the fund:		
Compensated absences payable		(162,296)
Accrued interest payable		(54,500)
Bond issuance costs are expensed in period expended for fund financial statements but capitalized for governmental activities		
Total bond costs	286,996	
Less accumulated amortization	(11,480)	
Bond issuance costs, net	<u>275,516</u>	
Advanced refunding escrow costs are amortized for governmental activities but are a current other financing source in fund financial statements		
Advance refunding escrow fees	357,312	
Less accumulated amortization	(57,631)	
Advance refunding escrow fees, net	<u>299,681</u>	
Net assets of governmental activities (Statement of Net Assets)		<u><u>\$ 17,633,099</u></u>

See Notes to Financial Statements.

CIBOLA COUNTY, NEW MEXICO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Major Funds		
	General	Debt Service	Road Fund
Revenues			
Local taxes	\$ 3,441,047	1,119,148	396,342
Intergovernmental	1,337,937	-	373,443
License and permits	500,453	-	-
Interest	273,542	289,943	-
Miscellaneous	41,067	-	4,226
Total revenues	5,594,046	1,409,091	774,011
Expenditures			
Current			
General government	2,140,651	-	-
Public safety	877,754	-	-
Public works	125,096	-	860,536
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital outlay	49,097	-	-
Debt service - principal	-	16,186,617	-
Debt service - interest	-	768,396	-
Debt service - other fees	-	286,996	-
Total expenditures	3,192,598	17,242,009	860,536
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	2,401,448	(15,832,918)	(86,525)
Other Financing Sources (Uses)			
Transfer from component unit	-	326,915	-
Debt proceeds	-	13,150,237	-
Debt service - advance refunding escrow	-	(357,312)	-
Assumption of enterprise fund debt	-	7,496,728	-
Capital contribution to enterprise fund	-	(7,496,728)	-
Operating transfers, in	15,000	525,669	-
Operating transfers, out	(683,936)	-	-
Total other financing sources (uses)	(668,936)	13,645,509	-
Net change in fund balances	1,732,512	(2,187,409)	(86,525)
Fund balances, beginning of year	3,406,864	4,679,786	613,064
Fund balances, end of year	\$ 5,139,376	2,492,377	526,539

See Notes to Financial Statements.

<u>Indigent Fund</u>	<u>Other Non Major Funds</u>	<u>Total</u>
598,013	180,801	5,735,351
920,585	2,058,709	4,690,674
-	95,847	596,300
-	-	563,485
-	773,313	818,606
<u>1,518,598</u>	<u>3,108,670</u>	<u>12,404,416</u>
-	58,288	2,198,939
-	1,885,121	2,762,875
-	443,848	1,429,480
-	67,479	67,479
1,204,301	19,000	1,223,301
-	847,014	896,111
-	143,972	16,330,589
-	-	768,396
-	-	286,996
<u>1,204,301</u>	<u>3,464,722</u>	<u>25,964,166</u>
<u>314,297</u>	<u>(356,052)</u>	<u>(13,559,750)</u>
-	-	326,915
-	622,232	13,772,469
-	-	(357,312)
-	-	7,496,728
-	-	(7,496,728)
-	371,884	912,553
-	(25,000)	(708,936)
<u>-</u>	<u>969,116</u>	<u>13,945,689</u>
314,297	613,064	385,939
<u>42,651</u>	<u>1,765,179</u>	<u>10,507,544</u>
<u>356,948</u>	<u>2,378,243</u>	<u>10,893,483</u>

CIBOLA COUNTY, NEW MEXICO
RECONCILIATION OF STATEMENT OF ACTIVITIES TO
GOVERNMENTAL FUND STATEMENTS
Year Ended June 30, 2007

Amounts reported for governmental activities in the Statement of Activities are different at June 30, 2007 because:

Net change in fund balances--total governmental funds \$ 385,939

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Depreciation expense	\$ (1,362,648)	
Capital outlay	896,111	
Excess of depreciation expense over capital outlay		(466,537)

The issuance of long-term debt (e.g., bonds, leases) provided current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from long-term debt	(13,772,469)	
Assumption of enterprise fund debt	(7,496,728)	
Payment on long-term debt	16,330,589	
Capitalization of debt issuance costs and escrow fees	644,308	
Amortization on issuance costs and escrow fees	(69,111)	
		(4,363,411)

Deferred revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 235,814

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Change in:

Prepaid expenses	34,065	
Compensated absences	(69,206)	
Accrued interest	20,000	
		(15,141)

Change in net assets of governmental activities \$ (4,223,336)

See Notes to Financial Statements.

CIBOLA COUNTY, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues				
Local Taxes	\$ 3,212,606	3,236,954	3,441,047	204,093
Licenses and permits	202,700	208,626	500,453	291,827
Intergovernmental revenue	186,000	211,448	220,433	8,985
Interest	150,000	186,000	273,542	87,542
Federal allotment	1,121,821	1,121,821	1,117,504	(4,317)
Miscellaneous	407,000	417,827	41,067	(376,760)
Total revenues	5,280,127	5,382,676	5,594,046	211,370
Expenditures				
General government	2,426,518	2,390,051	2,140,651	249,400
Public safety	996,938	991,667	877,754	113,913
Public works	95,000	97,576	125,096	(27,520)
Capital outlay	22,800	70,098	49,097	21,001
Total expenditures	3,541,256	3,549,392	3,192,598	356,794
Excess of revenues over expenditures	1,738,871	1,833,284	2,401,448	568,164
Other Financing Sources (Uses)				
Transfers from component units	-	(477,247)	-	477,247
Sale of county property	10,000	10,000	-	(10,000)
Operating transfers in	840,000	840,000	15,000	(825,000)
Operating transfers out	(2,149,999)	(2,153,206)	(683,936)	1,469,270
Total other financing sources (uses)	(1,299,999)	(1,780,453)	(668,936)	1,111,517
Net change in fund balance	\$ 438,872	52,831	1,732,512	1,679,681

See Notes to Financial Statements.

CIBOLA COUNTY, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE ROAD FUND
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 105,000	113,420	396,342	282,922
Intergovernmental	769,200	1,403,211	373,443	(1,029,768)
Miscellaneous	11,000	15,226	4,226	(11,000)
Total revenues	885,200	1,531,857	774,011	(757,846)
Expenditures				
Public works	672,355	645,020	496,990	148,030
Capital outlay	277,000	304,335	363,546	(59,211)
Total expenditures	949,355	949,355	860,536	88,819
Excess (deficiency) of revenues over expenditures	(64,155)	582,502	(86,525)	(669,027)
Other Financing Sources (Uses)				
Operating transfers in	55,331	55,331	-	(55,331)
Total other financing sources (uses)	55,331	55,331	-	(55,331)
Net change in fund balance	(8,824)	637,833	(86,525)	(724,358)
Prior year cash appropriation	8,824			
	<u>\$ -</u>			

CIBOLA COUNTY, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE INDIGENT
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local Taxes	\$ 240,000	388,659	598,013	209,354
Intergovernmental	890,619	890,619	920,585	29,966
Other	12,000	12,000	-	(12,000)
Total revenues	1,142,619	1,291,278	1,518,598	227,320
Expenditures				
Health and welfare	1,203,161	1,233,161	1,204,300	28,861
Total expenditures	1,203,161	1,233,161	1,204,300	28,861
Excess (deficiency) of revenues over expenditures	(60,542)	58,117	314,298	256,181
Other Financing Sources (Uses):				
Operating transfers in	60,542	60,542	-	(60,542)
Total other financing sources (uses)	60,542	60,542	-	(60,542)
Net change in fund balance	\$ -	118,659	314,298	195,639

**CIBOLA COUNTY, NEW MEXICO
BALANCE SHEET - PROPRIETARY FUND
PRISON FACILITY
June 30, 2007**

ASSETS

Current Assets

Cash and investments	\$ 245,440
Accounts receivable	515,101
Taxes receivable	<u>77,002</u>

Total current assets 837,543

Capital assets, net 7,210,756

Total assets \$ 8,048,299

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 70,807
Deferred revenues	14,051
Inmate trust accounts	13,826
Due to other funds	492,814
Compensated absences, current	<u>30,142</u>

Total liabilities 621,640

Noncurrent Liabilities

Compensated absences 18,504

Total liabilities 640,144

Net Assets

Invested in capital assets net of related debt	7,210,756
Unrestricted	<u>197,399</u>

Total net assets 7,408,155

Total liabilities and net assets \$ 8,048,299

See Notes to Financial Statements.

CIBOLA COUNTY, NEW MEXICO
CHANGES IN NET ASSETS - PROPRIETARY FUND
PRISON FACILITY
June 30, 2007

Operating Revenues	
Fees and services	\$ 2,369,313
Operating Expenses	
Salaries, wages and benefits	1,622,451
Materials and supplies	77,419
Contractual services	264,680
Other operating expenses	860,556
Depreciation	307,973
Total operating expenses	3,133,079
Operating loss	(763,766)
Nonoperating Income (Expense)	
Gross receipts tax	343,968
Miscellaneous	23,279
Investment Income	95,890
Interest expense	(88,984)
Total nonoperating income	374,153
Loss before transfers	(389,613)
Operating transfers in	322,052
Operating transfers out	(525,669)
Net transfers	(203,617)
Capital contribution	7,496,728
Change in net assets	6,903,498
Net assets, beginning of year	504,657
Net assets, end of year	\$ 7,408,155

See Notes to Financial Statements.

**CIBOLA COUNTY, NEW MEXICO
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 PRISON FACILITY
 June 30, 2007**

Cash Flows From Operating Activities	
Cash received from prisoner care	\$ 2,158,317
Cash payments to vendors and employees	<u>(2,823,069)</u>
Net cash used by operating activities	<u>(664,752)</u>
Cash Flows From Noncapital and Related Financing Activities	
Tax receipts	409,026
Miscellaneous revenue	23,279
Investment income	95,890
Operating transfers from other funds	322,052
Operating transfers to other funds	<u>(525,669)</u>
Net cash provided by noncapital financing activities	<u>324,578</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	
Interest payment on loans	<u>(88,984)</u>
Net cash used by capital and related financing activities	<u>(88,984)</u>
Net decrease in cash	(429,158)
Cash, beginning of year	<u>674,598</u>
Cash, end of year	<u><u>\$ 245,440</u></u>

See Notes to Financial Statements.

**CIBOLA COUNTY, NEW MEXICO
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 PRISON FACILITY (CONTINUED)
 June 30, 2007**

Operating loss	\$ (763,766)
Adjustments to reconcile operating income to net cash flows	
Depreciation expense	307,973
Changes in Assets and Liabilities	
Receivables	(210,996)
Accounts payable	2,999
Deferred revenues	14,051
Accrued wages and benefits	(22,819)
Inmate trust accounts	7,806
	<hr/>
Net cash used by operating activities	<u><u>\$ (664,752)</u></u>

See Notes to Financial Statements.

CIBOLA COUNTY, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
COMPONENT UNIT - CIBOLA GENERAL HOSPITAL
Year Ended June 30, 2007

Revenues	
Net patient service revenue	\$ 17,312,368
Mil levy	856,955
Other	91,897
Total revenues	<u>18,261,220</u>
Expenses	
Salaries and wages	6,260,831
Payroll taxes and benefits	1,353,742
Purchased services and other	3,546,043
Supplies	1,506,952
Utilities, insurance, rentals and repairs	1,636,929
Professional fees	867,526
Depreciation and amortization	564,630
Provision for bad debts	1,944,121
Interest expense	3,448
Total expenses	<u>17,684,222</u>
Operating income	<u>576,998</u>
Other Income	
Investment income	295,899
Other expense	2,916
Total other income	<u>298,815</u>
Excess of revenues over expenses	875,813
Change in net unrealized losses on other than trading securities	23,576
Contributions	25,415
Increase in unrestricted net assets	<u>924,804</u>
Net assets, beginning of year	<u>11,494,577</u>
Net assets, end of year	<u>\$ 12,419,381</u>

See Notes to Financial Statements.

**CIBOLA COUNTY, NEW MEXICO
STATEMENT OF CASH FLOWS
COMPONENT UNIT - CIBOLA GENERAL HOSPITAL
Year Ended June 30, 2007**

Cash Flows From Operating Activities	
Cash received from customers	\$ 14,665,556
Cash received from mil levys and other	999,623
Cash payments to suppliers	(7,381,826)
Payroll	(7,595,018)
Interest received	319,475
Interest paid	(3,448)
Other	2,916
	<hr/>
Net cash provided by operating activities	1,007,278
	<hr/>
Cash Flows From Investing Activities	
Change in net assets limited as to use	(152,645)
Capital expenditures	(961,593)
	<hr/>
Net cash used in investing activities	(1,114,238)
	<hr/>
Cash Flows From Financing Activities	
Principal payments on long-term debt	(320,000)
	<hr/>
Net decrease in cash and cash equivalents	(426,960)
	<hr/>
Cash and cash equivalents, beginning of the year	876,948
	<hr/>
Cash and cash equivalents, end of the year	\$ 449,988
	<hr/> <hr/>

See Notes to Financial Statements.

CIBOLA COUNTY, NEW MEXICO
STATEMENT OF CASH FLOWS (CONTINUED)
COMPONENT UNIT - CIBOLA GENERAL HOSPITAL
Year Ended June 30, 2007

Reconciliation of Net Assets to Net	
Cash Provided by Operating Activities	
Change in net assets	\$ 924,804
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Provision for bad debts	1,944,121
Depreciation and amortization	564,630
Changes in operating assets and liabilities	
Patients accounts receivable	(2,938,812)
Other receivables	25,356
Inventories	(44,144)
Prepaid expenses	(61,009)
Accounts payable	280,778
Accrued expenses	19,554
Estimated third-party settlements	292,000
	<hr/>
Net cash provided by operating activities	<u><u>\$ 1,007,278</u></u>

See Notes to Financial Statements.

CIBOLA COUNTY, NEW MEXICO
STATEMENT OF NET ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended June 30, 2007

ASSETS	
Cash	\$ -
Total assets	\$ -
LIABILITIES	
Deposits held in trust for others	\$ (116,106)
Due to other funds	116,106
Total liabilities	\$ -

See Notes to Financial Statements.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Function of Entity. Cibola County (County) was created in 1981 by New Mexico State Statute Chapter 4, Articles 3A-1 through 3A-14. The County operates under the commission-manager form of government and provides the following services as authorized in the grant of powers: public safety (sheriff, fire, emergency medical, etc.), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

A. Financial Reporting Entity

The County's combined financial statements include all activities and accounts of the County's "financial reporting entity."

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

One organization, Cibola General Hospital Corporation (a New Mexico Not-for-Profit Corporation) (the Hospital) is included as a component unit because of its fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

The financial statements of the Hospital have been included in the County's financial statements as a discrete component unit. In addition, the Hospital issues its own separate financial statements. Those statements can be obtained by contacting the Hospital's management at 1016 East Roosevelt Avenue, Grants, New Mexico 87020.

There were no other component units during the fiscal year ended June 30, 2007.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment and include depreciation expense. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

When resources are available from both restricted and unrestricted sources, the County spends restricted resources first.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their entity-wide statements, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the County's government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund are charges for prisoner incarceration. Operating expenses for the enterprise fund include the cost of providing and staffing a prison facility, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Expenditures are recorded as liabilities when they are incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The County follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax, gasoline taxes, and cigarette taxes.

Imposed nonexchange revenues – property taxes are recognized in the period for which the taxes are levied, provided the available criteria are met. Uncollected property taxes are not estimable and are not recorded as a receivable.

Imposed nonexchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated nonexchange transactions and voluntary nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received.

The County reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In a subsequent period when both revenue recognition criteria methods are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Funds* are used to account for the accumulation of County resources and payment of bond principal and interest.

Road Fund. To account for the maintenance and repair of public streets and highways which have been designated as county roads. Monies to cover costs are designated from the General Fund. Authority is NMSA 67-4-1.

Indigent Fund. To account for the taxes collected for the operation of the indigent program. Financing is provided by the County from a percentage of the gross receipts tax and may be used for that purpose only. Authority NMSA 24-10A-1.

The County reports the following major proprietary fund:

Prison Facility. To account for activities at the County's prison facility.

C. Cash and Investments

All deposits are recorded at cost. Investments in the County's cash and investment pool are stated at cost or amortized cost, which approximates market, plus accrued interest (shown under a separate caption). Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment. For purposes of the statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Investments (Continued)

The County does not have an investment policy. County funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (bills, notes and bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government securities and/or New Mexico bonds) certificates of deposit of banks, savings and loan associations, and credit unions, pursuant to State Board of Finance Collateral Policies.
3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government Investment Pool).

D. Receivables and Payables

Activity between funds that are representative lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Inter-fund balances are eliminated in the government-wide financial statements.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the year-end are recorded as prepaid items.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

Capital assets, which include software, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year. Purchased or constructed assets are recorded at historical cost or estimated cost. Donated capital assets are recorded at estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government and component unit are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Infrastructure	30 years
Buildings and improvements	15-40 years
Machinery, equipment, and software	5-10 years

Capital assets of the proprietary fund are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	30 years
Furniture and equipment	5 to 10 years
Automobiles	5 years

The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to the capital assets records and a yearly inventory of those assets must be taken.

G. Accrued Employee Benefits

County employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. For proprietary funds, vacation costs are recognized as a liability when earned.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In governmental fund types, bond issuance costs and any premiums or discounts are recognized when the bonds are issued. In the entity-wide financial statements, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges. The County did not apply this policy to debt issued before July 1, 2002.

In previous years the General Fund was used to liquidate compensated absences.

I. Fund Equity Reservation and Designations

The County records reserves to indicate that a portion of fund equity is legally restricted for a specific future use or is not available for appropriation and/or expenditure.

Fund equity was reserved for:

Reserved for debt service – Amounts legally restricted for the payment of long-term debt.

Reserved for subsequent years' expenditures – Represents the amounts, other than carryover expenditures, which are designated for subsequent year expenditures.

Unreserved, undesignated – Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the County.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Net Assets (Continued)

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Property Taxes

The County is responsible for assessing, collecting and distributing property taxes for both outside entities and its own operational and debt service purposes. Property taxes are assessed on November 1 of each year based on the assessed value on the prior January 1 and are payable in two equal installments by November 10 of the year in which the tax bill is prepared and by May 10 of the following year. Property taxes are delinquent if not paid by December 10 and June 10. Taxes on real property are liened on January 1 of the year for which the taxes are imposed. Collections and remittance of County property taxes are accounted for in the County Treasurer Agency Funds. Therefore, revenues for budgetary purposes are recorded when taxes are distributed to the General Operating and Debt Service Funds.

M. Budgets

Actual amounts on the budgetary basis are prepared on the accrual basis of accounting. Budgeted amounts are prepared on the modified accrual basis for governmental funds and the accrual basis for enterprise funds. Annual budgets are adopted for the general, special revenue, and debt service and capital projects funds. Cibola General Hospital does not have a legally binding budget. In addition, the Seboyeta Community Center, Cubero VFD Construction, Jail Construction, Capital Outlay Projects and Computer Equipment and Software Funds do not have adopted budgets.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Budgets (Continued)

The County Manager is responsible for preparing the budget package from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the County Commissioners for approval by resolution. The proposed budget is then submitted by June 1 to the New Mexico Department of Finance and Administration, Local Government Division (DFA), for approval. DFA certifies a pending budget by July 1 with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

Increases or decreases in the budget of a fund or transfers of appropriations between funds must be presented to the County Commission for approval by resolution and must subsequently have DFA approval. Amendments made to the original budget are included in the budgetary comparison statements of this report, which reflect actual to budget.

Budgets and amendments to the budgets for all funds are adopted in a legally permissible manner. The legal level of budgetary control is the fund level.

Expenditures may not legally exceed budgeted appropriations at the fund level except for the Emergency Medical Services and Fire District whose legal level of budgetary authority is at the program or district level.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

One such estimate is the amount of gross receipts and other taxes collected by the State Taxation and Revenue Department (Department) for the County. The Department does not track the total receivable or uncollectable amounts. As an alternative, the County estimated the net receivable based on the Department's historical delinquent payment information.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Implementation of New Accounting Standards

During the year ended June 30, 2006, the County adopted Government Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries* (GASB 42) and Statement No. 46, *Net Assets Restricted by Enabling Legislation – An Amendment to GASB Statement No. 34*. The adoption of GASB Statements 42 and 46 did not have a material impact on the County's financial statements.

NOTE 2. CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. As of June 30, 2007, of the County's bank balances of \$8,914,010, \$8,531,302 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department or agent but not in the County's name	<u>\$ 8,531,302</u>
Uninsured and uncollateralized	<u>\$ _____</u>

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the County is required to collateralize an amount equal to one-half of the public money in excess of \$100,000 at each financial institution.

The total balance in any single financial institution may at times exceed the \$100,000 in FDIC coverage available to individual depositors.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investments

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the County's investment in a single issuer. The County has no formal policy limiting the amount of investments or deposits at any single institution or with any single issuer.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County does not have a policy for managing interest rate risk.

The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Section 6-10-10-I through 6-10-10-P and Sections 6-10-10.1-A and E, NMSA 1978. The investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The New Mexico State Treasurer is responsible for approving all changes in the pledged collateral and monitoring the collateral requirements for all deposits maintained by the State Treasurer. The State Treasurer's office issues separate financial statements which disclose the collateral pledged to secure those deposits.

LGIP does not have unit shares. Per Section 6-10-10.1-F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in this pool is voluntary. The independent auditors' report, together with the financial statements, the accompanying notes to the financial statements, and the independent auditors' report on compliance and internal controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

Interest Rate Risk – The LGIP's policy is to invest in securities with an average maturity of less than 182 days, or a 0.5 yearly average term. The LGIP's average term at June 30, 2007 was 24 days using weighted average maturity.

Investments held at the Bank of Albuquerque and Bank of New York are invested in dollar denominated US Treasury funds. The funds invest in instruments with maturities of 90 days or less.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 3. ACCOUNTS RECEIVABLE

Governmental Funds

Governmental funds had the following taxes receivable at June 30, 2007:

	Receivable	Allowance	Net Receivable
Property	\$ 747,367	133,814	613,553
Gross receipts	740,169	-	740,169
Motor vehicle	66,449	-	66,449
Gas	31,280	-	31,280
Cigarette	154	-	154
Total taxes receivable	<u>\$ 1,585,419</u>	<u>133,814</u>	<u>1,451,605</u>

Proprietary Funds

Accounts receivable represents billings to other governmental entities for the housing of prisoners. No reserve has been established because the balances are owed by other governmental entities, and management believes that the balances are collectible. In addition, the proprietary funds had \$77,002 in gross receipts tax receivable at year end.

NOTE 4. INTERFUND OPERATING TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Transfers to the General fund from:	
Nonmajor governmental funds	<u>\$ 15,000</u>
Transfers from the General fund to:	
Prison Facility fund	\$ 312,052
Nonmajor governmental funds	371,884
	<u>\$ 683,936</u>
Transfers to the Debt Service fund from:	
Prison Facility fund	<u>\$ 525,669</u>
Transfers to the Prison Facility from:	
General fund	\$ 312,052
Nonmajor governmental funds	10,000
	<u>\$ 322,052</u>
Transfers from the Prison Facility to:	
Debt Service	<u>\$ 525,669</u>
Transfers from nonmajor governmental funds to:	
General fund	\$ 15,000
Prison Facility fund	10,000
	<u>\$ 25,000</u>
Transfers to nonmajor governmental funds from:	
General fund	<u>\$ 371,884</u>

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 4. INTERFUND OPERATING TRANSFERS (CONTINUED)

General fund transfers are revenue transfers and transfers of money to close funds which are not used. Transfers from the General fund to the Prison Facility were for the payment in lieu of taxes, and to provide operating money to the Prison Facility. All other transfers were to close unused funds, or to provide temporary liquidity to funds.

NOTE 5. INTERFUND BALANCES

Interfund balances at June 30, 2007 consisted of the following amounts:

Due to the General fund from:	
Prison Facility fund	\$ 492,814
Nonmajor governmental funds	174,421
Agency funds	<u>116,106</u>
	<u>\$ 783,341</u>
Due from the Prison Facility fund to:	
General fund	<u>\$ 492,814</u>
Due from nonmajor governmental funds to:	
General fund	<u>\$ 174,421</u>
Due from nonmajor governmental funds to:	
General fund	<u>\$ 116,106</u>

The due to/due from balance between the General and Prison Facility funds are related to a loan to fund operations at the Prison.

The due to/due from balance between the General and Nonmajor governmental funds is to reclass negative cash balances at year-end for state reporting purposes.

The due to/due from balance between the General and Agency funds is unknown.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 6. CAPITAL ASSETS

The changes in capital assets for the year are summarized as follows:

	Balance July 1, 2006	Additions	Deletions	Reclass	Balance June 30, 2007
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 84,000	-	-	-	84,000
Land – infrastructure	2,754,454	-	-	-	2,754,454
Work in process	637,985	246,694	(761,956)	60,212	182,935
Total, not depreciated	<u>3,476,439</u>	<u>246,694</u>	<u>(761,956)</u>	<u>60,212</u>	<u>3,021,389</u>
Capital assets, depreciated					
Buildings and improvements	4,506,715	761,956		8,889	5,277,560
Furniture and equipment	3,086,869	487,453		149,670	3,723,992
Automobiles	1,797,945	161,964	(64,567)	(208,695)	1,686,647
Infrastructure	13,315,067	-	-	-	13,315,067
County hospital	11,440,076	-	-	(10,076)	11,430,000
Total, depreciated	<u>34,146,672</u>	<u>1,411,373</u>	<u>(64,567)</u>	<u>(60,212)</u>	<u>35,433,266</u>
Accumulated depreciation for					
Buildings and improvements	1,200,271	171,189	-	8,889	1,380,349
Furniture and equipment	2,560,879	224,530	-	149,670	2,935,079
Automobiles	1,375,666	138,760	(64,567)	(148,483)	1,301,376
Infrastructure	10,082,284	443,836	-	-	10,526,120
County hospital	2,377,419	384,333	-	(10,076)	2,751,676
Total, accumulated depreciation	<u>17,596,519</u>	<u>1,362,648</u>	<u>(64,567)</u>	<u>-</u>	<u>18,894,600</u>
Total capital assets, depreciated, net	<u>16,550,153</u>	<u>48,725</u>	<u>-</u>	<u>(60,212)</u>	<u>16,538,666</u>
Total capital assets, net	<u>\$20,026,592</u>	<u>295,419</u>	<u>(761,956)</u>	<u>-</u>	<u>19,560,055</u>

Depreciation expense was charged to functions/programs of the government as follows:

General government	\$ 182,499
Public safety	344,566
Public works	399,768
Culture and recreation	105,054
Health and welfare	<u>330,761</u>
Total depreciation expense	<u>\$ 1,362,648</u>

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 6. CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Balance July 1, 2006	Additions	Deletions	Reclass	Balance June 30, 2007
Capital assets, not depreciated					
Land	\$ 124,966	-	-	-	124,966
Total, not depreciated	<u>124,966</u>	-	-	-	<u>124,966</u>
Capital assets, depreciated					
Buildings and improvement	7,717,721	-	-	-	7,717,721
Furniture and equipment	375,027	-	-	(38,713)	336,314
Automobiles	114,740	-	-	(862)	113,878
Total, depreciated	<u>8,207,488</u>	-	-	(39,575)	<u>8,167,913</u>
Total, accumulated depreciation	<u>813,725</u>	<u>307,973</u>	-	(39,575)	<u>1,082,123</u>
Total capital assets, depreciated, net	<u>\$7,518,729</u>	<u>(307,973)</u>	-	-	<u>7,210,756</u>

The County had the following special allocations at year end:

<u>Project Title</u>	<u>Award</u>	<u>Balance June 30, 2007</u>	<u>Term</u>	<u>Expenditures In FY 2007</u>	<u>Expenditures In FY 2008</u>
Cubero Wastewater	\$ 75,000	\$ 27,674	11/06 – 06/10	\$ 47,326	\$ 16,978
Courthouse	100,000	1,718	None stated	98,282	1,718
Cubero Wastewater	200,000	200,000	None stated	-	-

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 7. LONG-TERM DEBT

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities					
Long-term notes	\$ 1,416,756	1,027,469	(503,861)	1,940,364	208,736
GRT revenue bonds	7,695,000	12,745,000	(8,330,000)	12,110,000	550,000
Compensated absences	93,090	162,296	(93,090)	162,296	162,296
Total	<u>\$ 9,204,846</u>	<u>13,934,765</u>	<u>(8,926,951)</u>	<u>14,212,660</u>	<u>921,032</u>

Long-term Notes Payable. The County is obligated to the New Mexico Finance Authority under certain notes that are accounted for as a long-term notes payable at various interest rates. The assets are fire trucks and police vehicles and are accounted for in governmental capital assets.

The following is a schedule by years of future payments under notes payable:

Year ending June 30:

	Principal	Interest	Total
2008	\$ 208,736	57,351	266,087
2009	198,475	43,503	241,978
2010	192,737	38,445	231,182
2011	189,057	33,377	222,434
2012	194,740	28,124	222,864
2013 to 2017	502,964	77,922	580,886
2018 to 2022	213,100	42,196	255,296
2023 to 2027	240,555	17,604	258,159
Total	<u>\$ 1,940,364</u>	<u>338,522</u>	<u>2,278,886</u>

The County is obligated to pay the New Mexico Finance Authority \$37,519 in fees over the lives of the loans.

In addition, the County was obligated to Wells Fargo for a certain note that is accounted for as a long-term note payable. The purpose of the note was for designing, constructing, and making additions to a County Hospital facility (see the County Hospital footnote). The balance as of 6/30/06 was \$320,000. The balance was paid off as part of the debt refinancing that occurred in August of 2006.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 7. LONG-TERM DEBT (CONTINUED)

Gross Receipts Tax Revenue Bonds. On July 17, 1998, Cibola County adopted Ordinance No. 97-1 authorizing the issuance and sale of Cibola County, New Mexico Gross Receipts Tax Revenue Bonds not to exceed \$13,000,000 for the purpose of designing, constructing and making additions to a County Hospital facility. This ordinance was adopted pursuant to a general election held in November 1998 under the County Revenue Bond Act, Sections 4-62-1 et seq., NMSA 1978 and the Local Hospital Gross Receipts Tax Act, Section 7-20C-1 et seq., NMSA 1978 and 4-37-1. On September 10, 1997, Gross Receipts Tax Revenue Bond, Series 1997 in the principal amount of \$10,950,000 was sold. This note was paid in full in August 2006 as part of an advance refunding.

Advance Refunding of Debt. On August 20, 2006, the County issued \$12,745,000 in gross receipt tax refunding revenue bonds with an interest rate of 4.25%. The County issued the bonds to advance refund \$5,297,981 of the outstanding Series 1997 Gross Receipt Tax Revenue Bonds, and \$7,321,203 of the outstanding Series 2002 New Mexico Finance Authority Loan. The interest rates were 5.3% and 4.8%, respectively. The County used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 1997 and 2002 series bonds. As a result, that portion of the 1997 and 2002 series bonds are considered defeased, and the County has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$12,110,000 at July 30, 2007. Interest of \$446,797 was paid on this bond during the current year. The schedule of payments of principal and interest are as follows:

Fiscal Year Ended June 30:	Principal	Interest	Total
2008	\$ 550,000	539,375	1,089,375
2009	575,000	516,000	1,091,000
2010	600,000	491,563	1,091,563
2011	620,000	466,063	1,086,063
2012	645,000	439,713	1,084,713
2013 to 2017	3,670,000	1,764,413	5,434,413
2018 to 2022	1,410,000	1,169,825	2,579,825
2023 to 2027	1,785,000	802,938	2,587,938
2028 to 2032	<u>2,255,000</u>	<u>331,313</u>	<u>2,586,313</u>
Total	<u>\$ 12,110,000</u>	<u>6,521,203</u>	<u>18,631,203</u>

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 7. LONG-TERM DEBT (CONTINUED)

Accrued Compensated Absences. It is the policy of Cibola County to grant its employees annual leave based on the following schedule. Any unused annual leave is paid upon termination of employment. The maximum unused annual leave which an employee may accrue, unless expressly stated in the employment contract, is 30 days.

Total Years of County Service	Yearly Accumulation
0-4 (inclusive)	10 days
5-9 (inclusive)	15 days
10-14 (inclusive)	20 days
15-19 (inclusive)	25 days
20 or more	30 days

Compensated absences are paid from the fund that has incurred the liability. The liability is paid through the payroll process. The majority of compensated absences were incurred by the general fund.

NOTE 8. LONG-TERM DEBT – ENTERPRISE FUNDS

	June 30, 2006	Additions	Deletions	Balance June 30, 2007	Balance Due Within One Year
2002 NMFA Loan	\$ 7,496,728	-	(7,496,782)	-	-
Compensated absences	33,702	48,646	(33,702)	48,646	30,142
Total	<u>\$ 7,530,430</u>	<u>48,646</u>	<u>(7,530,484)</u>	<u>48,646</u>	<u>30,142</u>

2002 NMFA Loan. Cibola County paid off the 2002 NMFA Loan as part of the debt refinancing in August 2006. See Note 7.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 9. PROPERTY TAXROLL RECONCILIATION

Uncollected taxes at June 30, 2006	\$ 1,801,937
Net changes to tax roll	(84,817)
Changes in tax years	
Elimination of tax year 1996 – uncollected portion	(23,387)
Establishment of tax year 2006	6,778,608
Taxes collected during fiscal year	<u>(6,337,008)</u>
Uncollected property taxes at June 30, 2007	2,135,333
Allowance for doubtful accounts	<u>(382,325)</u>

Uncollected net taxes at June 30, 2007 1,753,008

Less taxes receivable collected in agency funds	<u>(1,139,455)</u>
County portion of property taxes receivable	613,553
Add gross receipts and other taxes receivable	<u>838,052</u>

Net taxes receivable - governmental funds \$ 1,451,605

Net taxes charged to Treasurer at June 30, 2003	\$ 46,086,768
Net changes to tax roll	(84,817)
Changes in tax years	
Elimination of tax year 1996	(3,605,889)
Establishment of tax year 2006	<u>6,778,608</u>

Net taxes charged to Treasurer at June 30, 2007 \$ 49,174,670

Property taxes receivable by years

1997	\$ 28,506
1998	34,336
1999	37,813
2000	42,485
2001	67,010
2002	149,961
2003	242,216
2004	337,109
2005	269,920
2006	<u>925,977</u>
	<u>\$ 2,135,333</u>

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 10. PERA PENSION PLAN

Plan Description: Substantially all of the Cibola County full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7.00% of their gross salary and the County is required to make a matching contribution of 7.00% to 15.00% for covered employees. The contribution requirements of plan members and the County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the years ending June 30, 2007, 2006, and 2005 were \$290,989, \$240,591, and, \$195,056, respectively, which equal to the amount of the required contributions for each fiscal year.

NOTE 11. POST-EMPLOYMENT BENEFITS

Plan Description. Cibola County contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Cibola County contributions to the RHCA for the years ended June 30, 2007, 2006 and 2005 were \$36,066, \$31,866 and \$31,267, respectively, which equal the required contributions for each year.

NOTE 12. RISK MANAGEMENT

Cibola County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and law enforcement liabilities. The County joined with other governments to form a Workers' Compensation Pool in July 1987 and a Multiline Pool in January 1989. These public entity risk pools operate as a common risk management and insurance program for workers' compensation and property and casualty coverage. The County pays an annual premium to the pools for general insurance coverage.

The pools are authorized by joint powers agreements entered into by each county as a separate and independent governmental and legal entity pursuant to the provisions of NMSA 1978 Sections 11-1-1 et seq. The agreements for formation of the Workers' Compensation Pool and Multiline Pool provide that the pools be self-sustaining through member premiums and reinsure through commercial companies for claims in excess of \$300,000 and \$250,000, respectively, for each insured event. Both pools are funded entirely by member contributions, and are administered by the New Mexico County Insurance Authority.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 12. RISK MANAGEMENT (CONTINUED)

The Workers' Compensation Pool provides workers' compensation coverage for all Cibola County employees, including temporary and part-time workers. There are 29 counties in this pool, which for fiscal year ended 2007, contributed a total of \$7,351,141. The premium that each county pays depends upon the payroll total and the loss experience specific to that county. For fiscal year ended 2007, Cibola County contributed \$103,010 to the Workers' Compensation Pool. The self-insured retention level for the pool during the period of coverage July 1, 2006 through June 30, 2007, was \$300,000 (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited, to a statutory limit of \$1,000,000.

The Multiline Pool provides property and casualty coverage for 28 counties. The coverage includes buildings and contents, automobile physical damage, general liability, personal injury (including civil rights), host and liquor liability, automotive liability, public officials' errors and omissions, money and securities, commercial blanket bond (employee fidelity), and depositor's forgery. The total premium for this pool was \$7,237,437 for the year ending December 31, 2007. Cibola County paid premiums of \$140,477 for the calendar year ended December 31, 2007. Cibola County paid premiums to the Law Enforcement Liability pool of \$171,615 for the year ended December 31, 2007. The total premium for this pool was \$6,840,482 for the year ended December 31, 2007.

The self-insured retention level for this pool during the period of coverage January 1, 2007 through December 31, 2007, is \$150,000 for property and \$250,000 for liability per occurrence (that is the maximum amount of coverage for each insured event before obtaining reinsurance).

The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited, to a statutory limit of \$1,000,000.

The pooling agreements require the pools to be self-sustaining; it is not possible to estimate the range of contingent losses to be covered by the County. The pool Boards retain a \$2,500,000 equity prior to evaluating any refunds to the participating counties based upon losses expensed and losses incurred. The pools retain the risk of loss to be shared proportionately by pool participants. The County does not retain the sole risk of losses incurred by the County. There were no payments in excess of insurance coverage for the years ended June 30, 2007, 2006, and 2005.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2007, which can be obtained from the New Mexico Association of Counties, 613 Old Santa Fe Trail, Santa Fe, New Mexico 87501.

The County continues to carry commercial insurance for all other risks of loss, including law enforcement liability, emergency medical, foreign jurisdiction and excess liability, boiler and machinery, and sheriff reserve and rescue personnel. There were no payments in excess of insurance coverage for the years ended June 30, 2007, 2006, and 2005.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 13. CIBOLA GENERAL HOSPITAL

NOTE 13.1. ORGANIZATION

Cibola General Hospital Corporation (Hospital or Corporation) is a New Mexico not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital is located in Grants, New Mexico. The primary interest of the Hospital is to provide medical services to the residents of Grants, Cibola County, and the surrounding area.

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

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

NOTE 13.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Risk Management. The Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Corporation has obtained commercial insurance coverage to protect itself against such losses.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 13. CIBOLA GENERAL HOSPITAL (CONTINUED)

NOTE 13.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Property and Equipment. Acquisitions of property and equipment are recorded at cost. Depreciation is provided over the estimated useful life of the asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying statements of activities.

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

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

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

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 13. CIBOLA GENERAL HOSPITAL (CONTINUED)

NOTE 13.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net Patient Service Revenue. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and for other services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

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

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

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

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 13. CIBOLA GENERAL HOSPITAL (CONTINUED)

NOTE 13.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 13.3. NET PATIENT SERVICE REVENUE

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

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

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.

Revenue from the Medicare and Medicaid programs accounted for approximately 52% and 51% of the Hospital's net patient revenue for the year ended June 30, 2007 and 2006, 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 2004 and prior have been settled. The Medicare cost report for 2005 and 2006 have been tentatively settled. Medicaid cost reports 2003 and prior have been settled and 2004 through 2006 are still open. Management believes that estimated settlements accrued for June 30, 2006 are adequate to provide for the settlement of all open cost reports.

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.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 13. CIBOLA GENERAL HOSPITAL (CONTINUED)

NOTE 13.3. NET PATIENT SERVICE REVENUE (CONTINUED)

Net patient service revenue consists of the following:

	2007	2006
Inpatient gross charges	\$ 9,802,678	7,517,437
Outpatient gross charges	17,350,332	14,519,733
Sole community provider	<u>2,327,071</u>	<u>1,945,202</u>
	29,480,081	23,982,372
Less:		
Third-party contractual discounts and allowances	11,454,500	8,237,217
Un-sponsored charges, including charity care	<u>713,213</u>	<u>499,806</u>
Net patient service revenue	<u>\$17,312,368</u>	<u>15,245,349</u>

NOTE 13.4. ASSETS LIMITED AS TO USE

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

	2007	2006
Certificates of deposit	\$ 5,190,742	4,971,847
Money market	4,577	93,294
Interest receivable	<u>80,594</u>	<u>58,127</u>
Total assets limited as to use	<u>\$ 5,275,913</u>	<u>5,123,268</u>

NOTE 13.5. PROPERTY AND EQUIPMENT

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

	2007	2006
Land	\$ 128,777	128,778
Building and land improvements	2,753,603	2,746,943
Equipment	<u>4,742,345</u>	<u>4,371,422</u>
	7,624,725	7,247,143
Accumulated depreciation and amortization	<u>(3,581,039)</u>	<u>(3,457,238)</u>
	4,043,686	3,789,905
Construction in progress	<u>150,145</u>	<u>6,963</u>
Total property and equipment	<u>\$ 4,193,831</u>	<u>3,796,868</u>

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 13. CIBOLA GENERAL HOSPITAL (CONTINUED)

NOTE 13.6. LONG-TERM DEBT

Long-term debt consists of the following:

	2007	2006
6.25% Gross receipts tax subordinate lien Hospital revenue bonds issued by the County, annualized debt service to be provided by the Corporation monthly through June 2010, unsecured	\$ -	320,000
Current maturities	<u>-</u>	<u>(75,000)</u>
Total long-term debt, less current maturities	<u>\$ -</u>	<u>245,000</u>

In July 2006, the Hospital escrowed \$330,400 as requested by Cibola County to pay off the principal and accrued interest of the supplemental bond (for hospital construction) in November 2006. The County paid the entire balance off in September 2006.

NOTE 13.7. MIL LEVY

Pursuant to New Mexico law adopted in 1980 and amended in 1981 allowing counties to provide expanded tax support to qualified hospitals, the County of Cibola approved a mil levy tax in 1998. The Hospital recorded \$856,955 and \$870,436 in the years ended June 30, 2007 and 2006, respectively, in mil levy proceeds. The amounts were used in accordance with the provisions of the property tax referendum. The Hospital receives mil levy taxes from the Treasurer of Cibola County. The County serves as the intermediary collecting agency and remits the Hospital's share of mil levy tax collections. The Hospital does not maintain detailed records of mil levy taxes receivable by the individual taxpayer.

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

NOTE 13.8. MEDICAL MALPRACTICE CLAIMS

The Hospital has purchased a commercial insurance policy on a claims-made basis for coverage of its professional liability exposure. Losses under this policy have not exceeded the coverage limits for the years ended June 30, 2007 and 2006. 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 COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 13. CIBOLA GENERAL HOSPITAL (CONTINUED)

NOTE 13.9. COMMITMENTS AND CONTINGENCIES

Operating Leases. The Hospital has agreed, as part of a settlement with the County of Cibola, to a ten-year lease agreement for the use of the Hospital facility effective March 31, 2004. The Hospital also leases various equipment under operating leases expiring at various dates through 2007. Total rental expense in 2007 and 2006 was \$455,853 and \$445,899, respectively.

The following schedule details future minimum lease payments as of June 30, 2007, for operating leases with initial or remaining lease terms in excess of one year:

Year Ending June 30,	
2008	\$ 325,961
2009	299,969
2010	270,508
2011	265,000
2012	265,000
Thereafter	<u>530,000</u>
	<u>\$ 1,956,438</u>

Litigation. The Hospital is involved in litigation and regulatory investigations 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 outstanding claims will not have a material adverse effect on the financial position or results of operations of the Hospital.

NOTE 13.10. PENSION PLAN

The Company has a 403(b) Plan (Plan) to provide retirement and incidental benefits for its employees. Employees may contribute up to a maximum annual amount as set periodically by the Internal Revenue Service. The Hospital matches 50% of an employee's contributions up to 5% of the employee's gross income. All matching contributions vest immediately. In addition, the Plan provides for discretionary contributions as determined by the Board of Directors. Company matching contributions to the Plan totaled \$62,008 and \$59,517 in 2007 and 2006, respectively.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 13. CIBOLA GENERAL HOSPITAL (CONTINUED)

NOTE 13.11. CONCENTRATION OF CREDIT RISK

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

	2007	2006
Medicare	18%	26%
Medicaid	26%	14%
Commercial insurance	14%	20%
All other payors	<u>42%</u>	<u>40%</u>
	<u>100%</u>	<u>100%</u>

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

NOTE 13.12. FUNCTIONAL EXPENSES

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

	2007	2006
Health care services	\$ 11,456,812	10,335,915
General and administrative	<u>6,227,410</u>	<u>5,745,632</u>
Total functional expenses	<u>\$ 17,684,222</u>	<u>16,081,547</u>

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 14. RESERVED FUND BALANCE

The New Mexico Department of Finance and Administration requires that 3/12 of budgeted expenditures be reserved as subsequent-year expenditures to maintain an adequate cash flow until the next significant property tax collection. The County reserves 3/12 of budgeted expenditures (\$987,927). DFA also requires a 1/12 reserve for county road funds (\$133,508).

NOTE 15. CONTINGENCIES

Litigation. The County is a defendant in a small number of lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Grant Compliance. The County receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantor. As of June 30, 2007, management estimates that no material liabilities will result from such audits.

NOTE 16. OPERATING LEASE

The County is obligated to Caterpillar Financial Services Corporation, under three leases accounted for as operating leases. The first lease is a five-year lease and is for the use of a grader. Monthly payments are \$1,450. The second lease is a five-year lease and is for the use of a grader. Monthly payments are \$1,585. The third lease is a five-year lease and is for the use of a grader. Monthly payments are \$1,807. Rent expense related to all leases was \$29,883 for 2007. The minimum lease payments for all leases are as follows:

2008	\$ 31,753
2009	32,439
2010	14,139
2011	14,901
2012	<u>13,027</u>
Total	<u>\$ 106,259</u>

NOTE 17. SPECIAL AUDIT CONDUCTED BY THE STATE AUDITOR

The New Mexico State Auditor's Office is conducting an investigation of the cash receipt practices in the Treasurer's Office. As of the date of the audit report and release date of the audit report, the investigation was still ongoing and the outcome of the investigation is unknown. A separate report on the investigation will be issued by the New Mexico State Auditor's Office upon completion of the investigation.

CIBOLA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 18. DEFICIT FUND BALANCE

The following funds had deficit fund balances at June 30, 2007:

Recreation	\$	6,222
San Rafael Water & Sanitation	\$	9,931

Future revenues will be used to correct these deficit balances.

NOTE 19. CONTINGENT DEBT OBLIGATION

On June 1, 1993, the County entered into a joint powers agreement to establish the Northwest New Mexico Solid Waste Authority (NWNMRSWA). The participants in the agreement are McKinley County, Cibola County, the City of Grants, the City of Gallup and the Village of Milan. NWNMRSWA's separately issued financial statements may be obtained from NWNMRSWA at P.O. Box 1330, Thoreau, New Mexico 87323.

In 1995, the County commissioners approved an ordinance which authorized the execution and delivery of a loan agreement and intercept agreement by and between the County and the New Mexico Finance Authority (NMFA), evidencing a special limited obligation of the County to pay a principal amount not to exceed \$8,250,000 together with interest thereon, for the purpose of acquiring and constructing a solid waste disposal facility as a member of the NWNMRSWA.

In 1998, the County Commissioners approved an ordinance which authorized the execution and delivery of a loan agreement and intercept agreement by and between the County and NMFA, evidencing a special limited obligation of the County to pay a principal amount not to exceed \$1,615,353 together with interest thereon, for the purpose of acquiring and constructing a solid waste disposal facility and refinancing certain lease purchase agreements, as a member of the NWNMRSWA.

In 2002, the County Commissioners approved an ordinance authorizing the execution and delivery of a loan agreement by and between the County and the NMFA. The loan agreement called for the issuance of a limited obligation to refund the note approved as described in the ordinances above. The obligation amount authorized by the ordinance was in the amount of \$5,600,000.

The debt obligations above are payable solely from the net revenues of NWNMRSWA as well as the environmental gross receipts tax revenues imposed on the participating entities.

CIBOLA COUNTY, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Taxes	\$ 1,301,250	1,301,250	1,119,148	(182,102)
Interest	74,310	891,796	289,943	(601,853)
Debt Proceeds	-	7,074,458	13,150,237	6,075,779
Other	93,363	326,915	326,915	-
Total revenues	<u>1,468,923</u>	<u>9,594,419</u>	<u>14,886,243</u>	<u>5,291,824</u>
Expenditures				
Investment maint and admin fees	2,890	2,890	-	2,890
Debt service	944,810	11,521,707	16,955,013	(5,433,306)
Other	2,050	301,765	644,308	(342,543)
Total expenditures	<u>949,750</u>	<u>11,826,362</u>	<u>17,599,321</u>	<u>(5,772,959)</u>
Excess (deficiency) of revenues over expenditures	<u>519,173</u>	<u>(2,231,943)</u>	<u>(2,713,078)</u>	<u>(481,135)</u>
Other financing sources (uses):				
Operating transfers	(120)	(419,721)	525,669	945,390
Total other financing sources (uses)	<u>(120)</u>	<u>(419,721)</u>	<u>525,669</u>	<u>945,390</u>
Net change in fund balance	<u>\$ 519,053</u>	<u>(2,651,664)</u>	<u>(2,187,409)</u>	<u>464,255</u>

See Notes to Financial Statements.

CIBOLA COUNTY, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
PROPRIETARY FUND- PRISON FACILITY
Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 803,014	803,014	343,968	(459,046)
Fees and services	1,807,500	2,009,276	2,369,313	360,037
Income on investments	-	-	95,890	95,890
Miscellaneous	8,900	18,667	23,279	4,612
Total revenues	2,619,414	2,830,957	2,832,450	1,493
Expenditures				
Care of prisoners	2,564,934	2,932,643	2,810,162	122,481
Depreciation	300,000	300,000	307,973	(7,973)
Debt service - principal	151,682	-	-	-
Debt service - interest	362,590	269,115	88,984	180,131
Total expenditures	3,379,206	3,501,758	3,207,119	294,639
Excess (deficiency) of revenues over expenditures	(759,792)	(670,801)	(374,669)	296,132
Other financing sources (uses)				
Operating transfers	759,792	759,792	(203,617)	(963,409)
Total other financing sources (uses)	759,792	759,792	(203,617)	(963,409)
Net change in fund balance	\$ -	88,991	(578,286)	(667,277)

CIBOLA COUNTY, NEW MEXICO
DESCRIPTION OF NON MAJOR FUNDS - SPECIAL REVENUE FUNDS
June 30, 2007

Grant Funds. To account for various federal, state and other grant funding sources received by the County. The grants are restricted to specific purposes as agreed to between the County and the funding source as enumerated in the grant agreement/contract.

Emergency Medical Services. To account for the expenditure of grant monies received for emergency medical services within the County. See Section 24-10A-6, NMSA 1978.

Fire Districts. To account for the expenditure of funds received from the State under the State's Fire Allotment Program. This money is used in support of County volunteer fire departments. Such revenue provides for payment of all current operating costs and may be used only for that purpose. Authority is NMSA 59-53-1.

Farm and Range. To account for revenues and expenditures relating to predatory animal control and secondary road maintenance. Financing is provided by the County's share of state grazing fees. Such fees are provided for payment of all current operating costs and may be used for that purpose only. Authority is NMSA 6-11-6.

Recreation. To account for revenues and expenditures relating to County recreational facilities and programs. Financing is provided by the State. Such revenue provides for payment of all current operating costs and may be used for that purpose only. Authority is NMSA 7-12-15.

County Fire Protection. To account for the expenditure of funds received from a percentage of gross receipts. This money is used in support of County volunteer fire department and is distributed by the County manager based on need for the fire district. Such revenue provides for payment of all current operating costs and may be used only for that purpose pursuant to section 29-13-4, NMSA 1978.

County Clerk Record and Filing. To account for funds created by the State requiring a two dollar fee added to service provided by the County clerk. This money must be set aside for capital outlay, rent, purchase lease or lease purchase equipment associated with recording, filing, maintaining documents and training on office procedures and equipment. See Section 14-8-12.2 NMSA 1978.

Law Enforcement Protection. To account for the expenditure of grant monies received to enhance the law enforcement function within the County. Financing is provided from the State under NMSA 23-12-1.

Reappraisal. To account for the funds from property taxes allotted for the reappraisal of property within the County pursuant to Section 7-38-38.1 NMSA.

San Rafael Water and Sanitation. To account for the expenditures of legislative grant monies to construct a fence around the water and sanitation area in San Rafael.

CIBOLA COUNTY, NEW MEXICO
DESCRIPTION OF NON MAJOR FUNDS - CAPITAL PROJECTS FUNDS
June 30, 2007

Court Complex Renovation. To account for the capital outlay related to the renovation of the court complex. Funding for this project is a combination of State and local money.

Cubero VFD Construction. To account for the construction of a fire station for the Cubero Volunteer Fire Department. Funding for this derived from the distributions of fire protection fund revenues distributed by the State Treasurer.

Computer Equipment and Software. To account for the cost of purchasing computer equipment and related software for use by the County. Funding for this project is derived from the County's gross receipts tax.

Cubero Fire Station. To account for the construction of a fire station for the Cubero Volunteer Fire Department. Funding for this derived from the distributions of fire protection fund revenues distributed by the State treasurer.

Capital Outlay Project Fund. To account for the construction, repair, and purchase of equipment and vehicles for various projects. Funding is from a combination of State and local money.

CIBOLA COUNTY, NEW MEXICO
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			
	Grants	Emergency Medical Services	Farm and Range	Recreation
ASSETS				
Cash and investments	\$ 55,230	71,114	-	-
Receivables				
Taxes, net of allowance	-	-	-	52
Intergovernmental	36,733	-	-	-
Miscellaneous	-	-	-	-
Total assets	\$ 91,963	71,114	-	52
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES				
Accounts payable	\$ 7,487	73	-	6,259
Other accrued expenses	-	-	-	-
Due to other funds	64,274	-	-	-
Deferred revenue	-	-	-	15
Total liabilities	71,761	73	-	6,274
EQUITY AND OTHER CREDITS				
Fund balance				
Reserved				
Reserved for subsequent years' expenditures	-	-	-	-
Reserved for encumbrances	-	-	-	-
Unreserved, undesignated	20,202	71,041	-	(6,222)
Total equity and other credits	20,202	71,041	-	(6,222)
Total liabilities, equity and other credits	\$ 91,963	71,114	-	52

CIBOLA COUNTY, NEW MEXICO
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2007

	Special Revenue			
	San Rafael Water & Sanitation	County Fire Protection	County Clerk Recording & Filing	VFD
ASSETS				
Cash and investments	\$ -	377,074	72,677	748,528
Receivables				
Taxes, net of allowance	-	28,609	-	-
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Total assets	\$ -	405,683	72,677	748,528
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES				
Accounts payable	\$ -	-	-	11,809
Other accrued expenses	-	-	-	-
Due to other funds	9,931	-	-	1,880
Deferred revenue	-	3,980	-	-
Total liabilities	9,931	3,980	-	13,689
EQUITY AND OTHER CREDITS				
Fund balance				
Reserved				
Reserved for subsequent years' expenditures	-	-	-	-
Reserved for encumbrances	-	-	-	-
Unreserved, undesignated	(9,931)	401,703	72,677	734,839
Total equity and other credits	(9,931)	401,703	72,677	734,839
Total liabilities, equity and other credits	\$ -	405,683	72,677	748,528

CIBOLA COUNTY, NEW MEXICO
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2007

	Special Revenue		
	Law Enforcement Protection	Reappraisal	Special Revenue Total
ASSETS			
Cash and investments	\$ 9,245	103,698	1,437,566
Receivables			
Taxes, net of allowance	-	-	28,661
Intergovernmental	-	-	36,733
Miscellaneous	-	-	-
Total assets	\$ 9,245	103,698	1,502,960
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES			
Accounts payable	\$ 4,538	-	30,166
Other accrued expenses	-	-	-
Due to other funds	-	-	76,085
Deferred revenue	-	-	3,995
Total liabilities	4,538	-	110,246
EQUITY AND OTHER CREDITS			
Fund balance			
Reserved			
Reserved for subsequent years' expenditures	-	-	-
Reserved for encumbrances	-	-	-
Unreserved, undesignated	4,707	103,698	1,392,714
Total equity and other credits	4,707	103,698	1,392,714
Total liabilities, equity and other credits	\$ 9,245	103,698	1,502,960

CIBOLA COUNTY, NEW MEXICO
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2007

	Capital Projects			
	Cubero Fire Station	Court Complex Renovation	Computer Equipment & Software	Cubero Volunteer Fire Dept.
ASSETS				
Cash and investments	\$ -	-	416,252	259,537
Receivables				
Taxes, net of allowance	-	-	-	-
Intergovernmental	24,498	19,753	-	-
Miscellaneous	-	-	-	-
Total assets	\$ 24,498	19,753	416,252	259,537
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES				
Accounts payable	\$ -	-	-	-
Other accrued expenses	-	-	-	-
Due to other funds	24,498	19,753	-	-
Deferred revenue	-	-	-	-
Total liabilities	24,498	19,753	-	-
EQUITY AND OTHER CREDITS				
Fund balance				
Reserved				
Reserved for subsequent years' expenditures	-	-	-	-
Reserved for encumbrances	-	-	-	-
Unreserved, undesignated	-	-	416,252	259,537
Total equity and other credits	-	-	416,252	259,537
Total liabilities, equity and other credits	\$ 24,498	19,753	416,252	259,537

CIBOLA COUNTY, NEW MEXICO
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2007

	Capital Projects		Total Nonmajor Governmental Funds
	Capital Outlay Project Transfers	Capital Projects Total	
ASSETS			
Cash and investments	\$ 226,263	902,052	2,339,618
Receivables			
Taxes, net of allowance	-	-	28,661
Intergovernmental	-	44,251	80,984
Miscellaneous	166,561	166,561	166,561
Total assets	\$ 392,824	1,112,864	2,615,824
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES			
Accounts payable	\$ 28,999	28,999	59,165
Other accrued expenses	-	-	-
Due to other funds	54,085	98,336	174,421
Deferred revenue	-	-	3,995
Total liabilities	83,084	127,335	237,581
EQUITY AND OTHER CREDITS			
Fund balance			
Reserved			
Reserved for subsequent years' expenditures	-	-	-
Reserved for encumbrances	-	-	-
Unreserved, undesignated	309,740	985,529	2,378,243
Total equity and other credits	309,740	985,529	2,378,243
Total liabilities, equity and other credits	\$ 392,824	1,112,864	2,615,824

CIBOLA COUNTY, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Special Revenue			
	Grants	Emergency Medical Services	Farm and Range	Recreation
Revenues				
Local taxes	\$ -	-	-	330
Intergovernmental	1,115,779	59,490	-	-
Licenses and permits	45,367	-	3,771	-
Miscellaneous	140	-	-	279
Total revenues	1,161,286	59,490	3,771	609
Expenditures				
Current				
General government	52,102	-	-	-
Public safety	1,418,239	43,067	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	67,479
Health and welfare	-	-	19,000	-
Capital outlay	21,604	-	-	-
Debt service	-	-	-	-
Total expenditures	1,491,945	43,067	19,000	67,479
(Deficiency) of revenues over expenditures before other financing sources (uses)	(330,659)	16,423	(15,229)	(66,870)
Other Financing Sources (Uses)				
Other financing sources	-	-	-	-
Operating transfers, in	289,279	-	15,229	67,376
Operating transfers, out	-	-	-	-
Total other financing sources (uses)	289,279	-	15,229	67,376
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(41,380)	16,423	-	506
Fund balances, beginning of year	61,582	54,618	-	(6,728)
Fund balances, end of year	\$ 20,202	71,041	-	(6,222)

CIBOLA COUNTY, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year Ended June 30, 2007

	Special Revenue			
	San Rafael Water & Sanitation	County Fire Protection	County Clerk Recording & Filing	VFD
Revenues				
Local taxes	\$ -	104,221	-	-
Intergovernmental	-	-	-	657,722
Licenses and permits	(9,931)	-	16,941	-
Miscellaneous	-	-	-	822
Total revenues	(9,931)	104,221	16,941	658,544
Expenditures				
Current				
General government	-	-	794	-
Public safety	-	2,368	-	408,413
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	4,853	3,109	41,482
Debt service	-	-	-	52,677
Total expenditures	-	7,221	3,903	502,572
(Deficiency) of revenues over expenditures before other financing sources (uses)	(9,931)	97,000	13,038	155,972
Other Financing Sources (Uses)				
Other financing sources	-	-	-	67,703
Operating transfers, in	-	-	-	-
Operating transfers, out	-	(25,000)	-	-
Total other financing sources (uses)	-	(25,000)	-	67,703
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(9,931)	72,000	13,038	223,675
Fund balances, beginning of year	-	329,703	59,639	511,164
Fund balances, end of year	\$ (9,931)	401,703	72,677	734,839

CIBOLA COUNTY, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year Ended June 30, 2007

	Special Revenue		Special Revenue Total
	Law Enforcement Protection	Reappraisal	
Revenues			
Local taxes	\$ -	-	104,551
Intergovernmental	25,400	-	1,858,391
Licenses and permits	-	39,699	95,847
Miscellaneous	-	-	1,241
Total revenues	25,400	39,699	2,060,030
Expenditures			
Current			
General government	-	5,392	58,288
Public safety	13,034	-	1,885,121
Public works	-	-	-
Culture and recreation	-	-	67,479
Health and welfare	-	-	19,000
Capital outlay	12,573	8,819	92,440
Debt service	-	-	52,677
Total expenditures	25,607	14,211	2,175,005
(Deficiency) of revenues over expenditures before other financing sources (uses)	(207)	25,488	(114,975)
Other Financing Sources (Uses)			
Other financing sources	-	-	67,703
Operating transfers, in	-	-	371,884
Operating transfers, out	-	-	(25,000)
Total other financing sources (uses)	-	-	414,587
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(207)	25,488	299,612
Fund balances, beginning of year	4,914	78,210	1,093,102
Fund balances, end of year	\$ 4,707	103,698	1,392,714

CIBOLA COUNTY, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year Ended June 30, 2007

	Capital Projects			
	Cubero Fire Station	Court Complex Renovation	Computer Equipment Software	Cubero Volunteer Fire Dept.
Revenues				
Local taxes	\$ -	-	76,250	-
Intergovernmental	59,093	94,032	33,081	14,112
Licenses and permits	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	59,093	94,032	109,331	14,112
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	59,093	94,032	12,415	-
Debt service	-	-	91,295	-
Total expenditures	59,093	94,032	103,710	-
(Deficiency) of revenues over expenditures before other financing sources (uses)	-	-	5,621	14,112
Other Financing Sources (Uses)				
Other financing sources	-	-	-	-
Operating transfers, in	-	-	-	-
Operating transfers, out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	5,621	14,112
Fund balances, beginning of year	-	-	410,631	245,425
Fund balances, end of year	\$ -	-	416,252	259,537

CIBOLA COUNTY, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year Ended June 30, 2007

	Capital Projects		Total Nonmajor Governmental Funds
	Capital Outlay Projects Transfers	Capital Projects Total	
Revenues			
Local taxes	\$ -	76,250	180,801
Intergovernmental	-	200,318	2,058,709
Licenses and permits	-	-	95,847
Miscellaneous	772,072	772,072	773,313
Total revenues	772,072	1,048,640	3,108,670
Expenditures			
Current			
General government	-	-	58,288
Public safety	-	-	1,885,121
Public works	443,848	443,848	443,848
Culture and recreation	-	-	67,479
Health and welfare	-	-	19,000
Capital outlay	589,034	754,574	847,014
Debt service	-	91,295	143,972
Total expenditures	1,032,882	1,289,717	3,464,722
(Deficiency) of revenues over expenditures before other financing sources (uses)	(260,810)	(241,077)	(356,052)
Other Financing Sources (Uses)			
Other financing sources	554,529	554,529	622,232
Operating transfers, in	-	-	371,884
Operating transfers, out	-	-	(25,000)
Total other financing sources (uses)	554,529	554,529	969,116
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	293,719	313,452	613,064
Fund balances, beginning of year	16,021	672,077	1,765,179
Fund balances, end of year	\$ 309,740	985,529	2,378,243

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS-
GRANTS
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ 554,002	1,265,428	1,115,779	(149,649)
Licenses and permits	60,000	60,000	45,367	(14,633)
Miscellaneous	-	140	140	-
Total revenues	614,002	1,325,568	1,161,286	(164,282)
Expenditures				
General government	57,734	59,965	52,102	7,863
Public safety	939,111	1,631,569	1,418,239	213,330
Capital outlay	23,000	43,337	21,604	21,733
Total expenditures	1,019,845	1,734,871	1,491,945	242,926
Excess (deficiency) of revenues over expenditures	(405,843)	(409,303)	(330,659)	78,644
Other Financing Sources (Uses)				
Operating transfers	403,917	403,917	289,279	(114,638)
Total other financing sources (uses)	403,917	403,917	289,279	(114,638)
Net change in fund balance	(1,926)	(5,386)	(41,380)	(35,994)
Prior year cash appropriations	1,926			
\$	-			

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS-
EMERGENCY MEDICAL SERVICES
Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental	\$ 59,445	59,490	59,490	-
Miscellaneous	-	-	-	-
Total revenues	59,445	59,490	59,490	-
Expenditures				
Capital outlay	3,565	3,565	-	3,565
Public safety	79,900	82,291	43,067	39,224
Total expenditures	83,465	85,856	43,067	42,789
Excess (deficiency) of revenues over expenditures	(24,020)	(26,366)	16,423	42,789
Net change in fund balances	(24,020)	(26,366)	16,423	42,789
Prior year cash appropriations	24,020			
\$	-			

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS-
FARM AND RANGE
Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Licenses and permits	\$ 6,978	6,978	3,771	(3,207)
Total revenues	6,978	6,978	3,771	(3,207)
Expenditures				
Health and welfare	19,000	19,000	19,000	-
Total expenditures	19,000	19,000	19,000	-
Excess (deficiency) of revenues over expenditures	(12,022)	(12,022)	(15,229)	(3,207)
Other financing sources (uses)				
Operating transfers in	12,022	15,229	15,229	-
Total other financing sources (uses)	12,022	15,229	15,229	-
Net change in fund balances	\$ -	3,207	-	(3,207)

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS-
RECREATION
Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local taxes	\$ 500	500	330	(170)
Miscellaneous	-	280	279	(1)
Total revenues	500	780	609	(171)
Expenditures				
Culture and recreation	68,317	68,317	67,479	838
Total expenditures	68,317	68,317	67,479	838
Excess (deficiency) of revenues over expenditures	(67,817)	(67,537)	(66,870)	667
Other financing sources (uses)				
Operating transfers in	68,317	68,317	67,376	(941)
Total other financing sources (uses)	68,317	68,317	67,376	(941)
Net change in fund balances	\$ 500	780	506	(274)

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS-
SAN RAFAEL WATER & SANITATION
Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Licenses and permits	\$ 10,000	10,000	(9,931)	(19,931)
Total revenues	10,000	10,000	(9,931)	(19,931)
Expenditures				
Capital outlay	70	70	-	70
Total expenditures	70	70	-	70
Excess (deficiency) of revenues over expenditures	9,930	9,930	(9,931)	(19,861)
Net change in fund balances	\$ 9,930	9,930	(9,931)	(19,861)

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS-
COUNTY FIRE PROTECTION
Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Local Taxes	\$ 80,000	80,000	104,221	24,221
Other		-	-	-
Total revenues	80,000	80,000	104,221	24,221
Expenditures				
Capital outlay	-	5,000	4,853	147
Public safety	22,310	17,310	2,368	14,942
Total expenditures	22,310	22,310	7,221	15,089
Excess (deficiency) of revenues over expenditures	57,690	57,690	97,000	39,310
Other financing sources (uses)				
Operating transfers out	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	(25,000)	(25,000)	(25,000)	-
Net change in fund balances	\$ 32,690	32,690	72,000	39,310

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS-
COUNTY CLERK RECORDING AND FILING
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Licenses and permits	\$ 16,000	16,000	16,941	941
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>16,941</u>	<u>941</u>
Expenditures				
Capital outlay	5,000	5,000	3,109	1,891
General governmental	1,500	1,500	794	706
Total expenditures	<u>6,500</u>	<u>6,500</u>	<u>3,903</u>	<u>2,597</u>
Excess (deficiency) of revenues over expenditures	<u>9,500</u>	<u>9,500</u>	<u>13,038</u>	<u>3,538</u>
Other financing sources (uses)				
Operating transfers out	(25,000)	(25,000)	-	25,000
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
Net change in fund balance	<u>(15,500)</u>	<u>(15,500)</u>	<u>13,038</u>	<u>28,538</u>
Prior year cash appropriation	15,500			
	<u>\$ -</u>			

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS-
FIRE DISTRICTS
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues				
Income from investments	\$ -	48	742	694
Intergovernmental	339,411	657,722	657,722	-
Miscellaneous	-	57	80	23
Total revenues	339,411	657,827	658,544	717
Expenditures				
Capital outlay	184,598	172,581	41,482	131,099
Public Safety	368,438	695,534	461,090	234,444
Total expenditures	553,036	868,115	502,572	365,543
Excess (deficiency) of revenues over expenditures	(213,625)	(210,288)	155,972	1,161,116
Other financing sources (uses)				
Debt proceeds	-	-	67,703	67,703
Net change in fund balance	(213,625)	(210,288)	223,675	366,260
Prior year cash appropriation	213,625			
	<u>\$ -</u>			

See Notes to Financial Statements.

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS-
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 25,400	25,400	25,400	-
Total revenues	25,400	25,400	25,400	-
Expenditures				
Capital outlay	100	12,573	12,573	-
Public safety	25,300	13,037	13,034	3
Total expenditures	25,400	25,610	25,607	3
Fund balance, end of year	\$ -	(210)	(207)	3

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS-
REAPPRAISAL
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 35,000	35,000	39,699	4,699
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>39,699</u>	<u>4,699</u>
Expenditures				
Capital outlay	6,350	12,350	8,819	3,531
General governmental	24,234	18,234	5,392	12,842
Total expenditures	<u>30,584</u>	<u>30,584</u>	<u>14,211</u>	<u>16,373</u>
Net change in fund balance	<u>\$ 4,416</u>	<u>4,416</u>	<u>25,488</u>	<u>21,072</u>

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
CAPITAL PROJECTS FUNDS-
CUBERO FIRE STATION
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget- Favorable (Unfavorable)
Revenues				
Income on investments	\$ -	5,460	-	(5,460)
Intergovernmental	244,000	244,000	59,093	(184,907)
Total revenues	244,000	249,460	59,093	(190,367)
Expenditures				
Capital outlay	240,331	240,331	59,093	181,238
Total expenditures	240,331	240,331	59,093	181,238
Net change in fund balance	\$ 3,669	9,129	-	(9,129)

**CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
CAPITAL PROJECTS FUNDS-
COURT COMPLEX RENOVATION
Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ 74,279	74,279	94,032	19,753
Total revenues	<u>74,279</u>	<u>74,279</u>	<u>94,032</u>	<u>19,753</u>
Expenditures				
Capital outlay	74,279	174,279	94,032	80,247
Total expenditures	<u>74,279</u>	<u>174,279</u>	<u>94,032</u>	<u>80,247</u>
Net change in fund balance	<u>\$ -</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
CAPITAL PROJECTS FUNDS-
COMPUTER EQUIPMENT SOFTWARE
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Income on investments	\$ -	17,213	-	(17,213)
Local taxes	-	-	76,250	76,250
Intergovernmental	564,729	564,729	33,081	(531,648)
Total revenues	<u>564,729</u>	<u>581,942</u>	<u>109,331</u>	<u>(472,611)</u>
Expenditures				
General governmental	564,729	23,546	91,295	(67,749)
Capital outlay	-	541,184	12,415	528,769
Total expenditures	<u>564,729</u>	<u>564,730</u>	<u>103,710</u>	<u>461,020</u>
Net change in fund balance	<u>\$ -</u>	<u>17,212</u>	<u>5,621</u>	<u>(11,591)</u>

**CIBOLA COUNTY, NEW MEXICO
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET TO ACTUAL
 CAPITAL PROJECTS FUNDS-
 CUBERO VOLUNTEER FIRE DEPARTMENT
 Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ -	-	14,112	14,112
Total revenues	-	-	14,112	14,112
Expenditures				
General government	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	\$ -	-	14,112	14,112

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
CAPITAL PROJECTS FUNDS-
CAPITAL OUTLAY PROJECTS TRANSFERS
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues				
Income from investments	\$ -	7,370	13,552	6,182
Intergovernmental	1,886,736	1,886,736	758,520	(1,128,216)
Miscellaneous	-	-	-	-
Other financing sources	-	-	554,529	
Total revenues	1,886,736	1,894,106	1,326,601	(1,122,034)
Expenditures				
Capital outlay	205,000	506,384	589,034	(82,650)
Public works	1,581,765	1,180,381	443,848	736,533
Total expenditures	1,786,765	1,686,765	1,032,882	653,883
Net change in fund balance	\$ 99,971	207,341	293,719	(468,151)

CIBOLA COUNTY, NEW MEXICO
DESCRIPTION OF NON MAJOR FUNDS - AGENCY FUNDS
June 30, 2007

Overpayment of Taxes. To account for overpayments which are held until a refund request is processed.

DHS Child Trust. To record fees for issuing and recording marriage licenses. The money is remitted to the Children's Trust Fund at the State of New Mexico.

Taxes Paid in Advance (including taxes paid in advance 02 and 03). To account for prepayments on property taxes in advance of billing.

Tax Suspense. To account for tax payments when a valuation protest has not been resolved.

State Cost. To account for collection costs associated with collection of taxes delinquent for more than two years. These amounts are remitted to the State of New Mexico.

Taxes Paid in Protest. To account for taxes paid under protest which are held until the protest is settled.

Undistributed Taxes Current. To account for current property tax payments received prior to distribution to various government entities.

Undistributed Taxes Delinquent. To account for delinquent property tax, interest and penalty payments received prior to distribution to various government entities.

**CIBOLA COUNTY, NEW MEXICO
STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS
Year Ended June 30, 2007**

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
OVERPAYMENT OF TAXES				
Assets				
Cash	\$ 1,550	10,369	13,196	(1,277)
Liabilities				
Deposits held in trust for others	\$ 1,550	10,369	13,196	(1,277)
TAXES PAID IN ADVANCE				
Assets				
Cash	\$ 21,272	22,648	30,719	13,201
Liabilities				
Deposits held in trust for others	\$ 21,272	22,648	30,719	13,201
TAX SUSPENSE				
Assets				
Cash	\$ 333,121	7,409,444	7,873,159	(130,594)
Liabilities				
Deposits held in trust for others	\$ 333,121	7,409,444	7,873,159	(130,594)
STATE COST				
Assets				
Cash	\$ 7,765	3,114	4,153	6,726
Liabilities				
Deposits held in trust for others	\$ 7,765	3,114	4,153	6,726
UNDISTRIBUTED TAXES CURRENT				
Assets				
Cash	\$ 266,021	1,335,718	1,601,739	-
Liabilities				
Deposits held in trust for others	\$ 266,021	1,335,718	1,601,739	-

**CIBOLA COUNTY, NEW MEXICO
STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS - CONTINUED
Year Ended June 30, 2007**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
UNDISTRIBUTED TAXES DELINQUENT				
Assets				
Cash	\$ (629,729)	1,787,671	1,045,998	111,944
	<u>\$ (629,729)</u>	<u>1,787,671</u>	<u>1,045,998</u>	<u>111,944</u>
Liabilities				
Deposits held in trust for others	\$ (660,486)	1,702,322	1,045,998	(4,162)
Due to other funds	30,757	116,106	30,757	116,106
	<u>\$ (629,729)</u>	<u>1,818,428</u>	<u>1,076,755</u>	<u>111,944</u>
<u>TOTAL - ALL AGENCY FUNDS</u>				
Assets				
Cash	\$ -	10,568,964	10,568,964	-
Total Assets	<u>\$ -</u>	<u>10,568,964</u>	<u>10,568,964</u>	<u>-</u>
Liabilities				
Deposits held in trust for others	\$ (30,757)	10,452,858	10,538,207	(116,106)
Due to other funds	30,757	116,106	30,757	116,106
Total Liabilities	<u>\$ -</u>	<u>10,568,964</u>	<u>10,568,964</u>	<u>-</u>

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2007

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Wells Fargo Bank	Operating	Checking	\$ 7,862,779	\$ 7,235,929
Wells Fargo Bank	Savings	Savings	599,499	599,499
Wells Fargo Bank	Savings	Savings	19,318	19,318
Grants State Bank	Inmate Trust	Checking	349,706	343,241
First Community Bank	Savings	Savings	82,708	82,708
			<u>8,914,010</u>	<u>8,280,695</u>
Petty Cash			-	400
			<u>8,914,010</u>	<u>8,281,095</u>
Bank of Albuquerque	Investment	Investment	25	25
Bank of Albuquerque	Investment	Investment	1,944	1,944
Bank of Albuquerque	Investment	Investment	68,349	68,349
Wells Fargo Bank	Suspense	Investment	54	54
Bank of Albuquerque	NMFA Computer Program Account	Investment	357,971	357,971
Bank of Albuquerque	NMFA Cubero VFD Program Account	Investment	259,537	259,537
Bank of Albuquerque	NMFA Cebolleta Fire DS Account	Investment	708	708
Bank of Albuquerque	NMFA Candy Kitchen DS Account	Investment	2,468	2,468
Bank of Albuquerque	NMFA Lobo Canyon Fire DS Account	Investment	523	523
Bank of Albuquerque	NMFA Bluewater Fire Equip 1 DS Account	Investment	363	363
Bank of Albuquerque	NMFA San Rafael VFD DS Account	Investment	483	483
Bank of Albuquerque	NMFA Bluewater Fire Equip 2 DS Account	Investment	1,667	1,667
Bank of Albuquerque	NMFA Cibola County Computer DS Reserve	Investment	59,559	59,559
Bank of Albuquerque	NMFA Cibloa County Candy Kitchen VFD Account	Investment	250,761	250,761
Bank of Albuquerque	NMFA Front End Loader DS Account	Investment	4,226	4,226
Bank of Albuquerque	NMFA Computer Loan DS Account	Investment	67,460	67,460
Bank of New York	Debt Service Reserve Account	Investment	348	348
Bank of New York	Debt Service Reserve Account - Bond Fund	Investment	1,404	1,404
Bank of New York	Debt Service Reserve Account	Investment	45,838	45,838
Bank of New York	Debt Service Reserve Account	Investment	446	446
State of New Mexico	Local Government Investment Pool	Investment	3,677	-
Bank of Albuquerque	Candy Kitchen DS Reserve	Investment	38,147	38,147
Grants State Bank	Inmate Trust Account	Investment	13,826	13,826
Westdeutsche Landesbank	2006 A & B Bond Reserve	Investment	861,512	861,512
			<u>2,041,296</u>	<u>2,037,619</u>
Total deposit and investment accounts			<u>\$ 10,955,306</u>	<u>\$ 10,318,714</u>

**CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL**

June 30, 2007

Deposits at June 30, 2007	Wells Fargo Bank	Grants State Bank	First Community Bank	Total
Less: FDIC coverage	\$ 8,481,596	349,706	82,708	8,914,010
Uninsured Public Funds	200,000	100,000	82,708	382,708
Pledged collateral held by the pledging bank's trust department or agent but not in the County's name	8,281,596	249,706	-	8,531,302
Uninsured and uncollateralized	10,616,578	2,399,150	-	13,015,728
	\$ (2,334,982)	(2,149,444)	-	(4,484,426)
50% pledged collateral requirement per statute	\$ 4,140,798	124,853	-	4,265,651
Total pledged collateral	10,616,578	2,399,150	-	13,015,728
Pledged collateral under (over) requirement	\$ (6,475,780)	(2,274,297)	-	(8,750,077)

Pledged collateral at June 30, 2007 consists of the following:

Security	CUSIP	Maturity	Market Value	Market Value	Market Value	Total
Eastern NM Univ NC	27678NAC7	8/15/2007	\$ -	274,414	-	274,414
W Las Vegas Scho Noncall FR	953769FM3	7/1/2008	-	70,144	-	70,144
Torrance Etc Cnty SD NC FR	891400JK0	7/1/2008	-	100,759	-	100,759
W Las Vegas Scho Noncall FR	953769FN1	7/1/2009	-	69,920	-	69,920
Silver City Sales Tax Nonc FR	827517EL3	7/1/2009	-	100,422	-	100,422
West Las Vegas SD Noncall FR	953769FF8	7/1/2010	-	80,736	-	80,736
Santa Rosa Noncall FR	802751CU9	7/1/2010	-	49,137	-	49,137
Los Lunas SD Call FR	545562JV3	7/15/2010	-	99,898	-	99,898
Torr & Soc Cntys Noncall FR	891341BG3	9/1/2010	-	54,436	-	54,436
Farmington Sales Tax NC FR	311455EW5	6/15/2011	-	177,244	-	177,244
West Las Vegas SD Noncall FR	953769FG6	7/1/2011	-	86,222	-	86,222
Santa Rosa Noncall FR	802751CV7	7/1/2011	-	48,813	-	48,813
Torr & Soc Cntys Noncall FR	891341BH1	9/1/2011	-	9,782	-	9,782
Socorro SD Noncall FR	83368PBF2	8/1/2012	-	55,203	-	55,203

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL - CONTINUED
June 30, 2007

Gadsden ISD Call FR	362550JK2	8/15/2012	-	196,294	-	196,294
Torr & Soc Cnty Noncall FR	891341BJ7	9/1/2012	-	9,720	-	9,720
Socorro County Call FR	833679BM4	6/1/2013	-	191,815	-	191,815
Socorro SD Noncall FR	83368PBG0	8/1/2013	-	75,818	-	75,818
Los Alamos ISD Call FR	544228BQ1	8/1/2003	-	92,965	-	92,965
Carlsbad SD Call FR	142735CM9	8/1/2013	-	197,812	-	197,812
Los Alamos ISD Call FR	544228BR9	8/1/2014	-	92,599	-	92,599
Los Alamos ISD Call FR	54228BS7	8/1/2015	-	139,016	-	139,016
Los Alamos ISD Call FR	544228BT5	8/1/2016	-	125,981	-	125,981
Investment	31411GHM7	12/1/2036	7,746,305	-	-	7,746,305
FNIONP880203	31409V3L5	2/1/2036	2,870,273	-	-	2,870,273
Total pledged collateral			\$ 10,616,578	2,399,150	-	13,015,728

CIBOLA COUNTY
 SCHEDULE OF JOINT POWERS AGREEMENTS
 Year Ended June 30, 2007

Joint Power Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total Estimated Project Amount and Amount Applicable to County	Amount Contributed by County During Fiscal Year	Audit Responsibility	Fiscal Agent and Responsible Reporting Entity
Senior Citizens Program	Cibola County City of Grants Village of Milan	City of Grants	To establish a service area to serve senior citizens.	06/81 to Indefinite	The County contributes \$28,000 annually	\$ 28,000	City of Grants	City of Grants
Mother Whiteside Memorial Library	Cibola County City of Grants Village of Milan	City of Grants	To provide capital and operating funds to establish a library.	06/81 to Indefinite	The County contributes \$5,000 annually	\$ 5,000	City of Grants	City of Grants
Animal Control and Shelter	Cibola County City of Grants	City of Grants	To regulate, restrain and control domestic and wild animals for the purpose of preventing nuisance, disease and animal cruelty	12/97 to Indefinite	The County contributes \$30,000 annually	\$ 30,000	City of Grants	City of Grants
Northwest New Mexico Regional Solid Waste Authority	Cibola County City of Grants Village of Milan City of Gallup County of McKinley	Northwest New Mexico Regional Solid Waste Authority	To provide for the disposition of solid waste by establishing modern solid waste disposal facilities.	05/06 to Indefinite	The County is required to contribute 50% of its environmental gross receipts tax.	\$ 32,569	Northwest New Mexico Regional Solid Waste Authority	Northwest New Mexico Regional Solid Waste Authority
Joint Communications Center	Cibola County City of Grants Village of Milan	Cibola County	To operate a combined communication and dispatch center for Cibola County	11/04 to Indefinite	The County is required to provide one third of the yearly operating costs.	\$ 161,748	Cibola County	Cibola County
Cibola Transit Authority	Cibola County City of Grants Village of Milan	Cibola County	To establish a transit system to provide transportation to residents and visitors	09/06 to Indefinite	The County contributes \$33,200 annually	\$ 23,071	Cibola County	Cibola County
Tax and Revenue Department	Cibola County State of New Mexico Taxation & Revenue Department	Cibola County	To enable the County to register taxpayers with TRD and assign TRD taxpayer identification numbers to taxpayers engaging in business in the County at the time those businesses obtain business licenses from the County.	08/04 to Indefinite	Free service	\$ -	Cibola County	Cibola County

Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Mr. Hector H. Balderas, State Auditor
and
Elmer Chavez, Chairman and
The Board of County Commissioners
Cibola County, New Mexico

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, budgetary comparisons and the aggregate remaining fund information of Cibola County, New Mexico (County), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

Mr. Hector H. Balderas, State Auditor
and
Elmer Chavez, Chairman and
The Board of County Commissioners
Cibola County, New Mexico

We consider the deficiencies described as 03-02, 05-02, 05-05 and 06-02 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. We consider 02-02 and 07-01 to be control deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we consider items 05-02, 05-05 and 06-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as 02-05, 06-01, 06-11, and CGF 07-01 for the County.

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

This report is intended solely for the information and use of management, others within the County, the audit committee, the State Auditor, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Ricci & Company, LLC
Albuquerque, New Mexico
November 6, 2008

**CIBOLA COUNTY, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2007**

Current Status

Cibola County

02-02	Information Technology Segregation of Duties and Written Procedures	Updated and included
02-05	Treasurers Reports	Updated and included
03-02	Property Tax Assessment Card Data	Updated and included
05-02	Agency Funds	Updated and included
05-03	Cash Reconciliations	Resolved
05-04	Debt Service Funds	Resolved
05-05	Capital Assets	Updated and included
06-01	Due Date of Audit Report	Updated and included
06-02	Tax Bill Adjustments	Updated and included
06-03	Prior Written Approval for Contracting with Independent Public Accountants	Resolved
06-04	Travel and Per Diem Disbursements	Resolved
06-05	Bail Bonds Processing	Resolved
06-06	Inmate Processing	Resolved
06-07	Cash Disbursements	Resolved
06-08	Payroll Disbursements	Resolved
06-09	Treasurer's Office Procedures	Resolved
06-10	Treasurer's Office Receipts	Resolved
06-11	Budget Overage	Updated and included
06-12	Submission of Data Collection Form for the Single Audit	Resolved

Cibola General Hospital

NONE

**CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2007**

FINDINGS-FINANCIAL STATEMENTS AUDIT - CIBOLA COUNTY

02-02 INFORMATION TECHNOLOGY SEGREGATION OF DUTIES AND WRITTEN PROCEDURES

CRITERIA

Policies and procedures, including those related to internal controls, must be adequately communicated to employees and County officials in order for them to be followed. Written communication becomes necessary as the number of employees and the potential for turnover increases. In addition, access to the server systems should be limited to those people who do not also have data security responsibilities.

CONDITION

During our review of the data processing and information technology area, we noted that security administration and the control function is not segregated from computer operations.

CAUSE

Policies for the segregation of data processing and information technology have not been developed.

EFFECT

The lack of segregation of duties increases the possibility of fraud from data manipulation.

RECOMMENDATION

We recommend that the County develop policies and procedures that ensure the segregation of incompatible data processing and information technology functions.

MANAGEMENT RESPONSE

We will continue to modify our current policies and procedures regarding our internal controls over data processing and information technology to better segregate those two functions. We have made much progress in this area since June 30, 2007, such as adopting policies, changes to and separation of duties, and hiring additional information technology personnel.

**CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2007**

FINDINGS-FINANCIAL STATEMENTS AUDIT - CIBOLA COUNTY (CONTINUED)

02-05 TREASURER REPORTS – TEN YEAR SCHEDULE

CRITERIA

Beginning for fiscal year-end June 30, 2002, the State Auditor Rule NMAC 2.2.2.12D requires ten-year historical information for property taxes be included in the audited financial statement report.

CONDITION

While the Treasurer does have procedures in place to report property tax data by agency as required by the State Auditor Rule, this data is not available for all of the past ten years.

CAUSE

The State Auditor Rule was amended effective March 29, 2002, and the Treasurer has not had an opportunity to develop the required information.

EFFECT

The County is not in compliance with the State Auditor Rule.

RECOMMENDATION

The Treasurer should work towards developing the required information on the ten-year property tax history.

MANAGEMENT RESPONSE

The County Treasurer is continuing to work on this requirement and come into compliance with the State Auditor's rule.

**CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2007**

FINDINGS-FINANCIAL STATEMENTS AUDIT - CIBOLA COUNTY (CONTINUED)

03-02 PROPERTY TAX ASSESSMENT CARD DATA (Significant Deficiency)

CRITERIA

Data in the property tax assessment system should agree to the data contained on the property cards. NMAC 3.6.3.8(A)(5) states that "The division will conduct, during each calendar year, an evaluation of each county assessor's operations during that calendar year. The evaluation will include, but not be limited to, a review of the performance of the county assessor's functions on the basis of the assessor's maintenance of current tax maps and property record cards."

CONDITION

Our testing in the current year, of the 23 property tax assessments tested:

- 13 were not reappraised within two years as required by state statute.
- 4 of the valuations per the valuation card did not match the valuation in the computer system

CAUSE

Changes in the computer system data were not updated on the property cards. There is also human error going undetected. Further, there are no procedures in place to ensure all properties are assessed at least bi-annually.

EFFECT

The computer system and property card contain differing information.

RECOMMENDATION

All changes made to the property tax assessment system should also be updated on the property cards. In addition, the County should develop a procedure to help ensure all properties are assessed at least bi-annually.

MANAGEMENT RESPONSE

By recommendation of the State Property Tax Division, the County Assessor is now reappraising property tax assessments once a year. In addition, as of September 22, 2008, the County installed and went "live" with it's new property tax assessment computer software written by Tyler Technologies. This system removes much of the "human error" associated with our previous system.

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2007

FINDINGS-FINANCIAL STATEMENTS AUDIT - CIBOLA COUNTY (CONTINUED)

05-02 AGENCY FUNDS (Material Weakness)

CRITERIA

The amounts on the trial balance should reconcile to, and be supported by, underlying detail.

The cash in the agency cash account should equal the underlying liabilities of that fund and the respective distribution should always match the collections.

CONDITION

The County's agency funds did not reconcile to the underlying detailed records.

The cash account for the agency funds was negative. The account was covered by a loan from the general fund. Agency fund cash should always be equal to the liabilities. The distributions made to agencies should always match the cash collections.

CAUSE

No procedures are in place to reconcile agency fund activity on a monthly basis.

EFFECT

The cash accounts for more than one of the agency funds were negative. It is not possible to determine an accurate balance due to the respective agency until there is a detailed reconciliation of all agency accounts. As a result, the County may owe more or less money than what is shown at the end of each month. A disclaimer of opinion on the agency funds has been issued by the auditor as a result of this uncertainty.

RECOMMENDATION

The County needs to implement procedures that require a monthly reconciliation of all agency accounts as well as procedures to ensure all distributions made to the respective agency match the cash collections.

MANAGEMENT RESPONSE

On March 31, 2008, the County reconciled and adjusted the Agency Fund accounts to agree with the County Treasurer's detail cash records. Since then, the monthly reconciliations and adjustments are made to balance with the cash records.

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2007

FINDINGS-FINANCIAL STATEMENTS AUDIT - CIBOLA COUNTY (CONTINUED)

05-05 CAPITAL ASSETS (Significant Deficiency)

CRITERIA

NMAC 2.20.1.1 to 2.20.1.18, *Accounting and Control of Fixed Assets of State Government*, establish standards for the accounting and recording of capital assets acquired and owned by state governments. Section 2.20.1.7 states "The system must be capable of generating lists of fixed assets in sequences useful for managing them. It must track all transactions including acquisitions, depreciation, betterments and dispositions. It must generate all necessary accounting entries to the agency's general ledger."

Further, 12-6-10, NMCA 1978, requires entities to conduct a physical inventory of all movable chattel and equipment listed on the inventory list as of year end.

CONDITION

Test work yielded that the County had an inaccurate fixed asset listing. The list contained items with no value and accumulated depreciation, values but no accumulated depreciation and duplicate items. Once this list is complete and updated, the current system in place can be utilized to track depreciation. Also, the current system does not allow depreciation by fund/function.

Further, the County does not have a formal process in place that reconciles capital outlay expenditures to capital asset additions. This procedure should also include a reconciliation of work in progress so that when projects are completed, they can be added to the capital asset/depreciation listing. This process should be completed on a monthly basis.

We also noted that the County relies on the individual departments to complete the annual physical inventory. We believe that the County Manager's office should be doing test counts of the inventories completed by the departments to ensure the completeness of the inventory.

CAUSE

The County is in the process, but has not completed procedures to ensure the fixed assets module of its accounting system is complete. Further, the County has relied on individual departments to conduct the physical inventory without performing tests as to the accuracy of the department's test.

CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2007

FINDINGS-FINANCIAL STATEMENTS AUDIT - CIBOLA COUNTY (CONTINUED)

05-05 CAPITAL ASSETS (Significant Deficiency) (Continued)

EFFECT

The County's capital asset records were not accurate as of year-end. Because of this, the value of the total capital assets nor the depreciation that the software calculates could be relied upon.

RECOMMENDATION

The County should consider the benefit of implementing the following:

- A monthly review of the capital outlay expenditures accounts to ensure all capital items have been updated in the capital assets module of the accounting system.
- A periodic review of the entire capital assets module to ensure the completeness of the capital asset list and accuracy of the depreciation calculations.
- As of year-end, use the capital asset module to conduct its physical inventory. As part of this process, the County Manager's office should be conducting independent test counts of procedures completed by the respective departments.

MANAGEMENT RESPONSE

The County Manager's office has always conducted test counts of the inventories held by County Departments. Review of the inventory listings submitted by each Department is conducted in each year, then followed-up by test counts. We believe that this was a misunderstanding of our current procedures.

Our *Caselle* Asset Management computer module was recently corrected and updated in order to fix missing general ledger account numbers and correct minor errors, and to add new functions that will enhance our capability for better reporting. Now, annual capitalization of assets costing over \$5,000 and depreciation expenses is calculated and posted to our general ledger regarding our one business-type, Enterprise Fund. Our detail inventory listing of all items owned by the County is still in tact, and reports required for government-wide financial statements can now be generated showing beginning balances, additions, deletions, and ending balances. Monthly and even weekly reviews of our capital assets are currently conducted to ensure the fund financial statements are properly recorded to and that our asset management module contains a complete and accurate inventory listing.

**CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2007**

FINDINGS-FINANCIAL STATEMENTS AUDIT - CIBOLA COUNTY (CONTINUED)

06-01 DUE DATE OF AUDIT REPORT

CRITERIA

According to the State Auditor Rule NMAC 2.2.2.9.A, the audited financial statements are due by November 15 following the fiscal year-end, thus requiring the June 30, 2007 report to be filed by November 15, 2007.

CONDITION

The June 30, 2007 audit report was not filed timely as required by the State Auditor Rule NMAC 2.2.2.9.A.

CAUSE

Due to identified fraud in the Treasurer's Office, the County utilized a fraud examiner to complete procedures to determine the extent of the fraud. It was agreed upon by both the County and the auditors to not complete the audit until fraud examination procedures were completed, since the examination would include procedures generally not required by an audit.

EFFECT

The users of the financial statements do not have timely audit reports and financial statements for their review. Further, the County is in violation of the State Auditor Rule NMAC 2.2.2.9.A.

RECOMMENDATION

The County should continue its efforts to deliver a timely audit report and inform all potential users of the report as soon as they know the County will be late in meeting a reporting requirement.

MANAGEMENT RESPONSE

The County anticipated being back on a timely filing schedule starting with the June 30, 2008 audit report. We are now anticipating submittal of the 2008 report before December 31, 2008.

**CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2007**

FINDINGS-FINANCIAL STATEMENTS AUDIT - CIBOLA COUNTY (CONTINUED)

06-02 TAX BILL ADJUSTMENTS (Material Weakness)

CRITERIA

State Auditor Rule 2.2.2.10.J and Section 12-6-5, NMSA 1978, requires good accounting practices to be followed. Adjustments to receipts in the Treasurer's office should be approved by a person other than the person entering the adjustment. Unless there is employee collusion, an effective internal control system should be able to identify all thefts in a timely manner.

CONDITION

As part of our documentation of tax payments, we found that adjustments to receipts can be made without approval. This process allowed for a potentially material fraud in the Treasurer's office.

CAUSE

The Treasurer's office does not have a policy requiring approval of adjustments to payments received. Further, there are no procedures in place that require the reconciliation of cash collections to receipts or to postings to the property tax receivable accounts.

EFFECT

Funds were stolen through the manipulation of the receipt records through credits and adjustments.

RECOMMENDATION

The County needs to continue strengthening its internal control policies and procedures in the Treasurer's office. The County should also consider having someone independent of the Treasurer's office perform reconciliations until an adequate control system is in place.

MANAGEMENT RESPONSE

During the following fiscal year of July 1, 2007 to June 30, 2008, new procedures were put into place by the County Treasurer to require approval by a second individual and using a third person independent of the Treasurer's office to log and actually perform the adjustment or reversal of an entry.

**CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2007**

FINDINGS-FINANCIAL STATEMENTS AUDIT - CIBOLA COUNTY (CONTINUED)

06-11 BUDGET OVERAGE

CRITERIA

State Statute 6-6-6 NMSA 1978 and SAO Rule 2.2.2.10.P(1) requires that local government spending does not exceed budgeted amounts at legal level of compliance (fund level for the County).

CONDITION

During our analysis of the budget to actual reports for the year ended June 30, 2007, we noted the Debt Service fund was over budget by \$5,772,959.

CAUSE

The County budgeted their debt service based on their future debt schedules and did not account for the assumption of the debt of the jail as part of their budget.

EFFECT

The County is not in compliance with State Statutes.

RECOMMENDATION

The County should develop a system to ensure that budgets are updated when unique or unusual transactions occur.

MANAGEMENT RESPONSE

It is true we could not estimate accurately the actual costs relating to the revenue bond restructure, which included the proper accounting treatment for the restructure and the pay-off of a junior lien revenue bond and the pay-off of a large NMFA loan with the restructure. We believe that this was a one-time overage and that our debt service is now properly budgeted in the subsequent fiscal years.

**CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2007**

FINDINGS-FINANCIAL STATEMENTS AUDIT - CIBOLA COUNTY (CONTINUED)

07-01 RECONCILIATION OF INTERFUND ACTIVITY

CRITERIA

State Auditor Rule 2.2.2.10.J, and Section 12-6-5, NMSA 1978, requires good accounting practices to be followed.

CONDITION

Currently, there is not a formal process in place that reconciles inter-fund transfers and loans. We believe that these amounts should be reconciled on a monthly basis. Further, inter-fund liabilities should be paid back to the respective fund as soon as possible.

CAUSE

Due to cash, investment, and long-term debt transactions, the balances per the trial balance were materially adjusted. It was difficult to determine the inter-fund transfers during the year and the year end balances since monthly reconciliations were not completed.

EFFECT

Material adjustments to the trial balance were required at year end. Further, there are several balances that have not changed from previous years.

RECOMMENDATION

Management should develop policies and procedures that require the monthly reconciliation of inter-fund activity. The procedures should specifically address balances and all transfers as well as due to and froms. In addition, inter-fund liabilities should be paid back to the respective fund whenever that fund has excess cash.

MANAGEMENT RESPONSE

The Finance staff of the County will start monthly reconciliations of inter-fund transfers and loans. In addition, relative policies and procedures will be drafted and adopted. Inter-fund liabilities will be reviewed monthly and paid back whenever excess cash has accumulated.

**CIBOLA COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2007**

FINDINGS-FINANCIAL STATEMENTS AUDIT – CIBOLA GENERAL HOSPITAL

CGH 07-01 Travel and Per Diem

CRITERIA

Cibola County General Hospital Policy 100.106 “Travel Requests” requires a travel request form to be completed. Travel requests in excess of \$200 must be approved by the department’s administrative representative. Additionally, employees must complete an expense report within 30 days of travel.

CONDITION

In the following instances, we noted that the Hospital was not in compliance with its travel and per diem policies:

- In 1 out of 5 instances the final expense report was not submitted within 30 days of the travel.
- In 2 out of 5 instances the travel request form was not submitted or proper authorization was not obtained.

CAUSE

Since travel expenses are not a large part of the Hospital’s budget, they are not heavily monitored.

EFFECT

Unauthorized travel could potentially occur and this violates the Hospital’s policies.

RECOMMENDATION

Although improvements have been made, we believe that the Hospital needs to continue to emphasize the importance of following all policies and procedures. In addition, if similar issues continue, the Hospital should hold a training session to discuss and emphasize the importance of following its policies and procedures over travel.

MANAGEMENT RESPONSE

Management has added emphasis to the policies and procedures in place to ensure all travel and per-diem is properly authorized and expense reports are submitted timely.

**CIBOLA COUNTY, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2007**

An exit conference was held on October 7, 2008, and attended by the following:

County personnel

Dr. Jane Pitts, Commissioner
Antonio Gallegos, Commissioner
Norma Dominguez, Treasurer
David Ulibarri, County Manager
Bob Ewell, Procurement Director
John Alexander, Finance Director

Ricci & Company LLC personnel

Shawn Mortensen, Director
Herman Chavez, Manager

The financial statements were prepared by Ricci & Company LLC from the books and records of Cibola County.