State of New Mexico
Cibola County

Financial Statements
and
Independent Auditor's Report

June 30, 2014

REDW LLC
CPAs | Business & Financial Advisors

State of New Mexico
Cibola County

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State of New Mexico
Cibola County
Official Roster
June 30, 2014

ELECTED OFFICIALS

Edward Michael	Commission Chairman
Antonio Gallegos	Commission Vice-Chairman
T. Walter Jaramillo	County Commissioner
Pat Simpson	County Commissioner
Lloyd Felipe	County Commissioner
Lisa Bro	County Clerk
Dolores Vallejos	County Treasurer
Pablo Savedra	County Assessor
Johnny Valdez	County Sheriff

ADMINISTRATIVE OFFICIALS

Bob Gallagher	County Manager
Joseph Sanders	Finance Director

REDW LLC
CPAs | Business & Financial Advisors
redw.com

Independent Auditor's Report

Timothy Keller, New Mexico State Auditor and
Cibola County Board of Commissioners,
Grants, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Cibola County, New Mexico (the County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We also audited the financial statements of each of the County's nonmajor governmental funds and fiduciary fund and the budgetary comparisons for the debt service fund and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion for all opinion units with the exception of the aggregate remaining fund information.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
Discretely Presented Component Unit	Unmodified
Governmental Fund – General Fund	Unmodified
Governmental Fund – Indigent Fund	Unmodified
Governmental Fund – Road Fund	Unmodified
Governmental Fund – Debt Service Fund	Unmodified
Enterprise Fund – Detention Center	Qualified
Aggregate Remaining Fund Information – Fiduciary Fund	Disclaimer

Basis for Qualified Opinion on the Governmental Activities, Business-Type Activities, and the Enterprise Fund – Detention Center

Because of the inadequacy of capital assets accounting records, we were unable to obtain sufficient appropriate audit evidence regarding the amounts at which governmental activities capital assets are recorded in the accompanying statement of net position at June 30, 2014 (stated at $18,966,818, net of accumulated depreciation) for the governmental activities, or the amount of depreciation expense for the year then ended (stated at $1,796,334) reported in the accompanying statement of activities. In addition, we were unable to obtain sufficient appropriate audit evidence regarding the amounts at which capital assets are recorded in the accompanying statement of net position at June 30, 2014 (stated at $5,334,534, net of accumulated depreciation) for the business-type activities and the enterprise fund – detention center, or the amount of depreciation expense for the year then ended (stated at $230,334) reported in the accompanying state of activities.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Governmental Activities, Business-Type Activities, and the Enterprise Fund – Detention Center" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and the enterprise fund – detention center fund of the County, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion on the Aggregate Remaining Fund Information – Fiduciary Fund

Detailed accounting records have not been maintained for the balances related to the County's Fiduciary Fund.

Disclaimer of Opinion on the Aggregate Remaining Fund Information – Fiduciary Fund

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Remaining Fund Information – Fiduciary Fund" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the previous paragraph.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit and each major fund other than the Detention Center enterprise fund, as of June 30, 2014, and the respective changes in financial position and the budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective changes in financial position and the respective budgetary comparisons for the debt service fund and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the County's financial statements, the combining, and individual fund statements, and the budgetary comparison. Supporting Schedules I through IV required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supporting Schedules I through IV are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Supporting Schedules I through IV required by 2.2.2 NMAC are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the County's internal control over financial reporting and compliance.

REDW LLC

Albuquerque, New Mexico
March 23, 2015

Government-Wide
Financial Statements

State of New Mexico
Cibola County
Statement of Net Position
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Cibola General Hospital Corporation
Assets				
Cash and cash equivalents	$ 12,101,700	$ 344,659	$ 12,446,359	$ 16,139,819
Investments	-	-	-	8,633,386
Accounts receivable				
Property taxes receivable	1,742,957	-	1,742,957	-
Gross receipts taxes receivable	578,599	71,078	649,677	-
Intergovernmental receivables	351,382		351,382	-
Other accounts receivable	-	-	-	379,445
Prison receivables	-	332,208	332,208	-
Patient receivables, net of allowance	-	-	-	3,146,394
Internal balances	565,009	(565,009)	-	-
Prepaid expenses	-	-	-	288,808
Inventory	-	-	-	191,427
Equity interest in component unit	37,502,818	-	37,502,818	-
Capital assets	48,700,514	8,474,117	57,174,631	18,083,416
Less accumulated depreciation	(29,733,696)	(3,139,583)	(32,873,279)	(6,473,442)
Total assets	71,809,283	5,517,470	77,326,753	40,389,253
Liabilities				
Accounts payable	586,040	36,352	622,392	1,477,229
Accrued liabilities	284,180	-	284,180	1,048,486
Estimated third party payor settlement	-	-	-	360,720
Noncurrent liabilities				
Due within one year	413,254	25,937	439,191	-
Due in more than one year	6,534,238	6,844	6,541,082	-
Total liabilities	7,817,712	69,133	7,886,845	2,886,435
Net Position				
Net investment in capital assets	12,167,182	5,334,534	17,501,716	11,609,974
Restricted for:				
Debt service	1,827,747	-	1,827,747	-
Other purposes - special revenue	4,155,484	-	4,155,484	-
Unrestricted	45,841,158	113,803	45,954,961	25,892,844
Total net position	$ 63,991,571	$ 5,448,337	$ 69,439,908	$ 37,502,818

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Activities
For the Year Ended June 30, 2014

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs			
Primary government			
Governmental activities			
General government	$ 6,042,784	$ 686,986	$ 444,062
Public safety	3,599,624	30,238	1,067,144
Public works	1,624,564	-	451,475
Culture and recreation	320,003	14,847	277,393
Health and welfare	3,283,036	10,165	2,834,583
Interest on long-term debt	554,030	-	-
Total governmental activities	15,424,041	742,236	5,074,657
Business-type activities			
Detention center	3,650,947	2,461,645	-
Total business-type activities	3,650,947	2,461,645	-
Total primary government	$ 19,074,988	$ 3,203,881	$ 5,074,657
Component unit			
Cibola General Hospital Corporation	$ 24,686,810	$ 27,388,107	$ -
General revenues			
Taxes			
Property taxes			
Gross receipts taxes			
Payment in lieu of taxes			
Other taxes			
Increase in equity interest in component unit			
Interest income			
Contributions			
Net unrealized loss on other than trading securities			
Miscellaneous income			
Transfers in (out)			
Total general revenues and transfers			
Change in net position			
Net position—beginning, as restated			
Net position—ending			

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Cibola General Hospital Corporation
$ (4,911,736)	$ -	$ (4,911,736)	$ -
(2,502,242)	-	(2,502,242)	-
(1,173,089)	-	(1,173,089)	-
(27,763)	-	(27,763)	-
(438,288)	-	(438,288)	-
(554,030)	-	(554,030)	-
(9,607,148)	-	(9,607,148)	-
-	(1,189,302)	(1,189,302)	-
-	(1,189,302)	(1,189,302)	-
(9,607,148)	(1,189,302)	(10,796,450)	-
-	-	-	2,701,297
3,131,296	-	3,131,296	1,310,975
4,146,343	440,365	4,586,708	-
1,805,780	-	1,805,780	-
482,199	-	482,199	-
4,099,292	-	4,099,292	-
143,637	-	143,637	96,966
		-	4,030
-	-	-	(13,976)
611,335	59,168	670,503	-
61,589	(61,589)	-	-
14,481,471	437,944	14,919,415	1,397,995
4,874,323	(751,358)	4,122,965	4,099,292
59,117,248	6,199,695	65,316,943	33,403,526
$ 63,991,571	$ 5,448,337	$ 69,439,908	$ 37,502,818

The accompanying notes are an integral part of these financial statements.

Governmental Funds
Financial Statements

State of New Mexico
Cibola County
Balance Sheet—Governmental Funds
June 30, 2014

	General Fund	Indigent Fund
Assets		
Cash and cash equivalents	$ 6,913,652	$ 261,598
Accounts receivables		
Property taxes	1,742,957	-
Gross receipts taxes	479,751	75,376
Intergovernmental	-	-
Interfund receivables	1,325,172	-
Total assets	$ 10,461,532	$ 336,974
Liabilities and Fund Balances		
Accounts payable	$ 157,285	$ 11,363
Accrued liabilities	284,180	-
Unearned revenue	1,462,193	-
Interfund payables	-	-
Total liabilities	1,903,658	11,363
Fund balances		
Restricted	-	325,611
Committed	1,457,629	-
Unassigned (deficit)	7,100,245	-
Total fund balances	8,557,874	325,611
Total liabilities and fund balances	$ 10,461,532	$ 336,974

The accompanying notes are an integral part of these financial statements.

Road Fund	Debt Service Fund	Other Governmental Funds	Total
$ 261,133	$ 1,827,747	$ 2,837,570	$ 12,101,700
-	-	-	1,742,957
-	-	23,472	578,599
351,382	-	-	351,382
-	-	-	1,325,172
$ 612,515	$ 1,827,747	$ 2,861,042	$ 16,099,810
$ 284,369	$ -	$ 133,023	$ 586,040
-	-	-	284,180
-	-	-	1,462,193
-	-	760,163	760,163
284,369	-	893,186	3,092,576
328,146	1,827,747	2,271,390	4,752,894
-	-	-	1,457,629
-	-	(303,534)	6,796,711
328,146	1,827,747	1,967,856	13,007,234
$ 612,515	$ 1,827,747	$ 2,861,042	$ 16,099,810

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2014

Fund balances of governmental funds	$ 13,007,234
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,966,818
The County has an equity interest in the Cibola General Hospital. This investment is not a current financial resource and therefore is not reported in the funds.	37,502,818
Property taxes levied but not collected within sixty days after year-end are not considered revenue in the fund financial statements, but are considered revenue in the statement of activities	1,462,193
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the financial statements	(6,947,492)
Net position of governmental activities	$ 63,991,571

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Indigent Fund
Revenues		
Property taxes	$ 2,903,449	$ 2,138
Gross receipts taxes	2,477,012	442,857
Payment in lieu of taxes	1,805,780	-
Other taxes	64,658	-
State and local sources	278,240	2,587,428
Federal sources	277,393	-
Licenses and fees	103,893	-
Charges for services	527,320	-
Interest income	143,637	-
Miscellaneous	506,273	-
Total revenues	9,087,655	3,032,423
Expenditures		
Current		
General government	4,396,483	337,383
Public safety	1,645,728	-
Public works	-	-
Culture and recreation	170,837	-
Health and welfare	51,520	2,768,301
Capital outlay	401,694	-
Debt service		
Principal	-	-
Interest	-	-
Total expenditures	6,666,262	3,105,684
Excess (deficiency) of revenues over (under) expenditures	2,421,393	(73,261)
Other Financing Sources (Uses)		
Transfers in	5,270,221	-
Transfers out	(4,517,433)	-
Other financing sources (uses)	752,788	-
Net change in fund balances	3,174,181	(73,261)
Fund balances, beginning of year, as restated	5,383,693	398,872
Fund balances, end of year	$ 8,557,874	$ 325,611

The accompanying notes are an integral part of these financial statements.

Road Fund	Debt Service Fund	Other Governmental Funds	Total
$ -	$ 3,538	$ 467	$ 2,909,592
-	1,068,004	158,470	4,146,343
-	-	-	1,805,780
417,541	-	-	482,199
451,475	91,664	1,186,975	4,595,782
-	-	201,482	478,875
-	-	100,858	204,751
-	-	10,165	537,485
-	-	-	143,637
93,456	-	11,606	611,335
962,472	1,163,206	1,670,023	15,915,779
835,373	43,912	182,200	5,795,351
-	-	1,598,891	3,244,619
1,065,188	-	-	1,065,188
-	-	-	170,837
-	-	15,715	2,835,536
-	-	278,574	680,268
-	2,329,315	-	2,329,315
-	554,030	-	554,030
1,900,561	2,927,257	2,075,380	16,675,144
(938,089)	(1,764,051)	(405,357)	(759,365)
850,688	1,889,789	1,789,383	9,800,081
-	(4,944,952)	(276,107)	(9,738,492)
850,688	(3,055,163)	1,513,276	61,589
(87,401)	(4,819,214)	1,107,919	(697,776)
415,547	6,646,961	859,937	13,705,010
$ 328,146	$ 1,827,747	$ 1,967,856	$ 13,007,234

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Net change in fund balances - governmental funds	$	(697,776)
Amounts reported for governmental activities in the statement of activities are different because:		
Decrease in prepaid expense		(100,903)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay		680,268
Depreciation expense		(1,796,334)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds		
Increase in unearned property taxes		221,704
The change in the equity position in the component units is not reported in the funds, but recorded as a revenue on the statement of activities		4,099,292
The issuance of long-term debt (e.g. bonds, notes, leases) provides 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 position.		
Decrease in the allowance for compensated absences		104,325
Decrease in accrued interest payable		34,432
Principal payments on bonds and notes payable		2,329,315
Change in net position of governmental activities	$	4,874,323

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual — General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Property taxes	$ 2,612,587	$ 2,612,587	$ 2,903,449	$ 290,862
Gross receipts taxes	1,748,034	1,748,034	2,477,012	728,978
Payment in lieu of taxes	1,805,000	1,805,000	1,805,780	780
Other taxes	25,000	25,000	64,658	39,658
Federal sources	225,000	225,000	278,240	53,240
State and local sources	303,400	335,000	277,393	(57,607)
Licenses and fees	467,000	467,000	103,893	(363,107)
Charges for services	76,600	76,600	527,320	450,720
Interest income	15,000	15,000	143,637	128,637
Miscellaneous	703,652	703,652	506,273	(197,379)
Total revenues	7,981,273	8,012,873	9,087,655	1,074,782
Expenditures				
Current				
General government	3,610,283	4,265,145	4,396,483	(131,338)
Public safety	1,441,299	1,476,853	1,645,728	(168,875)
Culture and recreation	103,800	168,008	170,837	(2,829)
Health and welfare	46,070	47,920	51,520	(3,600)
Capital outlay	161,310	536,579	401,694	134,885
Total expenditures	5,362,762	6,494,505	6,666,262	(171,757)
Excess of revenues over expenditures	2,618,511	1,518,368	2,421,393	903,025
Other financing sources (uses)				
Transfers in (out)	(2,832,509)	(100,741)	752,788	853,529
Total other financing sources (uses)	(2,832,509)	(100,741)	752,788	853,529
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	$ (213,998)	$ 1,417,627	3,174,181	$ 1,756,554
Fund balance - beginning of year, as restated			5,383,693	
Fund balance - end of year			$ 8,557,874	

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Budget and Actual — Indigent Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
Property taxes	$ -	$ -	**$ 2,138**	$ 2,138
Gross receipts taxes	627,013	627,013	**442,857**	(184,156)
State and local sources	750,000	3,705,354	**2,587,428**	(1,117,926)
Total revenues	1,377,013	4,332,367	**3,032,423**	(1,299,944)
Expenditures				
Current				
General government	227,030	227,030	**337,383**	(110,353)
Health and welfare	245,000	3,200,354	**2,768,301**	432,053
Total expenditures	472,030	3,427,384	**3,105,684**	321,700
Excess (deficiency) of revenues over (under) expenditures	$ 904,983	$ 904,983	**(73,261)**	$ (978,244)
Fund balance - beginning of year, as restated			**398,872**	
Fund balance - end of year			**$ 325,611**	

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual — Road Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
Other taxes	$ 450,000	$ 450,000	**$ 417,541**	$ (32,459)
State and local sources	370,387	370,387	**451,475**	81,088
Miscellaneous	-	-	**93,456**	93,456
Total revenues	820,387	820,387	**962,472**	142,085
Expenditures				
Current				
General government	812,757	826,445	**835,373**	(8,928)
Public works	698,038	833,002	**1,065,188**	(232,186)
Total expenditures	1,510,795	1,659,447	**1,900,561**	(241,114)
Deficiency of revenues under expenditures	(690,408)	(839,060)	**(938,089)**	(99,029)
Other financing sources				
Transfers in	759,368	850,688	**850,688**	-
Total other financing sources	759,368	850,688	**850,688**	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ 68,960	$ 11,628	**(87,401)**	$ (99,029)
Fund balance - beginning of year			**415,547**	
Fund balance - end of year			**$ 328,146**	

The accompanying notes are an integral part of these financial statements.

Proprietary Fund

State of New Mexico
Cibola County
Statement of Net Position
Proprietary Funds
June 30, 2014

	Detention Center
Assets	
Current assets	
Cash and cash equivalents	$ 344,659
Receivables	403,286
Total current assets	747,945
Noncurrent assets	
Capital assets, net of accumulated depreciation	8,474,117
Less accumulated depreciation	(3,139,583)
Total noncurrent assets	5,334,534
Total assets	6,082,479
Liabilities	
Current liabilities	
Accounts payable	36,352
Interfund payables	565,009
Current portion of accrued compensated absences	25,937
Total current liabilities	627,298
Noncurrent liabilities	
Noncurrent portion of accrued compensated absences	6,844
Total noncurrent liabilities	6,844
Total liabilities	634,142
Net Position	
Investment in capital assets	5,334,534
Unrestricted	113,803
Total net position	$ 5,448,337

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Detention Center
Operating Revenues	
Charges for services	$ 2,461,645
Gross receipts taxes	440,365
Miscellaneous	59,168
Total operating revenues	2,961,178
Operating Expenses	
Personnel services	2,100,366
Contractual services	254,717
Maintenance and materials	33,226
Other operating expenses	1,032,304
Depreciation	230,334
Total operating expenses	3,650,947
Operating loss	(689,769)
Transfers in	263,680
Transfers out	(325,269)
Total transfers	(61,589)
Change in net position	(751,358)
Net position, beginning of year, as restated	6,199,695
Net position, end of year	$ 5,448,337

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Detention Center
Cash flows from operating activities	
Cash received from customers	$ 2,856,114
Cash paid to suppliers	(1,317,750)
Cash paid to employees	(2,108,860)
Net cash used for operating activities	(570,496)
Cash flows used for capital and related financing activities	
Purchase of capital assets	(28,655)
Net cash used for capital and related financing activities	(28,655)
Cash flows provided by noncapital financing activities	
Net transfers out	(61,589)
Net cash used in noncapital financing activities	(61,589)
Net decrease in cash and cash equivalents	(660,740)
Cash and cash equivalents, beginning of year	1,005,399
Cash and cash equivalents, end of year	$ 344,659
Reconciliation of loss before transfers to net cash used for operating activities	
Operating loss	$ (689,769)
Adjustment to reconcile loss to net cash used for operating activities	
Depreciation	230,334
Changes in operating assets and liabilities	
Receivables	(105,065)
Accounts payable	25,232
Inmate trust accounts	(22,735)
Accrued compensated absences	(8,494)
Interfund payable	1
Net cash used for operating activities	$ (570,496)

Summary of significant noncash activities

There was no significant noncash activity during the year ended June 30, 2014.

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund

State of New Mexico
Cibola County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

Assets	
Cash	$ 1,682,560
Property taxes receivable	804,619
Total assets	$ 2,487,179
Liabilities	
Due to other taxing entities	2,487,179
Total liabilities	$ 2,487,179

The accompanying notes are an integral part of these financial statements.

1) Summary of Significant Accounting Policies

Cibola County (the "County") is a political sub-division of the State of New Mexico established in 1981 under the provisions of Section 4-3A-1 of NMSA, 1978 compilation and regulated by the constitution of the State of New Mexico. The County operates under a commission-manager form of government and provides the following services as authorized by public law: public safety, public works, culture and recreation, health and welfare, and general government services.

The financial statements of Cibola County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the County's accounting policies are described below.

<u>Financial Reporting Entity</u>
GASB Statement No. 14, *The Financial Reporting Entity,* established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the County is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the County may, without the approval or consent of another government entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The County also has one *component unit*, as defined by GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. The component unit which the County is financially accountable for is the Cibola Genera Hospital Corporation (a New Mexico not-for-profit corporation). The Hospital is built on County property and the County holds title to all assets and is presented as a discrete component unit of the County.

The Hospital provides medical services to the residents of Grants, Cibola County, and the surrounding area. Complete financial statements for the component unit may be obtained at the entity's administrative County: Cibola General Hospital, 1016 East Roosevelt Avenue, Grants, New Mexico 87020. There are no other primary governments with which the County is financially accountable. There are no other primary governments with which the County has a significant relationship or other component units for the year ended June 30, 2014.

Government-wide Fund Financial Statements
The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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*.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and 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 as revenues 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.

GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB No. 65, Items Previously Reported as Assets and Liabilities, amend GASB No. 34, Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model: Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position.

Deferred outflows of resources—a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources—an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net position—the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The County's net position is reported in three parts – net investment in capital assets, restricted, and unrestricted.

Governmental fund 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

The *agency fund* is custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the County holds for others in an agency capacity.

Governmental funds are used to account for the County's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

- The G*eneral Fund* is the primary operating fund of the County, and accounts for all financial resources, except those required to be accounted for in other funds.
- The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.
- The *Debt Service Fund* accounts for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the County is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which includes funds that were not required to be presented as major but were at the discretion of management:

- The *Indigent Fund* accounts for revenues received from state shared gross receipts taxes for hospital service for indigent citizens of the County. The fund was created by authority of state statute (see Section 7-2OE-9, NMSA 1978 Compilation).
- The *Road Fund* is used to account for the activities of the County's road and highways, which provides service to the residents of the County, authorized by sections 6-623, 7-1-6.19, 67-3-28.2, and Chapter 113, Laws of 1992, NMSA. Funds are used to maintain County roads, including but not limited to administration, operation, maintenance, and capital outlay. Revenues are provided by motor vehicle fees, gas taxes, State appropriations, and State severance tax bonds.
- The *Debt Service Fund* accounts for the services of general long-term debt of the County.

The County reports the following major proprietary fund:

The proprietary fund operating revenues, such as charges for services, results from exchange transactions associated with the principal activities of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values.

- *The Detention Center Fund* accounts for the activities of the County's prison facility.

Additionally, the government reports the following fund type:

> The *fiduciary fund* is purely custodial (assets equal liabilities) and does not involve measurement of results of operations. The County's fiduciary fund is used to account for the collection and payment of property taxes to other governmental agencies.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the County's enterprise fund is charges for services related to the care of prisoners. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

<u>Assets, Liabilities and Net Position</u>
Cash, Cash Equivalents, and Investments—The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the County are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

The County has an investment policy which provides for the following investments in accordance with State Statutes 6-10-10 and 6-10-10.1 NMSA 1978:

A. U.S. Government Obligations. Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States, the federal home loan mortgage association, the federal national mortgage association, the federal farm credit bank, the federal home loan bank or the student loan marketing association or are banked by the full faith and credit of the U.S. Government.

B. Bonds or negotiable securities of the State of New Mexico or a county, municipality or school district that has a taxable valuation of real property for the last preceding year of at least one million dollars ($1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within the last preceding five years.

C. Repurchase Agreements. Contracts for the present purchased and resale at a specified time in the future of specific prices at a price differential representing the interest income to be earned by the County. No such contract shall be invested in unless the contract is fully I secured by having a market value of at least one hundred to percent (102%) of the amount of the contract.

D. Bank, Savings and Loan Association or Credit Union Deposits are allowed in certified and designated financial institutions whose deposits are insured by an agency of the United States. A deposit in any credit union shall be limited to the amount insured by an agency of the United States.

Accounts Receivable—All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

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 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the County may assess penalties and interest. The taxes attach as an enforceable lien on property thirty days thereafter, at which time they become delinquent. Collections and remittance of County property taxes are accounted for in the Agency Fund.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

Capital Assets—Capital assets, which include infrastructure, property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the County did not maintain internally developed software.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2014.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	30
Furniture and equipment	5 to 10
Vehicles	5 to 10
Infrastructure	30

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

Assets	Years
Buildings and improvements	30
Furniture and equipment	5 to 10
Vehicles	5 to 10

Interfund Transactions—Lending and borrowing arrangements between funds that are not expected to be paid back within a year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Unearned Revenues—The County recognizes grant revenue at the time the related expenditure is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended are shown as unearned revenues.

Amounts receivable from property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

Long-term Obligations—In the government-wide fund financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type or proprietary fund type statement of net position.

Compensated Absences—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 are recognized as a liability when earned. For proprietary funds, vacation costs are recognized as a liability when earned.

Fund Equity—Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

In the governmental financial statements, fund balances are classified and displayed in five components:

Nonspendable—Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted—Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed—Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned—Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned—Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The constraints on fund balance are detailed in the table below:

	General Fund	Indigent Fund	Road Fund	Debt Service Fund	Total Major Funds	Nonmajor Governmental Funds	Total Primary Government
Restricted for							
Care of indigents	$ -	$ 325,611	$ -	$ -	$ 325,611	$ 567,209	$ 892,820
Road	-	-	328,146	-	328,146	-	328,146
Debt service	-	-	-	1,827,747	1,827,747	-	1,827,747
VFD	-	-	-	-	-	862,952	862,952
EMS	-	-	-	-	-	35,538	35,538
Farm and range	-	-	-	-	-	13,933	13,933
Law enforcement	-	-	-	-	-	34,591	34,591
Grants	-	-	-	-	-	440,257	440,257
County clerk	-	-	-	-	-	120,757	120,757
Property reappraisal	-	-	-	-	-	196,153	196,153
Committed	1,457,629	-	-	-	1,457,629	-	1,457,629
Unassigned (deficit)	7,100,245	-	-	-	7,100,245	(303,534)	6,796,711
Total fund balance	$ 8,557,874	$ 325,611	$ 328,146	$ 1,827,747	$ 11,039,378	$ 1,967,856	$ 13,007,234

Equity Classifications—In the government-wide financial statements, **e**quity is classified as net position and displayed in three components:

a) *Net Investment in capital assets* is equity that is equal to the value of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b) *Restricted* is equity with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

c. *Unrestricted* is residual amount of equity that does not meet the definition of "restricted" or "investment in capital assets."

The County's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the County's financial statements include management's estimate of the useful lives of capital assets. Another such estimate is the amount of gross receipts and other taxes collected by the State Taxation and Revenue Department (the Department) for the County. The Department does not track the total receivable or uncollectible amounts. As an alternative, the County estimated the net receivable based on the Department's historical delinquent payment information.

New Accounting Pronouncements—The following GASB pronouncements have been issued, but are not yet effective at June 30, 2014:

- GASB No. 68, Accounting and Financial Reporting for Pension Plans
- GASB No. 69, Governmental Combinations and Disposals of Government Operations
- GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68

The County will implement the new GASB pronouncements in the fiscal year no later than the required effective date.

Except as discussed in the following paragraph, the County believes that the above listed GASB pronouncements will not have a significant financial impact to the County.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, becomes effective in the fiscal year ending June 30, 2015. The new standard will substantially change accounting and financial reporting for the County's participation in the Public Employees Retirement System (PERA), a cost sharing multiple-employer defined benefit retirement plan. The new standard will require the County's financial statements that use the economic resources measurement focus and accrual accounting to recognize a liability for the County's proportionate share of PERA's net pension liability, and to recognize pension expense, and to report deferred outflows of resources and deferred inflows or resources related to pensions, for its proportionate shares of PERA's collective pension expense and collective deferred outflows of resources and deferred inflows of resources.

Reclassifications—Certain reclassifications of prior year information have been made to conform to the current period.

2) Stewardship, Compliance and Accountability

<u>Budgetary Information</u>

Annual budgets of the County are prepared prior to June 1 and must be approved by resolution of the Board of County Commissioners, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the County Commissioners and the

Department of Finance and Administration. A separate budget is prepared for each fund. The County may not over-expend at the function level.

These budgets are prepared on a cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. Cibola General Hospital does not have a legally binding budget. In addition, due to the lack of activity, the Cubero VFD Construction Capital Projects Fund, the Computer Equipment and Software Capital Projects Fund, and the Computer Equipment and Software Debt Capital Projects Fund do not have budgets for the year.

The County is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The County’s legal level of control is at the expenditure function.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

3) Cash and Cash Equivalents

Cash and cash equivalents consisted of the County consisted of the following at June 30, 2014:

Bank deposits	$ 4,954,911
Money markets/certificates of deposit	7,451,920
Cash held with New Mexico Finance Authority	38,460
State Local Government Investment Pool	668
Petty cash	400
Total county cash and cash equivalents according to the statement of net position	$ 12,446,359

In addition, the Agency Fund held the following cash at June 30, 2014:

Bank deposits	$ 1,682,560
Total agency fund cash and cash equivalents according to the statement of fiduciary net position	$ 1,682,560

State statutes authorize the investment of County funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the County properly followed State investment requirements as of June 30, 2014.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the County. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in nondemand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing accounts of a public unit in an institution in the same state will be insured up to $250,000 in aggregate and separate from the $250,000 coverage for public unit demand deposits at the same institution.

State of New Mexico
Cibola County
Notes to Financial Statements
June 30, 2014

Deposits

The County utilizes pooled accounts for their funds, therefore, individual fund cash balances are held in multiple accounts. NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the County for a least one half of the amount on deposit with the institution. The pledged collateral by bank at June 30, 2014 was as follows:

	Wells Fargo Bank	Grants State Bank	U.S. Bank	Total
Total amounts of deposits	$ 7,129,677	$ 5,368,340	$ 2,222,276	$ 14,720,293
FDIC coverage	(500,000)	(500,000)	(250,000)	(1,250,000)
Total uninsured public funds	$ 6,629,677	$ 4,868,340	$ 1,972,276	$ 13,470,293
Collateral requirement				
(50% of uninsured public funds	$ 3,314,839	$ 2,434,170	$ 986,138	$ 6,735,147
Line of credit held by County	-	-	(2,000,000)	(2,000,000)
Pledged collateral held by pledging bank's trust department or by agent in County's name	(2,904,760)	(6,300,972)	-	(9,205,732)
Total under (over) collateralized	$ 410,079	$ (3,866,802)	$ (1,013,862)	$ (4,470,585)

The deposits held at Wells Fargo Bank were not adequately collateralized at year-end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2014, $410,079 of the County's bank balance of $14,720,293 was exposed to custodial credit risk because it was not insured by FDIC or collateral held by the pledging bank's trust department in the County's name.

4) Receivables

Receivables as of June 30, 2014, are as follows:

	General Fund	Indigent Fund	Road Fund	Other Governmental Funds	Total Governmental Activities	Proprietary Funds	Total Primary Government
Property taxes	$ 1,742,957	$ -	$ -	$ -	$ 1,742,957	$ -	$ 1,742,957
Gross receipts taxes	479,751	75,376		23,472	578,599	-	-
Intergovernmental	-	-	351,382	-	351,382	-	351,382
Service charges	-	-	-	-	-	403,286	403,286
Total receivables	$ 2,222,708	$ 75,376	$ 351,382	$ 23,472	$ 2,672,938	$ 403,286	$ 2,497,625

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* property tax receivables are presented net of deferred revenues in the governmental balance sheet. Unearned revenue – property taxes totaled $1,462,193 as presented in the general fund.

5) Interfund Receivables, Payables, and Transfers

Receivables and payables from interfund transactions as of June 30, 2014 are listed below. The majority of interfund balances were affected or created due to cash overdrafts and a few other balances are either carried forward from the prior year or were created when expenditures were inadvertently recorded in the incorrect fund and later adjusted to the correct fund.

	Due to other funds	Due from other funds
Governmental activities		
General Fund	$ -	$ 1,325,172
Nonmajor governmental funds	760,163	-
Total governmental activities	760,163	1,325,172
Business-type activities		
Detention center fund	565,009	-
Total business-type activities	565,009	-
Total primary government	$ 1,325,172	$ 1,325,172

Net operating transfers made to close out funds, to supplement other funding sources, and to repay previous transfers were as follows:

Transfers from the General Fund	
Detention Center Enterprise Fund	$ 263,680
Road Fund Special Revenue Fund	850,688
Debt Service Fund	1,889,789
Nonmajor government funds	1,513,276
Total transfers from the General Fund	4,517,433
Transfers from Detention Center Fund	
General Fund	325,269
Total transfers from the Detention Center Fund	325,269
Transfers from Debt Service Fund	
General Fund	4,944,952
Total transfers from the Debt Service Fund	4,944,952
Transfers from Nonmajor Government Funds	
Other Nonmajor Government Funds	276,107
Total transfers from the Nonmajor Government Funds	276,107
Total transfers	$ 10,063,761

Upon conversion from the governmental statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities, interfund governmental activity is eliminated and results in a remaining transfer of $61,589 from the Detention Center (Business-type Activity) to the General Fund (Governmental Activity).

6) Capital Assets

The County does not have sufficient accounting records to substantiate the capital asset or depreciation balances in the roll-forward below. The County is in the process of updating its capital asset records so that complete and accurate capital asset balances, including accumulated depreciation and depreciation expense, can be presented in the statement of net positions and statement of activities in future years.

State of New Mexico
Cibola County
Notes to Financial Statements
June 30, 2014

	Balance June 30, 2013 (as restated)	Additions	Balance June 30, 2014
Governmental Activities			
Capital assets not being depreciated			
Land	$ 705,912	$ 11,000	$ 716,912
Land - infrastructure	3,181,657	-	3,181,657
Construction in progress	744,862	198,117	942,979
Total capital assets not being depreciated	4,632,431	209,117	4,841,548
Capital assets being depreciated			
Buildings and improvements	20,173,339	-	20,173,339
Furniture and equipment	5,434,120	177,073	5,611,193
Vehicles	4,052,180	294,078	4,346,258
Infrastructure	13,728,176	-	13,728,176
Total capital assets being depreciated	43,387,815	471,151	43,858,966
Total capital assets	48,020,246	680,268	48,700,514
Less accumulated depreciation for			
Buildings and improvements	(8,212,402)	(713,302)	(8,925,704)
Furniture and equipment	(4,129,388)	(413,654)	(4,543,042)
Vehicles	(2,233,504)	(303,270)	(2,536,774)
Infrastructure	(13,362,068)	(366,108)	(13,728,176)
Total accumulated depreciation	(27,937,362)	(1,796,334)	(29,733,696)
Governmental activities capital assets, net	$ 20,082,884	$ (1,116,066)	$ 18,966,818

Depreciation expense for the year ended June 30, 2014 was charged to governmental activities as follows:

General government	$ 285,287
Public safety	355,005
Health and welfare	447,500
Public works	559,376
Culture and recreation	149,166
	$ 1,796,334

	Balance June 30, 2013	Additions	Balance June 30, 2014
Business-type Activities			
Capital assets not being depreciated			
Land and easements	$ 124,966	$ -	$ 124,966
Capital assets being depreciated			
Buildings and improvements	7,723,371	-	7,723,371
Furniture and equipment	414,076	28,655	442,731
Vehicles	183,049	-	183,049
Total capital assets being depreciated	8,320,496	28,655	8,349,151
Total capital assets	8,445,462	28,655	8,474,117
Less accumulated depreciation for			
Buildings and improvements	(2,701,800)	(168,503)	(2,870,303)
Furniture and equipment	(144,853)	(40,041)	(184,894)
Vehicles	(62,596)	(21,790)	(84,386)
Total accumulated depreciation	(2,909,249)	(230,334)	(3,139,583)
Business-type activities capital assets, net	$ 5,536,213	$ (201,679)	$ 5,334,534

Depreciation expense charged to business-type activities for the year ended June 30, 2014 was $230,334.

7) Long-Term Debt

During the year ended June 30, 2014, the following changes occurred in the long-term liabilities reported in the government-wide statement of net position:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Current Maturities
Governmental Activities					
Bonds payable	$ 8,440,000	$ -	$ 2,270,000	$ 6,170,000	$ 230,000
Notes payable	688,951	-	59,315	629,636	52,525
Total	9,128,951	-	2,329,315	6,799,636	282,525
Compensated absences	252,181	26,404	130,729	147,856	130,729
Total long-term debt	$ 9,381,132	$ 26,404	$ 2,460,044	$ 6,947,492	$ 413,254

The annual requirements to amortize the bond and notes payable as of June 30, 2014, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2015	$ 282,525	$ 301,553	$ 584,078
2016	294,311	291,183	585,494
2017	305,761	280,337	586,098
2018	303,248	268,708	571,956
2019	314,219	256,692	570,911
2020-2024	1,746,599	1,076,678	2,823,277
2025-2029	2,137,973	633,048	2,771,021
2030-2034	1,415,000	136,563	1,551,563
	$ 6,799,636	$ 3,244,762	$ 10,044,398

Interest expense paid on long-term debt totaled $554, 030 for the year ended June 30, 2014.

Bonds Payable—At June 30, 2014, the County had the following bond outstanding:

2006B GRT Refund Revenue Bond

The County has pledged future gross receipts tax revenues, net of specified operating expenses, to repay $12,745,000 in gross receipts tax revenue bonds issued in August 2006. Proceeds from the bonds provided financing for the acquisition of equipment. The bonds are payable solely from gross receipts tax revenues and are payable through 2032. The total principal remaining to be paid on the bonds is $6,170,000. Principal and interest paid for the current year were $220,000 and $294,943, respectively.

During the year ended June 30, 2014, the County defeased the 2006A GRT Refund Revenue Bond issue by placing funds in an irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included on the County’s financial statements. The total amount of the defeasance was $2,050,000 and the County paid $226,737 of interest expense on these bonds during the fiscal year.

Notes Payable—The County maintains multiple loans through NMFA. Loan principal and interest payments (and intercept payments) are made on an annual basis to the New

Mexico Finance Authority (NMFA) as is required per the loan's debt schedules. Interest rates on the loans vary from 1.05% to 3.99% and loan payments are scheduled through 2027.

At June 30, 2014, the County had the following notes outstanding:

NMFA Loan—Volunteer Fire Departments

The County has pledged future fire allotment revenues, net of specified operating expenses, to repay $972,172 in loans issued June 2003 through June 2011. Proceeds from the loans provided financing for the purchase of equipment. The loans are payable solely from fire allotment revenues and are payable through May 2027. The total principal remaining to be paid on the loans is $629,636. Principal and interest (including administrative fees) paid for the current year were $59,315 and $32,349, respectively.

Compensated Absences—Employees of the County are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2014, the accrual for compensated absences decreased $104,325.

During the year ended June 30, 2014, the following changes occurred in the long-term liabilities reported in the business-type activities and proprietary fund statement of net position:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Current Maturities
Business-Type Activities					
Compensated absences	$ 41,275	$ 17,443	$ 25,937	$ 32,781	$ 25,937

Compensated Absences—Employees of the County are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2014, the accrual for compensated absences decreased $8,494.

8) Unearned Revenue

In accordance with the terms of certain grant agreements, revenues received in excess of expenditures carry over to subsequent years, unless such excess revenues are requested to be returned to the grantor. As of June 30, 2014, Cibola County had no unearned revenues related to special revenue funds.

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the fiscal year, unearned revenue reported in the governmental funds was attributed to property tax revenues and totaled $1,462,193.

9) 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 Multi-line 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.

The Workers' Compensation Pool provides workers' compensation coverage for all Cibola County employees, including temporary and part-time workers. There are 31 counties in this pool. The premium that each county pays depends upon the payroll total and the loss experience specific to that county. For fiscal year ended 2014, Cibola County contributed $130,448 to the Workers' Compensation Pool. The self-insured retention level for the pool during the period of coverage July 1, 2013 through June 30, 2014, 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 $2,000,000.

The multi-line pool provides property and casualty coverage for 29 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. Cibola County paid premiums of $173,411 for the calendar year ended December 31, 2014. Cibola County paid premiums to the Law Enforcement Liability pool of $326,282 for the year ended December 31, 2014.

The self-insured retention level for this pool during the period of coverage January 1, 2014 through December 31, 2014 is $150,000 for property and $500,000 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 $2,000,000.

The pooling agreements require the pools to be self-sustaining; it is not possible to estimate the range of contingent losses to be borne by the County. The pool boards retain $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, 2013, 2012 and 2011.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2013, 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, 2014, 2013 and 2012.

10) Deficit Fund Balance

Generally accepted accounting principles require disclosures as part of the combined statements - overview of certain information concerning individual funds including:

A. *Deficit fund balance of individual funds:* The following funds reflected a deficit fund balance as of June 30, 2014:

Governmental Funds

Nonmajor funds		
County Fire Protection Fund	$	269,264
Cubero VFD Construction Capital Project Fund		134
Computer Equipment and Software Capital Project Fund		409
Computer Equipment and Software Debt Capital Project Fund		19,349
Capital Outlay Transfers Capital Project Fund		14,378
Total nonmajor funds		303,534
Total primary government	$	303,534

B. *Excess expenditures over appropriations*: Budgetary authority is at the function level. The following funds exceeded appropriations for the year ended June 30, 2014:

Governmental Funds

Major funds		
General Fund - General Government	$	131,338
General Fund - Public Safety		168,875
General Fund - Culture and Recreation		2,829
General Fund - Health and Welfare		3,600
Indigent Special Revenue Fund - General Government		110,353
Road Special Revenue Fund - General Government		8,928
Road Special Revenue Fund - Public Works		232,186
Debt Service Fund - Interest		259,086
Detention Center Enterprise Fund - Operating Expenses		288,607
Total major funds		917,195
Nonmajor funds		
EMS Special Revenue Fund - Public Safety		10,568
VFD Special Revenue Fund - Capital Outlay		36,428
CDBG Planning Grant Special Revenue Fund - Capital Outlay		20,398
Total nonmajor funds		67,394
Total primary government	$	984,589

11) Pension Plan—Public Employees Retirement Association (PERA)

Plan Description. Substantially all of the Cibola County's 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 Employee 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 for the plan. That report may be obtained by writing to PERA, P. O. 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 10.65% (regular) and 9.15% (regular under $20,000) and 17.80% (law enforcement) of their gross salary. The County is required to contribute 9.15% (regular and under $20,000) and 18.50% (law enforcement) of the gross covered salary. The contribution requirements of plan members and Cibola County are established in State statute 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 fiscal years ending June 30, 2014, 2013, and 2012 were $462,306, $452,292, $398,173, respectively, which equals the amount of the required contributions for each fiscal year.

12) Post-Employment Benefits—State Retiree Health Care Plan

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.

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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional County member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention County member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The County's contributions to the RHCA for the years ended June 30, 2014, 2013, and 2012 were $91,651, $85,467, $69,896, respectively, which equals the required contributions for each year.

13) Contingent Liabilities

The County is party to various claims and lawsuits arising in the normal course of business. The County is insured through the New Mexico County Insurance Authority.

The County is current in the process of mediation on corporate property tax protest. The entity paid the property taxes under protest and those funds were put into a suspense fund pending the outcome of the protest. After a normal protest hearing they filed with District Court to appeal the previous ruling. The amount under protest is $474,874 out of a total tax bill of $1,457,463. In the opinion of management, the outcome of this matter will only have minor impact on the financial position of the County.

14) Restatement of Beginning Fund Balances and Net Position

During 2014, the County determined that gross receipts taxes receivable and revenue were not correctly stated in the prior year. Also, the County did not record an asset for the equity interest in their component unit in accordance with GASB 61. In addition, the County recorded land on the Hospital's financial statements in the prior year that was an asset of the County. Therefore, the County has restated the beginning gross receipts taxes receivable, capital assets, equity interest in component units, fund balances, and net position of the County and related funds.

	General Fund	Indigent Fund	Debt Service Fund
Governmental Funds			
Fund balance, as previously reported	$ 5,170,913	$ 324,088	$ 6,347,801
Adjustment to restate prior-period fund balance to correct gross receipts taxes receivables and revenue in previous years	212,780	74,784	299,160
Fund balance, July 1, 2013, as restated	$ 5,383,693	$ 398,872	$ 6,646,961

	Detention Center
Proprietary Fund	
Net position, as previously reported	$ 6,124,947
Adjustment to restate prior-period fund balance to correct gross receipts taxes receivables and revenue in previous years	74,748
Net position, July 1, 2013, as restated	$ 6,199,695
Governmental Activities	
Net position, as previously reported	$ 24,522,046
Adjustment to restate prior-period net position to correct gross receipts taxes receivables and revenue in previous years	586,724
Adjustment to restate prior-period net position to correctly record the land owned by the County	604,952
Adjustment to restate prior-period net position to record the County's equity interest in its component unit	33,403,526
Net position, July 1, 2013, as restated	$ 59,117,248
Business-type Activities	
Net position, as previously reported	$ 6,124,947
Adjustment to restate prior-period fund balance to correct gross receipts taxes receivables and revenue in previous years	74,748
Net position, July 1, 2013, as restated	$ 6,199,695

15) Joint Powers Agreements

The County is partnered with many agencies in several joint powers agreements. The details of each of these agreements can be found at Schedule VI of this report.

16) Cibola General Hospital – Component Unit

Nature of Operations and Reporting Entity

Cibola General Hospital Corporation (the "Hospital") is a 25-bed acute care hospital located in Grants, New Mexico. The Hospital is a New Mexico not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

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

The Hospital meets the criteria set forth in accounting principles generally accepted in the United States of America as promulgated by the GASB for inclusion as a component unit of Cibola County (the "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 the County for the sole purpose of supporting the Hospital's operations.

Management Agreement

Quorum Health Resources (QHR) manages the Hospital pursuant to a five-year agreement effective December 2, 2011 through December 1, 2015. Under this agreement, the Hospital reimburses QHR for the appointed administrators and chief financial County's salaries, including, but not limited to, social security payments, retirement benefits and other benefits accruing to executive level employees of QHR. This agreement may be terminated by either party upon 60 days written notice. According to this agreement, QHR will offer unlimited access to Group Purchasing Organizations (GPO), currently HealthTrust Purchasing Group (HPG). The Hospital will pay QHR an annual fee of $302,556. The fee will be adjusted annually by the percentage change over the preceding twelve months up to and including the month of August in the medical care component of the Consumer Price Index (CPI) for urban wage earners and clerical workers. An unexpected termination of this contract with QHR could have an adverse effect on the operations of the Hospital due to the loss of key management personnel and

16) Cibola General Hospital – Component Unit—continued

loss of 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.

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

The Hospital prepares its financial statements as a business-type activity in conformity with applicable GASB pronouncements.

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.

Cash and Cash Equivalents
The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. This also pertains to investments of cash related to funds set aside for future capital asset acquisitions/replacements. Certificates of deposit have original maturities in excess of three months and are not considered to be cash equivalents. As of June 30, 2014, the Hospital's cash and cash equivalents consist of cash deposits held in checking and savings accounts with local financial institutions.

16) Cibola General Hospital – Component Unit—continued

Patient Accounts Receivable and Allowance

Patient accounts receivable represent the amount billed but uncollected for services provided to patients. Such receivables are carried at the billed amount less estimates for contractual discounts and allowances, as well as for 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. As of June 30, 2014, the Hospital had approximately $1,362,100 in patient accounts receivables past 90 days or older.

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

Prepaid Expenses

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid expenses in the balance sheets and expensed as the items are used.

Inventories

Inventories consist of pharmaceutical, medical, and dietary supplies that are stated at the lower of cost, determined using the first-in, first-out method, or market value.

Funds Set Aside for Future Capital Asset Acquisitions/Replacements

Funds set aside for future capital asset acquisitions/replacements consist primarily of internally designated assets set aside by the Board of Trustees of the Hospital to fund future Hospital expansion or replacement. The Board of Trustees retains control over the internally designated assets and may, at its discretion, use the assets for other purposes.

Capital Assets and Depreciation

Acquisitions of property and equipment are recorded at cost when the useful life exceeds one year and cost exceeds $5,000 or more in accordance with Section 12-6-10 NMSA 1978, in addition to outlays for items that significantly extend the useful life of a capital asset. Costs incurred for repair and maintenance are expensed as incurred.

16) Cibola General Hospital – Component Unit—continued

Depreciation is provided over the estimated useful life of the asset and is computed using the straight-line method. The estimated useful lives used to depreciate assets, by each class, are as follows:

Buildings and leasehold improvements	10 – 40 years
Equipment	3 – 20 years

Gifts of long-lived assets such as land, buildings or equipment, and cash or other assets that must be used to acquire long-lived assets are reported as contributions and are excluded from operating income. Upon dissolution of the agreement between the Hospital and the County for any reason, all physical and tangible items of the Hospital will revert to the County.

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

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

Net 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.

16) Cibola General Hospital – Component Unit—continued

Change in Net Position
The accompanying statements of revenues, expenses and changes in net position include change in net position, which consistent with industry practice, may include unrealized gains and losses on investments other than trading securities, transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Ad Valorem Taxes
Ad valorem taxes are collected by the County on behalf of the Hospital. Ad valorem taxes are considered imposed nonexchange transactions under Governmental Accounting Standards Board Statement No. 33, and therefore, are recorded by the Hospital in the period for which the taxes are levied, based on amounts reported by the County to the Hospital.

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

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.

16) Cibola General Hospital – Component Unit—continued

Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to this Section. As such, its normal activities do not result in any income tax liability.

Budget Process

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

Fair Value of Financial Instruments

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

Concentrations of Credit and Market Risk

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

Net Patient Service Revenue

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

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

16) Cibola General Hospital – Component Unit—continued

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

Net revenue from the Medicare and Medicaid programs accounted for approximately 49% of the Hospital's net patient service revenue for the year ended June 30, 2014.

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. The 2014 cost reports have not been prepared. Management believes that estimated settlement amounts accrued for at June 30, 2014 are adequate to provide for the settlement of all open cost reports. Estimates are continually monitored and reviewed, and as settlements are made or more information becomes available to improve estimates, differences are reflected in current operations. Medicare and Medicaid cost report receivables (liabilities) are as follows:

Medicare	
2013	$ 301,615
2014	(683,232)
	(381,617)
Medicaid	
2013	20,897
	20,897
Estimated third-party payor settlements	$ (360,720)

As of June 30, 2014, in addition to $360,720 the Hospital also recorded general reserves related to third-party settlements. These reserves were $322,000 for Medicare and $516,000 for Medicaid and were included in the net patient account receivable balance on the balance sheet.

16) Cibola General Hospital – Component Unit—continued

Other Third-Party Payors—The Hospital also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined fee schedules.

Net patient service revenue consists of the following at June 30:

Gross charges	
Inpatient gross charges	$ 16,355,881
Outpatient gross charges	39,465,233
	55,821,114
Less	
Third-party contractual discounts and allowances	25,484,543
Unsponsored charges, including community care	6,162,617
Net patient service revenue	$ 24,173,954

Sole Community Provider Indigent Care Program (SCP)—The Hospital, due to its isolated location and service to indigent patients, participated in a sole community provider indigent care program that was administered by the State of New Mexico. The program was funded by the County by way of an intergovernmental transfer, which paid the County's share amount to the State, that was required to draw down federal monies. The supplemental payments were based on service to indigent and Medicaid patients as well as consideration of the Hospital's Medicaid contractual write-offs. Revenues from the SCP program were approximately $2.5 million for fiscal years 2014. The SCP was terminated and replaced with the Safety Net Care Pool Program at December 31, 2013.

Safety Net Care Pool Program (SNCP)—Senate Bill 314 amended and repealed various sections of existing statute to comply with federally approved changes to the Sole Community Provider Fund. The law provides for a county-imposed tax of one-twelfth percent of gross receipts be permanently transferred to the "Safety Net Care Pool Fund" and expended pursuant to the Indigent Hospital and County Health Care Act. The law allows counties to budget for expenditures on ambulance services, burial expenses, and hospital or medical expenses for indigent residents of their county. The law requires that qualifying hospitals receiving payment from the Safety Net Care Pool file a quarterly report on all indigent health care funding with the Human Services Department (HSD) and the County Commission, and the HSD to submit a quarterly report to the Legislative

16) Cibola General Hospital – Component Unit—continued

Finance Committee containing the previous quarter's Safety Net Care Pool Fund receipts and the disposition of funds. Revenues from the SNCP were approximately $418 thousand for the year ended June 30, 2014, of which approximately $247 thousand was due to the Hospital at June 30, 2014.

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. In accordance with Section 6-10-17, NMSA, 1978 compilation, the Hospital is required to obtain collateral in an amount equal to one-half of the deposited public money in excess of $250,000 and 102 percent for repurchase agreements. The Hospital's policy is to require collateral in accordance with state statutes. As of June 30, 2014, the Hospital was not in compliance with the state statutes because collateral obtained for deposits at two financial institutions were less than required by $83,975.

As of June 30, 2014, the Hospital had deposits with a bank balance of $25,031,308. As noted in the previous paragraph, the Hospital was noncompliant to the extent of $83,975. The remainder of the $7,920,340 uninsured and uncollateralized amount, while subject to custodial credit risk, does not fall out of compliance with the applicable State regulations.

On June 4, 2014, the Hospital was designated as a beneficiary by a bank on a Line-of-Credit (LOC) issued by a Federal Home Loan Bank in the amount of up to $1,250,000 to secure uninsured deposits. The LOC expires on June 4, 2015 and as of June 30, 2014, it has not been drawn on.

Funds Set Aside for Future Capital Asset Acquisitions/Replacements

Funds set aside for future capital asset acquisitions/replacements are stated at fair value (which approximates cost) and are comprised of the following at June 30, 2014:

Certificates of deposit	$ 8,650,861
Money market	7,992,739
Interest receivable	(17,475)
Total assets limited as to use	$ 16,626,125

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

16) Cibola General Hospital – Component Unit—continued

At June 30, 2014 the Hospital had deposits and investments with the following maturities:

		Maturities in Years			
Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Certificates of deposit	$ 8,633,386	$ 1,400,000	$ 7,233,386	$ -	$ -
Deposits and money market	7,992,739	7,992,739	-	-	-
	$ 16,626,125	$ 9,392,739	$ 7,233,386	$ -	$ -

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

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

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

Reconciliation to Balance Sheets

The carrying values of cash, cash equivalents, and funds set aside for future capital asset acquisitions/replacements at June 30, 2014 is included in the balance sheet as follows:

Carrying value	
Deposits	$ 16,139,039
Certificates of deposit	8,633,386
Money market	-
Petty cash	780
	$ 24,773,205

16) Cibola General Hospital – Component Unit—continued

Included in the following balance sheets captions		
Cash and cash equivalents	$	8,147,080
Funds set aside for future capital asset acquisitions/ replacements - cash and cash equivalents		7,992,739
Funds set aside for future capital asset acquisitions/ replacements - investments		1,400,000
Funds set aside for future capital asset acquisitions/ replacements - investments		7,233,386
	$	24,773,205

Capital Assets

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

	Beginning Balance (as restated)	Additions	Disposals and Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 128,777	$ -	$ -	$ -	$ 128,777
Construction in progress	430,715	664,437	-	(430,715)	664,437
Total capital assets not being depreciated	559,492	664,437	-	(430,715)	793,214
Capital assets being depreciated					
Buildings and leasehold improvements	9,337,088	314,013	-	(304,171)	9,346,930
Equipment	7,206,686	1,271,183	(1,269,483)	734,886	7,943,272
Total capital assets being depreciated	16,543,774	1,585,196	(1,269,483)	430,715	17,290,202
Less accumulated depreciation for					
Buildings and leasehold improvements	1,663,684	404,730	-	-	2,068,414
Equipment	4,838,427	809,466	(1,242,865)	-	4,405,028
Total accumulated depreciation	6,502,111	1,214,196	(1,242,865)	-	6,473,442
Total capital assets being depreciated, net	10,041,663	371,000	(26,618)	430,715	10,816,760
Total capital assets, net	$ 10,601,155	$ 1,035,437	$ (26,618)	$ -	$ 11,609,974

16) Cibola General Hospital – Component Unit—continued

Accrued Expenses

Accrued liabilities consisted of the following at June 30, 2014:

Accrued compensated absences	$	490,486
Accrued wages		355,227
Accrued payroll taxes		153,189
Other		49,584
Total accrued liabilities	$	1,048,486

A schedule of changes in the Hospital's accrued compensated absences for the year ended June 30, 2014, is as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
$ 507,996	$ 569,223	$ 586,733	$ 490,486	$ 490,486

Ad Valorem Taxes

Pursuant to New Mexico law adopted in 1980 and amended in 1981 allowing counties to provide expanded tax support to qualified hospitals, the voters of Cibola County approved an ad valorem tax in 2011. The Hospital recorded $1,310,975 and in the year ended June 30, 2014, in ad valorem taxes. The amounts were used in accordance with the provisions of the ad valorem tax referendum. The Hospital receives ad valorem taxes from the Treasurer of Cibola County. The County serves as the intermediary collecting agency and remits the Hospital's share of ad valorem tax collections. The Hospital does not maintain detailed records of ad valorem taxes receivable by the individual taxpayer.

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

16) Cibola General Hospital – Component Unit—continued

Commitments

Operating Leases
The Hospital has agreed, as part of a settlement with the County, to a five-year lease agreement for the use of the Hospital facility effective February 2014 with annual lease amount of $338,000. The Hospital paid $290,342 in rental expense in the year ended June 30, 2014.

The following schedule details future minimum lease payments as of June 30, 2014, for operating leases with initial or remaining lease terms in excess of one year:

Year Ending June 30,	Principal
2015	$ 417,123
2016	386,694
2017	385,227
2018	367,450
2019	213,085
2020 and after	6,490
Total due	$ 1,776,069

Contingencies

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

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

16) Cibola General Hospital – Component Unit—continued

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

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

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

Litigation—In the ordinary course of business, claims alleging malpractice and other matters may have been filed against the Hospital. Claims may also be filed for incidents that have occurred, including some of which the Hospital is not presently aware. It is not possible to estimate the likelihood and amount of such potential claims. The Hospital has purchased a commercial insurance policy on a claims-made basis for coverage of its professional liability expense. Losses under this policy have not exceeded the coverage limits for the year ended June 30, 2014. 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.

Risk Management—The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions;

16) Cibola General Hospital – Component Unit—continued

employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Defined Contribution Retirement Plan
The Hospital has a 403(b) Plan (the "Plan") to provide retirement and incidental benefits for its employees. The Plan allows eligible employees to defer a portion of their annual compensation pursuant to Section 403(b) of the Internal Revenue Code.

The Hospital matches 50% of an employee's contributions subject to IRS per-employee dollar limits. All matching contributions vest 20% each year for five years. In addition, the Plan provides for discretionary contributions as determined by the Board of Trustees. Hospital matching contributions to the Plan totaled $185,453 in 2014. The Plan does not have stand-alone financial reports available for the public.

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

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

The Hospital recognizes that revenue and receivables from government agencies are significant to its operations, however does not believe that there are any significant credit risks associated with these governmental agencies. The mix of receivables from patients and third-party payors at June 30, 2014 was as follows:

Medicare	28	%
Medicaid	20	
Commercial insurance	11	
All other payors	41	
	100	%

Supplementary Information

Combining Statements of Nonmajor Governmental Funds

State of New Mexico
Cibola County
Combining Balance Sheets – Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds	Capital Project Funds	Total Other Governmental Funds
Assets			
Cash and cash equivalents	$ 2,810,874	$ 26,696	$ 2,837,570
Accounts receivable			
Gross receipts tax	23,472	-	23,472
Total assets	$ 2,834,346	$ 26,696	$ 2,861,042
Liabilities and Fund Balances			
Current liabilities			
Accounts payable	$ 92,819	$ 40,204	$ 133,023
Interfund balances	739,401	20,762	760,163
Total liabilities	832,220	60,966	893,186
Fund balances (deficit)			
Restricted	2,271,390	-	2,271,390
Unassigned (deficit)	(269,264)	(34,270)	(303,534)
Total fund balances (deficit)	2,002,126	(34,270)	1,967,856
Total liabilities and fund balances (deficit)	$ 2,834,346	$ 26,696	$ 2,861,042

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Combining Statements of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds	Capital Project Funds	Total Other Governmental Funds
Revenues			
Property taxes	$ 467	$ -	$ 467
Gross receipts taxes	158,470	-	158,470
State and local sources	982,913	204,062	1,186,975
Federal grants	201,482	-	201,482
Licenses and fees	100,858	-	100,858
Charges for services	10,165	-	10,165
Miscellaneous	11,606	-	11,606
Total revenues	1,465,961	204,062	1,670,023
Expenditures			
Current			
General government	182,200	-	182,200
Public safety	1,598,891	-	1,598,891
Health and welfare	15,715	-	15,715
Capital outlay	100,337	178,237	278,574
Total expenditures	1,897,143	178,237	2,075,380
Revenues over (under) expenditures	(431,182)	25,825	(405,357)
Other Financing Sources (uses)			
Transfers in	1,741,600	47,783	1,789,383
Transfers out	(276,107)	-	(276,107)
Total other financing sources	1,465,493	47,783	1,513,276
Net change in fund balances	1,034,311	73,608	1,107,919
Fund balances (deficit), beginning of year, as restated	967,815	(107,878)	859,937
Fund balances (deficit), end of year	$ 2,002,126	$ (34,270)	$ 1,967,856

The accompanying notes are an integral part of these financial statements.

Nonmajor Special Revenue Funds

State of New Mexico
Cibola County
Description of Nonmajor Special Revenue Funds
June 30, 2014

Volunteer Fire Districts (VFD)—Accounts 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.

Emergency Medical Services (EMS)—Accounts for the expenditure of grant monies received for emergency medical services within the County. See Section 24-10A-6, NMSA 1978.

Farm and Range—Accounts 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.

Law Enforcement Protection—Accounts 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.

County Fire Protection—Accounts for the expenditure of funds received from a percentage of gross receipts. This money is used in support of County volunteer fire departments 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.

Grant—Accounts for the 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/document.

County Clerk Record and Filing—Accounts 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 County procedures and equipment. See Section 14-8-12.2 NMSA 1978.

CDBG (Community Development Block Grant)—accounts for federal and local funds that are used to complete major repairs and improvements for the County's CDBG projects.

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

State of New Mexico
Cibola County
Combining Balance Sheets
Nonmajor Special Revenue Funds
June 30, 2014

	VFD Fund	EMS Fund	Farm and Range Fund	Law Enforcement Protection Fund
Assets				
Cash and cash equivalents	$ 915,368	$ 47,132	$ 13,933	$ 35,983
Accounts receivable				
Gross receipts tax	-	-	-	-
Total assets	$ 915,368	$ 47,132	$ 13,933	$ 35,983
Liabilities and Fund Balances (Deficit)				
Accounts payable	$ 52,416	$ 11,570	$ -	$ 1,392
Interfund balances	-	24	-	-
Total liabilities	52,416	11,594	-	1,392
Fund balances				
Restricted	862,952	35,538	13,933	34,591
Unassigned (deficit)	-	-	-	-
Total fund balances (deficit)	862,952	35,538	13,933	34,591
Total liabilities and fund balances (deficit)	$ 915,368	$ 47,132	$ 13,933	$ 35,983

The accompanying notes are an integral part of these financial statements.

County Fire Protection Fund	Grant Fund	County Clerk Recording and Filing Fund	CDBG Fund	Reappraisal Fund	Total
$ 416,785	$ 83,952	$ 121,719	$ 979,602	$ 196,400	$ 2,810,874
23,472	-	-	-	-	23,472
$ 440,257	$ 83,952	$ 121,719	$ 979,602	$ 196,400	$ 2,834,346
$ -	$ 26,232	$ 962	$ -	$ 247	$ 92,819
-	326,984	-	412,393	-	739,401
-	353,216	962	412,393	247	832,220
440,257	-	120,757	567,209	196,153	2,271,390
-	(269,264)	-	-	-	(269,264)
440,257	(269,264)	120,757	567,209	196,153	2,002,126
$ 440,257	$ 83,952	$ 121,719	$ 979,602	$ 196,400	$ 2,834,346

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	VFD Fund	EMS Fund	Farm and Range Fund	Law Enforcement Protection Fund
Revenues				
Property taxes	$ -	$ -	$ -	$ -
Gross receipts taxes	-	-	-	-
State and local sources	465,580	82,600	-	29,000
Federal grants	-	-	-	-
Licenses and fees	-	-	6,597	-
Charges for services	-	-	-	-
Miscellaneous	1,851	-	-	-
Total revenues	467,431	82,600	6,597	29,000
Expenditures				
Current				
General government	-	-	-	-
Public safety	399,983	88,957	-	26,586
Health and welfare	-	-	15,715	-
Capital outlay	47,428	-	-	-
Total expenditures	447,411	88,957	15,715	26,586
Revenues over (under) expenditures	20,020	(6,357)	(9,118)	2,414
Other Financing Sources (Uses)				
Transfers in	276,557	-	23,051	-
Transfers out	-	-	-	-
Total other financing sources (uses)	276,557	-	23,051	-
Excess (deficiency) of revenues and other sources (uses) over (under) expenditures	296,577	(6,357)	13,933	2,414
Fund balances (deficit), beginning of year, as restated	566,375	41,895	-	32,177
Fund balances (deficit), end of year	$ 862,952	$ 35,538	$ 13,933	$ 34,591

The accompanying notes are an integral part of these financial statements.

County Fire Protection Fund	Grant Fund	County Clerk Recording and Filing Fund	CDBG Fund	Reappraisal Fund	Total
$ 467	$ -	$ -	$ -	$ -	$ 467
158,470	-	-	-	-	158,470
-	405,733	-	-	-	982,913
-	201,482	-	-	-	201,482
-	8,577	26,808	-	58,876	100,858
-	10,165	-	-	-	10,165
-	9,755	-	-	-	11,606
158,937	635,712	26,808	-	58,876	1,465,961
-	124,341	21,161	-	36,698	182,200
46,223	1,037,142	-	-	-	1,598,891
-	-	-	-	-	15,715
-	32,511	-	20,398	-	100,337
46,223	1,193,994	21,161	20,398	36,698	1,897,143
112,714	(558,282)	5,647	(20,398)	22,178	(431,182)
-	490,415	-	951,577	-	1,741,600
(276,107)	-	-	-	-	(276,107)
(276,107)	490,415	-	951,577	-	1,465,493
(163,393)	(67,867)	5,647	931,179	22,178	1,034,311
603,650	(201,397)	115,110	(363,970)	173,975	967,815
$ 440,257	$ (269,264)	$ 120,757	$ 567,209	$ 196,153	$ 2,002,126

The accompanying notes are an integral part of these financial statements.

Statements of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—VFD—Special Revenue Funds
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
State and local sources	$ 426,380	$ 465,580	**$ 465,580**	$ -
Miscellaneous	1,500	1,500	**1,851**	351
Total revenues	427,880	467,080	**467,431**	351
Expenditures				
Current				
Public safety	286,464	540,571	**399,983**	140,588
Capital outlay	-	11,000	**47,428**	(36,428)
Total expenditures	286,464	551,571	**447,411**	104,160
Excess (deficiency) of revenues over (under) expenditures	141,416	(84,491)	**20,020**	104,511
Other financing sources (uses)				
Transfers in (out)	30,000	276,559	**276,557**	(2)
Total other financing uses	30,000	276,559	**276,557**	(2)
Excess of revenues and other financing sources over expenditures and other financing uses	$ 171,416	$ 192,068	**296,577**	$ 104,509
Fund balance - beginning of year			**566,375**	
Fund balance - end of year			**$ 862,952**	

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—EMS—Special Revenue Funds
For the Year Ended June 30, 2014

	Budgeted Amounts Original	Budgeted Amounts Final	**Actual**	Variance Final Budget vs. Actual Favorable (Unfavorable)
Revenues				
State and local sources	$ 58,750	$ 82,750	**$ 82,600**	$ (150)
Total revenues	58,750	82,750	**82,600**	(150)
Expenditures				
Current				
General government	16,241	20,165	**-**	20,165
Public safety	24,475	78,389	**88,957**	(10,568)
Total expenditures	40,716	98,554	**88,957**	9,597
Excess (deficiency) of revenues over (under) expenditures	18,034	(15,804)	**(6,357)**	9,447
Fund balance - beginning of year			**41,895**	
Fund balance - end of year			**$ 35,538**	

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—Farm and Range—Special Revenue Funds
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
Licenses and fees	$ 8,449	$ 8,449	**$ 6,597**	$ (1,852)
Total revenues	8,449	8,449	**6,597**	(1,852)
Expenditures				
Current				
Health and welfare	21,000	21,000	**15,715**	5,285
Total expenditures	21,000	21,000	**15,715**	5,285
Deficiency of revenues under expenditures	(12,551)	(12,551)	**(9,118)**	3,433
Other financing sources				
Transfers in	12,551	23,051	**23,051**	-
Total other financing sources	12,551	23,051	**23,051**	-
Excess of revenues and other financing sources over expenditures and other financing uses	$ -	$ 10,500	**13,933**	$ 3,433
Fund balance - beginning of year			-	
Fund balance - end of year			**$ 13,933**	

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—Law Enforcement Protection—Special Revenue Funds
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
State and local sources	$ 29,000	$ 29,000	**$ 29,000**	$ -
Total revenues	29,000	29,000	**29,000**	-
Expenditures				
Current				
Public safety	14,800	29,000	**26,586**	2,414
Total expenditures	14,800	29,000	**26,586**	2,414
Excess of revenues over expenditures	$ 14,200	$ -	**2,414**	$ 2,414
Fund balance - beginning of year			**32,177**	
Fund balance - end of year			**$ 34,591**	

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—Fire Protection—Special Revenue Funds
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
Property taxes	$ -	$ -	**$ 467**	$ 467
Gross receipt taxes	130,000	130,000	**158,470**	28,470
Total revenues	130,000	130,000	**158,937**	28,937
Expenditures				
Current				
Public safety	55,000	55,000	**46,223**	8,777
Total expenditures	55,000	55,000	**46,223**	8,777
Excess of revenues over expenditures	75,000	75,000	**112,714**	37,714
Other financing uses				
Transfers out	(30,000)	(276,108)	**(276,107)**	1
Total other financing uses	(30,000)	(276,108)	**(276,107)**	1
Excess (deficiency) of revenues over (under) expenditures and other financing uses	$ 45,000	$ (201,108)	**(163,393)**	$ (37,715)
Fund balance - beginning of year			**603,650**	
Fund balance - end of year			**$ 440,257**	

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—Grant—Special Revenue Funds
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
State and local sources	$ 738,787	$ 754,042	**$ 405,733**	$ (348,309)
Federal sources	-	-	**201,482**	201,482
Licenses and fees	21,000	21,000	**8,577**	(12,423)
Charges for services	10,000	10,000	**10,165**	165
Miscellaneous	-	-	**9,755**	9,755
Total revenues	769,787	785,042	**635,712**	(149,330)
Expenditures				
Current				
General government	79,617	131,686	**124,341**	7,345
Public safety	1,095,621	1,163,831	**1,037,142**	126,689
Capital outlay	51,453	60,853	**32,511**	28,342
Total expenditures	1,226,691	1,356,370	**1,193,994**	162,376
Deficiencies of revenues over expenditures	(456,904)	(571,328)	**(558,282)**	13,046
Other financing sources				
Transfers in	301,992	409,132	**490,415**	81,283
Total other financing sources	301,992	409,132	**490,415**	81,283
Deficiency of revenues and other financing sources under expenditures and other financing uses	$ (154,912)	$ (162,196)	**(67,867)**	$ 94,329
Fund deficit - beginning of year			**(201,397)**	
Fund deficit - end of year			**$ (269,264)**	

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—County Clerk Recording and Filing—
Special Revenue Funds
For the Year Ended June 30, 2014

	Budgeted Amounts Original	Budgeted Amounts Final	**Actual**	Variance Final Budget vs. Actual Favorable (Unfavorable)
Revenues				
Licenses and fees	$ 29,296	$ 29,296	**$ 26,808**	$ (2,488)
Total revenues	29,296	29,296	**26,808**	(2,488)
Expenditures				
Current				
General government	15,046	28,446	**21,161**	7,285
Total expenditures	15,046	28,446	**21,161**	7,285
Excess of revenues over expenditures	14,250	850	**5,647**	4,797
Fund balance - beginning of year			**115,110**	
Fund balance - end of year			**$ 120,757**	

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—CDBG Planning Grant—
Special Revenue Funds
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
Federal sources	$ -	$ -	**$ -**	$ -
Total revenues	-	-	**-**	-
Expenditures				
Current				
General government	500,000	500,000	-	500,000
Capital outlay	-	-	**20,398**	(20,398)
Total expenditures	500,000	500,000	**20,398**	479,602
Deficiencies of revenues under expenditures	(500,000)	(500,000)	**(20,398)**	479,602
Other financing sources				
Transfers in	500,000	951,577	**951,577**	-
Total other financing sources	500,000	951,577	**951,577**	-
Excess of revenues and other financing sources over expenditures and other financing uses	$ -	$ 451,577	**931,179**	$ 479,602
Fund balance - beginning of year			**(363,970)**	
Fund balance - end of year			**$ 567,209**	

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—Reappraisal—Special Revenue Funds
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
Licenses and fees	$ 55,000	$ 55,000	**$ 58,876**	$ 3,876
Total revenues	55,000	55,000	**58,876**	3,876
Expenditures				
Current				
General government	47,000	54,155	**36,698**	17,457
Public safety	-	-	-	-
Total expenditures	47,000	54,155	**36,698**	17,457
Excess of revenues over expenditures	$ 8,000	$ 845	**22,178**	$ 21,333
Fund balance - beginning of year			**173,975**	
Fund balance - end of year			**$ 196,153**	

The accompanying notes are an integral part of these financial statements.

Nonmajor Capital Project Funds

Cubero VFD Construction—Accounts 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—Accounts 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.

Computer Equipment and Software Debt Service—Accounts for the cost of purchasing computer equipment and related software for use by the County. Funding for this project is derived from loan proceeds from NMFA.

Capital Outlay Transfers—Accounts for the construction, repair and purchase of equipment and vehicles for various projects. Funding is from a combination of state and local funding.

State of New Mexico
Cibola County
Combining Balance Sheets
Nonmajor Capital Project Funds
June 30, 2014

	Cubero VFD Construction Fund	Computer Equipment and Software Fund	Computer Equipment and Software Debt Fund	Capital Outlay Transfers Funds	Total
Assets					
Cash and cash equivalents	$ -	$ 870	$ -	$ 25,826	$ 26,696
Total assets	-	870	-	25,826	26,696
Liabilities and Fund Balances					
Accounts payable	$ -	$ -	$ -	$ 40,204	$ 40,204
Interfund balances	134	1,279	19,349	-	20,762
Total liabilities	134	1,279	19,349	40,204	60,966
Fund balances					
Unassigned (deficit)	(134)	(409)	(19,349)	(14,378)	(34,270)
Total fund balances (deficit)	(134)	(409)	(19,349)	(14,378)	(34,270)
Total liabilities and fund balances	$ -	$ 870	$ -	$ 25,826	$ 26,696

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2014

	Cubero VFD Construction Fund	Computer Equipment and Software Fund	Computer Equipment and Software Debt Fund	Capital Outlay Transfers Funds	Total
Revenues					
State and local sources	$ -	$ -	$ -	$ 204,062	$ 204,062
Total revenues	-	-	-	204,062	204,062
Expenditures					
Capital outlay	-	-	-	178,237	178,237
Total expenditures	-	-	-	178,237	178,237
Excess of revenues over expenditures	-	-	-	25,825	25,825
Other Financing Sources					
Transfers in	-	-	-	47,783	47,783
Total other financing sources	-	-	-	47,783	47,783
Excess of revenues and other sources over expenditures	-	-	-	73,608	73,608
Fund deficit, beginning of year	(134)	(409)	(19,349)	(87,986)	(107,878)
Fund deficit, end of year	$ (134)	$ (409)	$ (19,349)	$ (14,378)	$ (34,270)

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—Capital Outlay Transfers—Capital Project Funds
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
State and local sources	$ 300,000	$ 300,000	**$ 204,062**	$ (95,938)
Total revenues	300,000	300,000	**204,062**	(95,938)
Expenditures				
Capital outlay	300,000	300,000	**178,237**	121,763
Total expenditures	300,000	300,000	**178,237**	121,763
Excess of revenues over expenditures	-	-	**25,825**	25,825
Other financing sources				
Transfers in	-	-	**47,783**	47,783
Total other financing sources	-	-	**47,783**	47,783
Excess of revenues and other financing sources over expenditures and other financing uses	$ -	$ -	**73,608**	$ 73,608
Fund deficit - beginning of year			**(87,986)**	
Fund deficit - end of year			**$ (14,378)**	

The accompanying notes are an integral part of these financial statements.

Debt Service Fund

State of New Mexico
Cibola County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—Debt Service Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Operating revenues				
Property taxes	$ -	$ -	**$ 3,538**	$ 3,538
Gross receipts taxes	1,829,855	1,829,855	**1,068,004**	(761,851)
State and local sources	-	-	**91,664**	91,664
Total revenues	1,829,855	1,829,855	**1,163,206**	(666,649)
Expenditures				
Current				
General government	70,000	70,000	**43,912**	26,088
Debt service				
Principal	220,000	2,452,509	**2,329,315**	123,194
Interest	294,944	294,944	**554,030**	(259,086)
Total expenditures	584,944	2,817,453	**2,927,257**	(109,804)
Excess (deficiency) of revenues over (under) expenditures	1,244,911	(987,598)	**(1,764,051)**	(776,453)
Other financing source (uses)				
Transfers in	-	1,889,789	**1,889,789**	-
Transfers out	-	(4,944,952)	**(4,944,952)**	-
Total other financing uses	-	(3,055,163)	**(3,055,163)**	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	$ 1,244,911	$ (4,042,761)	**(4,819,214)**	$ (776,453)
Fund balance - beginning of year, as restated			**6,646,961**	
Fund balance - end of year			**$ 1,827,747**	

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Statement of Revenues, Expenses and Changes in Net Position
Budget and Actual—Detention Center Enterprise Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Final Budget vs. Actual Favorable
	Original	Final	**Actual**	(Unfavorable)
Operating revenues				
Gross receipts taxes	$ 457,013	$ 457,013	**$ 440,365**	$ (16,648)
Charges for services	1,826,118	1,826,118	**2,461,645**	635,527
Miscellaneous	620	620	**59,168**	58,548
Total operating revenues	2,283,751	2,283,751	**2,961,178**	677,427
Operating expenses				
Personal services	2,214,096	2,206,251	**2,100,366**	105,885
Operating expenses	1,031,586	1,031,640	**1,320,247**	(288,607)
Total operating expenses	3,245,682	3,237,891	**3,420,613**	(182,722)
Operating loss	(961,931)	(954,140)	**(459,435)**	494,705
Nonoperating income (expenses)				
Transfers in (out)	998,787	673,518	**(61,589)**	(735,107)
Total nonoperating income (expenses)	998,787	673,518	**(61,589)**	(735,107)
Net income (loss)	$ 36,856	$ (280,622)	**(521,024)**	$ (240,402)
Net position - beginning of year, as restated			**6,199,695**	
Expenses not budgeted				
Depreciation			**(230,334)**	
Net position, end of year			**$ 5,448,337**	

Supporting Schedules

State of New Mexico
Cibola County
Schedule of Depositories
For the Year Ended June 30, 2014

Bank Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Carrying Balance
Wells Fargo Bank					
Operational	Interest-Bearing Checking	$ 4,589,925	$ 37,767	$ 659,272	$ 3,968,420
Savings	Savings	1,457,629	-	-	1,457,629
Brokerage	Money Market	1,082,123	-	-	1,082,123
Subtotal Wells Fargo Bank		7,129,677	37,767	659,272	6,508,172
Grants State Bank					
Public checking	Interest-Bearing Checking	1,211,418	-	-	1,211,418
CDBG	Interest-Bearing Checking	1	-	-	1
Inmate trust account	Interest-Bearing Checking	21,664	944	22,608	-
Money market	Money Market	3,612,467	11,434	-	3,623,901
Certificate of deposit	CD	522,790	-	-	522,790
Subtotal Grants State Bank		5,368,340	12,378	22,608	5,358,110
U.S. Bank					
Business Account	Money Market	1,900,598	-	-	1,900,598
Certificate of deposit	CD	153,744	416	-	154,160
Certificate of deposit	CD	167,934	415	-	168,349
Subtotal U.S. Bank		2,222,276	831	-	2,223,107
Total cash in bank		$ 14,720,293	$ 50,976	$ 681,880	14,089,389
Add: Petty Cash					400
Add: State Treasurer's Office LGIP Fund					670
Add: New Mexico Finance Authority (NMFA) Cash					38,460
Subtotal					14,128,919
Less agency funds					1,682,560
Total cash and cash equivalents					$ 12,446,359

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Schedule of Pledged Collateral
For the Year Ended June 30, 2014

Security Description	CUSIP Number	Fair Market Value	Maturity Date	Name and Location of Safekeeper
Wells Fargo Bank				
FN AT0335 3.000%	3138WMLRO	$ 2,231,391	4/1/2043	Bank of New York Mellon, New York, NY
FN AU4290 4.000%	3138X3XU1	178,039	9/1/2043	Bank of New York Mellon, New York, NY
FN AB7507 3.000%	31417EKV2	495,329	1/1/2043	Bank of New York Mellon, New York, NY
Subtotal Wells Fargo Bank		2,904,759		
Grants State Bank				
FNMA #AH9688	3138ABXS3	347,148	4/1/2026	The Independent Banker's Bank, Irving, TX
FNMA #AL1806 4.50%	3138AFAG5	335,007	4/1/2026	The Independent Banker's Bank, Irving, TX
FNMA #AL4952 3.00%	3138AJQE5	356,737	11/1/2026	The Independent Banker's Bank, Irving, TX
FNMA # AL0846 3.500%	3138EG5G5	217,826	10/1/2026	The Independent Banker's Bank, Irving, TX
FNMA # AB4090 3.00%	31417ARL5	300,890	12/1/2026	The Independent Banker's Bank, Irving, TX
Albuquerque NM MET Arroyo 3.50%	013572HP0	855,476	8/1/2015	The Independent Banker's Bank, Irving, TX
Chama VY ISD Noncall FR 4.15%	157670EB2	76,630	4/1/2016	The Independent Banker's Bank, Irving, TX
Chama VY ISD Noncall FR 4.15%	157670EC0	78,560	4/1/2015	The Independent Banker's Bank, Irving, TX
Los Alamos ISD Call FR 3.10%	544228BR9	100,213	8/1/2014	The Independent Banker's Bank, Irving, TX
Los Alamos ISD Call FR 3.20%	544228BS7	150,330	8/1/2015	The Independent Banker's Bank, Irving, TX
Los Alamos ISD Call FR 3.35%	544228BT5	135,297	8/1/2016	The Independent Banker's Bank, Irving, TX
Lovington NM Muni SD #1 BQ 2.50%	547473DG0	472,648	10/1/2018	The Independent Banker's Bank, Irving, TX
San Juan Cnty NM JRCO 3.75%	798360EB5	200,478	2/15/2016	The Independent Banker's Bank, Irving, TX
Santa Fe Cnty NM BQ Noncall 4.30%	801889LR5	230,038	7/1/2019	The Independent Banker's Bank, Irving, TX
Southern Sandoval NM BQGO 3.75%	843789DU9	181,619	8/1/2025	The Independent Banker's Bank, Irving, TX
Artesia NM WTR 4.00%	04310LAR1	253,638	6/1/2025	The Independent Banker's Bank, Irving, TX
Mississippi Dev BK BQ Call 4.00%	60534RSX8	531,990	3/1/2025	The Independent Banker's Bank, Irving, TX
San Miguel Cnty 3.00%	799108CX1	125,346	6/1/2016	The Independent Banker's Bank, Irving, TX
San Miguel Cnty 3.00%	799108CZ6	421,098	6/1/2018	The Independent Banker's Bank, Irving, TX
San Miguel Cnty 3.00%	799108CY9	407,619	6/1/2017	The Independent Banker's Bank, Irving, TX
Silver City NM GR Rev 2.750%	82750PAG9	236,637	6/1/2018	The Independent Banker's Bank, Irving, TX
Silver City NM GR Rev 3.375%	82750PAN4	285,749	6/1/2024	The Independent Banker's Bank, Irving, TX
Subtotal Grants State Bank		6,300,974		
U.S. Bank				
Letter of credit	513804	2,000,000	6/2/2014	Cibola County, Grants, NM
Grand total all banks		$ 11,205,733		

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Tax Roll Reconciliation – Changes in Property Taxes Receivable
For the Year Ended June 30, 2014

Property taxes receivable, beginning of year	$	4,608,554
Changes to tax roll		
Net taxes charged to treasurer for fiscal year		10,103,539
Adjustments in taxes receivable		(477,714)
Total receivables prior to collections		14,234,379
Collections of fiscal year ended June 30, 2014		9,348,795
Property taxes receivable, end of year	$	4,885,584

Property taxes receivable by year		
2004	$	206,987
2005		225,194
2006		235,505
2007		261,231
2008		330,912
2009		433,727
2010		566,314
2011		524,238
2012		641,525
2013		1,459,951
Total taxes receivable	$	4,885,584

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Cibola County
Schedule of Joint Powers Agreements
For the Year Ended June 30, 2014

Joint Power Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates
Northwest New Mexico Regional Solid Waste Authority	Cibola County, City of Grants, Village of Milan, City of Gallup, and County of McKinley	Northwest New Mexico, Regional Solid Waste Authority	Provide for the disposition of solid waste by establishing modern solid waste facilities.	05/06 to Indefinite
Joint Communications Center	Cibola County, City of Grants, and Village of Milan	Cibola County	Established and operates a combined communication and dispatch center for Cibola	11/04 to Indefinite
Cibola Transit Authority	Cibola County, City of Grants, and Village of Milan	Village of Milan	Established a transit system to provide transportation to residents and visitors.	09/06 to Indefinite
Senior Citizens Program	Cibola County, City of Grants, and Village of Milan	City of Grants	Establishes a service area of senior citizens	6/81 to Indefinite
Mother Whiteside Memorial Library	Cibola County, City of Grants, Village of Milan	City of Grants	Provides capital and operating funds to establish a library	6/81 to Indefinite
Animal Control and Shelter	Cibola County, and City of Grants	City of Grants	Provide sheltering for captured animals for the purpose of preventing nuisance, disease, and animal cruelty.	12/97 to Indefinite
Tax and Revenue Department	Cibola County, State of New Mexico Taxation & Revenue Dept.	Cibola County Clerk's Office	Enables the County to register taxpayers with TRD and assign TRD identification numbers to taxpayers engaging in business in the County whose businesses obtain licenses from the County.	8/2010 to Indefinite

The accompanying notes are an integral part of these financial statements.

Total Estimated Project Amount and Amount Applicable to County	Amount Contributed by County During Fiscal Year	Audit	Fiscal Agent and Responsible Reporting Entity
The County is required to contribute 100% of its Environmental Gross Receipts Tax.	$ 107,500	Northwest New Mexico Regional Solid Waste	Northwest New Mexico Regional Solid Waste Authority.
The County is required to provide one half of the yearly operating costs.	267,811	Cibola County	Cibola County
The County contributes 43% of operating costs.	52,024	Village of Milan	Village of Milan
The County contributes $28,000 annually.	28,000	City of Grants	City of Grants
The County contributes $5,000 annually.	5,000	City of Grants	City of Grants
The County contributes $32,500 annually	35,000	City of Grants	City of Grants
Free Service	-	Cibola County	Cibola County

The accompanying notes are an integral part of these financial statements.

Compliance Section

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards*

Timothy Keller, New Mexico State Auditor and
Cibola County Board of Commissioners
Grants, New Mexico

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds, of Cibola County, New Mexico (the County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and the combining and individual funds and related budgetary comparisons of the County, presented as supplemental information, and have issued our report thereon dated March 23, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2013-001, 2013-004, 2013-006.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items 2011-002, 2013-003, 2013-007, 2014-001, 2014-002, 2014-003, 2014-004, CU-2014-001.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-005, 2013-009, 2013-010, 2013-011, 2014-005, 2014-006, 2014-007, 2014-008, CU-2014-002, and CU-2014-003.

The County's Responses to Findings

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

Purpose of this Report

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

REDW LLC

Albuquerque, New Mexico
March 23, 2015

State of New Mexico
Cibola County
Schedule of Findings and Responses
For the Year Ended June 30, 2014

Section I — Financial Statement Findings

2011-002 – Late Audit Report (Significant Deficiency) (Repeated)

Criteria: Local public body audits, which includes Counties, are to be submitted to the State Auditor by November 15^{th}, as required by NMAC 2.2.2.9(1)(e).

Condition: The audit report was submitted to the State Auditor after the required deadline of November 15, 2013.

Cause: The County's accounts were not reconciled to the general ledger and supporting documentation.

Effect: The County is noncompliant with the State Auditor Rule pertaining to submission of audit reports.

Auditor's Recommendation: The County has several areas of improvement that can assist in having the audit report submitted on a timely basis as evidenced by the number of findings presented. The County should review their financial statements before the audit and compile the information necessary for the notes and schedules to the financial statements as early as possible.

Management's Response: The County feels that additional training for key staff members as well as working with the audit team will go a long way to resolving this issue.

Section I — Financial Statement Findings — continued

2013-001 — Capital Assets (Material Weakness) (Repeated) (Modified Opinion)

Criteria: Section 12-6-10(A) NMSA 1978 and NMAC 2.20,1,16 require each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors. In addition, the County should have detailed capital asset records to support the reported balance on the financial statements. These detailed records should include information such as description (including serial number or other identification number), source, acquisition date and cost, depreciable life, percentage of federal participation in the cost, location, and condition of the asset.

Condition: The County could not provide a capital asset listing that agreed to the trial balance for governmental or business-type activities. In addition, depreciation expense was not recorded on depreciable assets for fiscal year 2014. The County also did not conduct a physical inventory in fiscal year 2014 and is unsure as to the date of the last physical inventory. A prior period adjustment of $604,952 was needed in the current year to record land that was mistakenly not recorded on the County's financial statements.

Cause: The County does not have a process in place to ensure that the capital assets reported on their financial statements are tracked on an ongoing basis. They also do not have a formal closing process in place to ensure that depreciation is recorded on capital assets and that the assets are inventoried at least yearly.

Effect: The County is noncompliant with Section 12-6-10, NMSA, 1978 and NMAC 2.20,1,16. There are limited internal controls implemented for safeguarding assets and no internal controls for establishing accountability for their custody and use. In addition, as the County was unable to provide a capital asset listing that agreed to their records the audit opinion was qualified for both governmental and business-type capital assets.

Auditor's Recommendations: The County needs to implement a formalized policy relating to capital assets. The policy should require tagging of capital assets and an annual inventory count to be performed at year-end. The County should also ensure capital asset listings, including additions, agree to the general ledger and are certified by the governing authority.

Management's Response: The County will be implementing the recommendations from the auditors to include policies and procedures to be in compliance with state statues and a more structured process to inventory assets each year.

Section I — Financial Statement Findings — continued

2013-003 — Preparation of Financial Statements (Significant Deficiency) (Repeated)

Criteria: Statement on Accounting Standards (SAS) 115, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and County's financial statements.

Condition: The individuals responsible for the accounting functions for the County did not prepare the financial statements. The financial statements were prepared by the auditor.

Cause: The County's accounting staff lacks the resources necessary to prepare their own financial statements.

Effect: Without the aid of its external auditors the County is unable to accurately prepare its financial statements in accordance with generally accepted accounting principles.

Auditor's Recommendations: We recommend the County continue to receive training relating to the preparation for the County's financial statements in accordance with generally accepted accounting principles.

Management's Response: The County will require all the staff involved to get continued training in order to be in compliance.

Section I — Financial Statement Findings — continued

2013-004 — Preparation of Trial Balance (Material Weakness) (Modified and Repeated)

Criteria: Maintenance of the trial balance in accordance with generally accepted accounting principles (GAAP) helps ensure that timely, accurate, and useful information is available to management and those charged with governance.

Condition: Fourteen material journal entries were required during the course of our audit to reconcile tax receivables, fund balance, accounts payable, accrued liabilities, cash, capital assets, long-term debt, equity interest in its component unit, revenues, and expenditures. The significance of these journal entries indicates a need for additional review of these balances during the year.

Cause: The County does not have policies and procedures in place to thoroughly review the account balances listed above before year-end.

Effect: As a result, errors may not be detected timely and financial information provided to management may not be accurate. The probability that errors will occur and go undetected is greatly increased.

Auditor's Recommendations: We recommend the County implement internal control policies and procedures to ensure that general ledger account reconciliations are completed timely and ensure that the reconciliations are reviewed and approved by appropriate supervisory accounting personnel.

Management's Response: The County will include these as part of internal control polices as recommended.

Section I — Financial Statement Findings — continued

2013-006 — Credit Cards (Material Weakness) (Repeated and Modified)

Criteria: An effective internal control structure requires that expenditures be substantiated with supporting documentation that clearly identifies the purpose of the expenditure. A proper control environment also requires that credit card expenditures are not paid until adequate approval and support is obtained.

Condition: We performed extended procedures on the County's credit card transactions. As a result of our procedures we noted the following deficiencies:

- One out of twenty-three transactions totaling $160.49 – The time and date of the purchase could not be found anywhere on the receipt; therefore we are unable to determine if the purchase was authorized before it was made.
- Two out of twenty-three transactions totaling $1,377.94 – The reasonableness of the transaction could not be determined due the receipt not being legible or having a description of items on the invoice.
- Three out of twenty-three transactions totaling $68.43 – The County could only provide the credit card receipt from the vendor with no detailed receipt available, therefore we are unable to determine the reasonableness of the purchase.
- Three out of twenty-three transactions totaling $411.30 – The purchase requisition/order are dated later than the invoice/receipt indicating that the purchase was made without proper approval.
- Ten out of twenty-three transactions totaling $2,078.77 – There was no purchase requisition/order or any proof of authorization available. Therefore, we were unable to determine the reasonableness of the purchase.
- Five out of twenty-three transactions totaling $1,220.21 – The County could not provide any supporting documentation.
- One out of twenty-three transactions totaling $1,273.65 – A hotel receipt and conference flyer was provided, however, employee stayed in the hotel two days after the conference, which was paid with the company credit card.

Cause: The County's credit card users are not following the County's policy to obtain prior approval before making credit card purchases and submit supporting documentation for these transactions. In addition, the County is not requiring these receipts to be obtained before payment is made on their credit cards.

Effect: There is an increased likelihood that fraudulent purchases will be made using the County's credit cards.

Section I — Financial Statement Findings — continued

2013-006 — Credit Cards (Material Weakness) (Repeated and Modified) — continued

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Auditor's Recommendations: We recommend that the County enforce their policy and not allow credit card transactions to be made without approval. We also strongly encourage the County not to make payment on credit card purchases without receipt of supporting documentation. In the event that payment must be made the County should consider repercussions for the individual(s) not complying with their policy.

Management's Response: The County is currently looking at several options to fix the issue with purchase card, including new polices and training for all individuals that were assigned cards.

Section I — Financial Statement Findings — continued

2013-007 — Deficiencies in Internal Control Structure Design (Significant Deficiency) (Repeated)

Criteria: NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

Condition: The County does not have a current comprehensive documented internal control structure.

Cause: The County has recently undergone an accounting system conversion and has not formally written all internal control policies and procedures.

Effect: The County has not maintained a formal policy and procedure manual. The lack of formally written policies and procedures may result in grant noncompliance and/or potential errors and misstatements in times of personnel turnover and personnel reductions.

Auditor's Recommendations: The County should document comprehensive internal control structure and ensure that it will be followed.

Management's Response: The County accepts the finding and will be looking over all existing policies and implementing new policies that will comply the States requirements, with GAAP and will reflect the changes brought about by the new accounting system we are transitioning to.

Section I — Financial Statement Findings — continued

2014-001 — Journal Entries (Significant Deficiency)

Criteria: Good accounting policies and procedures require manual journal entries posted to the accounting system be reviewed and approved by someone other than the employee preparing the journal entry.

Condition: Journal entries are being posted to the County's accounting system without review or approval from an independent source.

Cause: The County's policy only requires journal entries to be reviewed if they are initiated at the department level. The Finance Director is allowed to post entries to the accounting system without any review or approval from another employee.

Effect: The lack of approval of nonroutine journal entries leaves the County open to mistakes not being found in a timely manner.

Auditor's Recommendations: We recommend that the County implement a policy where all nonroutine journal entries must be initiated by one employee and approved by another.

Management's Response: The County will be developing and implementing new processes that require Management to approve any and all non-routine journal entries.

Section I — Financial Statement Findings — continued

2014-002 — Notes Payable – (Significant Deficiency)

Criteria: Debt principal and interest payments should be recorded in the financial records even in the case where the payments are being intercepted by the loaning agency from the State.

Condition: The County did not record its principal and interest payments of $59,315 and $32,349, respectively, on their loans payable to NMFA due to the money being intercepted by NMFA from State revenue allotments.

Cause: County personnel did not understand GAAP requirements related to debt principal and interest expense when the payments were not made by the County.

Effect: The County understated their expenses and did not properly record their debt payments.

Auditor's Recommendations: The County needs to ensure that payments for their NMFA loans are recorded when payments are intercepted.

Management's Response: The County did become aware of this issue earlier this year and have started implementing the required changes for FY15.

Section I — Financial Statement Findings — continued

2014-003 — Segregation of Duties (Significant Deficiency)

Criteria: Proper internal controls require the segregation of duties between the payroll and human resources functions.

Condition: The County has one employee who performs both the payroll and human resources functions. Some of these functions, such as entering employee time and changing pay rates should be segregated. The County also does not have an approved payroll policy.

Cause: The County has tried to get an individual to take over the payroll process, but it seems that they are having a difficult time finding a qualified person for the position.

Effect: The County could be at risk due to the fact that the same employee is in charge of certain functions that require segregation of duties.

Auditor's Recommendations: The County should either have one employee in charge of the human resource and a different employee in charge of payroll or have adequate controls in place where the work performed by the employee is adequately reviewed by management. The County's biggest expense is payroll and we highly recommend that these controls be put in place as soon as possible. The County should also implement and approve a County-wide payroll process.

Management's Response: The County is looking at possible solutions and will be implementing one that will be in compliance with the Auditor's findings as well as provide the best solution for the staff.

Section I — Financial Statement Findings — continued

2014-004 —IT (Significant Deficiency)

Criteria: Good internal controls over information technology are essential to ensure that the County's information is safeguarded.

Condition: Based on our review of the County's information technology environment, we have identified the following issues:

- There is no information technology risk assessment process in place.
- There is not a strategic plan or a disaster recovery plan in place.
- There is not a written policy in place for restoring and backing up the financial and accounting data.
- The information technology department is performing backups on the financial and accounting data daily but there is not written policy.

Cause: The County does not have policies and procedures in place for their information technology department.

Effect: The lack of policies and procedures could leave the County open to losing valuable information within their information technology system.

Auditor's Recommendations: The County needs to implement policies and procedures related to their information technology.

Management's Response: The County will develop the required policies and procedures as well as add additional resources in order to have adequate and redundant backups.

Section II — Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978

2013-005 — Travel and Per Diem (Other) (Repeated)

Criteria: According to NMAC 2.42.2.11, mileage accrued in the use of a private conveyance shall be paid only in accordance with the provisions of this section. Public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the discharge of official duties as follows: unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Condition: During our test work of travel expenditures, we noted the following:
- Three out of six instances in which mileage reimbursement was reimbursed at 100% of the Federal rate. The total amount of the three reimbursements was $248.25.
- Four out of six instances totaling $288.21 in which the staff was reimbursed for expenditures without a second approval on the request for reimbursement as required by County policy.

Cause: The policies and procedures the County has adopted for travel and per diem are not being followed.

Effect: The County is not in compliance with NMAC 2.42.2.11 in regards to mileage reimbursements.

Auditor's Recommendations: The County should develop a policy which identifies incorrect mileage reimbursements in a timely manner and provide training for those who request mileage reimbursements incorrectly.

Management's Response: The County did become aware of the incorrect mileage reimbursement amount earlier in the year. The County did implement changes in the process for employees to request reimbursement

Section II — Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978 — continued

2013-009 — Cash Disbursements (Other) (Repeated)

Criteria: Sound accounting practices and procedures related to disbursements require authorization in accordance with written policies before a purchase can be made.

Condition: During our test work of cash disbursements, one out of ten disbursement purchases had a purchase date prior to the purchase order approval date.

Cause: The County's procurement policy related to purchase authorization is not being unilaterally followed.

Effect: The County's policy was put in place to ensure that unauthorized purchases are not made with County funds. Not following the policy heightens the risk that unauthorized purchased could be made, causing a misuse in public funds.

Auditor's Recommendations: We recommend the County implement a procedure to identify those purchases that are made without proper approval and provide training to those employees that are not following policy.

Management's Response: The County did adopt a new Procurement Policy at the beginning of the year, and will be scheduling training to help explain the changes.

Section II — Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978 — continued

2013-010 — Timeliness of Deposits (Other) (Repeated)

Criteria: All public money in the custody or under the control of any state official or agency obtained or received by any official or agency from any source, except as in Section 6-10-54 NMSA 1978 provided, shall be paid into the state treasury. It is the duty of every official or person in charge of any state agency receiving any money in cash or by check, draft or otherwise for or on behalf of the state or any agency thereof from any source, except as in Section 6-10-54 NMSA 1978 provided, to forthwith and before the close of the next succeeding business day after the receipt of the money to deliver or remit it to the state treasurer.

Condition: The Treasurer's County is only receiving deposits from the Detention Center, Sheriff's Department, and DWI Compliance Department once a month even though cash receipts are being made by those departments daily.

Cause: The County does not have a policy in place requiring the department listed above to turn in their receipts daily in accordance with the Section 6-10-54 NMSA 1978.

Effect: The County is not in compliance with the State Audit Rule related to deposits of public money.

Auditor's Recommendations: We recommend that the County modify their cash receipting policies for those departments in order to comply with the State Audit Rule.

Management's Response: The County Treasurer and her staff will be working with Management to implement the changes to policy recommended by the Audit team so we will be in compliance.

Section II — Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978 — continued

2013-011 — Exceeded Budget Authority (Other) (Repeated)

Criteria: Sound financial management and 6-6-6 NMSA 1978 require that budgets not be exceeded at the legal level of control. The County's legal level of control is at the expenditure function level.

Condition: The County had the following expenditure functions where actual expenditures exceeded budgetary authority:

Governmental Funds	
Major funds	
General Fund - General Government	$ 131,338
General Fund - Public Safety	168,875
General Fund - Culture and Recreation	2,829
General Fund - Health and Welfare	3,600
Indigent Special Revenue Fund - General Government	110,353
Road Special Revenue Fund - General Government	8,928
Road Special Revenue Fund - Public Works	232,186
Debt Service Fund - Interest	259,086
Detention Center Enterprise Fund - Operating Expenses	288,607
Total major funds	917,195
Nonmajor funds	
EMS Special Revenue Fund - Public Safety	10,568
VFD Special Revenue Fund - Capital Outlay	36,428
CDBG Planning Grant Special Revenue Fund - Capital Outlay	20,398
Total nonmajor funds	67,394
Total primary government	$ 984,589

Cause: The County did not make the appropriate budgetary transfers to alleviate the over-expenditure.

Effect: The County is not in compliance with New Mexico law, and the control established by the use of budgets has been compromised.

Auditor's Recommendations: The County should establish a policy of budgetary review at year-end, and make the necessary budget adjustments.

Management's Response: The County will implement an end of the year review process as part of the budgeting procedures in order to catch and correct any expenses over the budgeted amounts.

Section II — Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978 — continued

2014-005 — Collateralization – Other Matter

Criteria: New Mexico State Statute Section 6-10-17, NMSA 1978, requires the County to collateralize an amount equal to one-half of the balance not covered by the Federal Deposit Insurance Corporation (FDIC) for depository accounts.

Condition: At June 30, 2014, the County had uninsured bank deposits of $410,079. The County did not have collateral in place to meet the State requirement.

Cause: The County did not verify that their deposits were adequately collateralized after year-end.

Effect: The deposits were not collateralized appropriately, and the County was not in compliance with the cash collateralization requirements.

Auditor's Recommendations: The County should have a procedure in place to routinely monitor the collateral held for their deposits.

Management's Response: The County will work with the banks in order to insure that adequate collateralization in maintained for all accounts.

Section II — Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978 — continued

2014-006 — Late Submittal of IPA Recommendation Form for FY2014 Audit and Audit Contract to State Auditor – Other Matter

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Criteria: According to Paragraph (6) of Subsection G of 2.2.2.8 NMAC, the auditor must include a finding of noncompliance if a completed Independent Public Accountants (IPA) Recommendation Form and audit contract are not delivered to the State Auditor by the deadline, which is May 1st for the County.

Condition: The IPA Recommendation Form and audit contract were not submitted timely to the State Auditor by the County.

Cause: The County completed a common IPA Recommendation Form and audit contract for fiscal year 2014 audits. The IPA Recommendation Form and audit contract was not completed and submitted by Cibola County to the New Mexico County of State Auditor prior to the required May 1, 2014 deadline.

Effect: The County is not in compliance with statutory requirements to timely submit the IPA Recommendation Form and audit contract to the State Auditor.

Auditor's Recommendation: We recommend that management establish controls to ensure that the required forms are submitted to the State Auditor in a timely manner.

Management's Response: The County does accept this finding and will implement this as part of the Finance processes in order to be in compliance with the State Auditor's Office.

Section II — Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978 — continued

2014-007— Property Tax Schedule Not Included – Other Matter

Criteria: State Auditor Rule 2.2.2 12D requires property tax outstanding and receivable for the past 10 years to be listed.

Condition: The property tax outstanding and receivable, by agency, for the past 10 years was not presented as a supporting schedule of the financial statements.

Cause: The County Treasurer's software provides the information required for the report, however the information is not reconciled to the County's accounting software. In addition, the County has not placed alternative procedures in place to capture the information required to complete the schedule.

Effect: The County may not know the property taxes outstanding and receivable for the past 10 years by individual agency, including the County's portion. The collection and reporting processes may not be as efficient as they could be if they had the required schedule.

Auditor's Recommendation: We recommend the County implement a plan to capture this data for inclusion in their annual financial report and to reconcile the two systems.

Management's Response: The County will implement a process in order to have this data readily available. Additionally we are in the process of eliminating the second system to help eliminate the issues of the two systems not matching.

Section II — Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978 — continued

2014-008— Schedule of Changes in Assets and Liabilities for the Agency Funds Not Included – Other Matter

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Criteria: State Auditor Rule 2.2.2 10W requires a Schedule of Changes in Assets and Liabilities for the Agency Funds to be presented for all entities that have Agency Funds.

Condition: The Schedule of Changes in Assets and Liabilities for the Agency Funds was not presented as a supporting schedule of the financial statements.

Cause: The County did not have adequate supporting documentation related to the balances in the agency funds. In addition to not presenting this schedule the County is also receiving a disclaimer of opinion on their Agency Funds.

Effect: The County may not know the correct balances in their Agency funds at year-end. In addition, the County is not complying with the State Auditor rule.

Auditor's Recommendation: We recommend the County implement a plan to capture this data for inclusion in their annual financial report.

Management's Response: As was mention for finding 2014-007, the County will add this to the processes to maintain the information required to report the changes in the Agency Funds. We also anticipate the elimination of the second system to be beneficial for this issue as well.

Section III – Component Unit Findings

CU-2014-001 — Lack of Pledged Collateral – Significant Deficiency

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Criteria: Custodial credit risk is defined as the risk that the government's money may not be returned to it in the event of a financial institution's failure. According to New Mexico State Statute (NMSA 1978) 6-10-16, "Deposits of public money shall be secured by (1) securities of the United States…(2) securities of the state of New Mexico…(3) securities that are guaranteed by the United States or the State of New Mexico, (4) revenue bonds that are underwritten by a member of the national association of securities dealers (NASD) and are rated "BAA," (5) letters of credit issued by a federal home loan bank." In addition, according to NMAC 2.2.2.10(N)(4)(b), if the pledged collateral, in an aggregate amount, is not equal to one half of the amount of public money in each account (Section 6-10-17 NMSA 1978), there should be a finding in the audit report.

Condition: Cash equivalents and CDs with a balance of $10,692,381 at June 30, 2013, invested with two issuers were not collateralized as required by New Mexico State Statute. The Hospital was in violation of the 50% pledged collateral requirement of Section 6-10-17 NMSA 1978 for this type of investments because collateral obtained for deposits at two financial institutions were less than required by $83,975.

Cause: The Hospital failed to follow the New Mexico State Statute related to the pledged collateral requirement mainly due to lack of effective procedures and understanding of the applicable Statute.

Effect: The assignment of securities as collateral of public money that do not meet the state statute requirements has resulted, leaving the public money inadequately guaranteed in case of the financial institution's failure.

Auditor's Recommendations: It is the responsibility of management to insure that adequate safekeeping of the Hospital's assets is maintained. As part of its fiscal responsibility, management should work closely with the financial institutions to establish and closely monitor types and amounts of collateral to meet the state requirements.

Management's Response: Management discussed the lack of pledged collateral with the Board of Trustees and the financial institutions and made the required arrangements to ensure proper collateralization of the public monies and compliance with the requirement of Section 6-10-16 NMSA 1978.

Section III – Component Unit Findings — continued

CU-2014-002 — Capital Assets Controls – Other Matters

Criteria: In accordance with 2.20.1 NMAC, an entity shall establish controls over its capital assets for the primary purposes of safeguarding them and establishing accountability for their custody and use. Capital assets are any property or equipment that has an initial value of more than $5,000. Among other controls this includes conducting a physical inventory of the entity's capital assets and tagging the assets the entity's custody.

In accordance with the rule, the annual physical inventory is a process of verifying that fixed assets owned by the entity are present in their assigned custody and location, and evaluating their condition. The physical inventory checks against losses not previously revealed and brings to light errors in records of accountability, but more importantly, a systematic physical inventory of fixed assets provides an opportunity for surveying their physical condition.

Also in accordance with the rule, all fixed assets shall be marked with tags that identify the entity owning the asset followed by a unique sequential fixed asset number so that each item may be positively identified. Tag means any label or marking that is permanently affixed to a fixed asset, including indelible ink or dyes, numbers physically stamped into the fixed asset, adhesive labels or barcodes, and metal tags. Newly received fixed assets shall be tagged at the time they are received.

Condition: During the audit, it was determined that the presence of capital assets that were in the Hospital's custody and use were not physically verified. The existence of the assets was inquired with departments and records were updated based on the information received. In addition, it was determined that the Hospital does not tag the capital assets in its custody as required by 2.20.1 NMAC.

Cause: The Hospital performed the annual physical inventory, however, was not aware of the complete requirements of the procedures described in administrative code 2.20.1 NMAC.

Effect: Assets listed on the Hospital's capital asset listing may not exist or their actual conditions may not be accurately reflected.

Auditor's Recommendations: The Hospital should properly implement procedures in accordance with requirements of the administrative code 2.20.1 NMAC aimed at establishing standards for the accounting for and the controlling of capital assets. The Hospital should verify the existence and condition of the assets in its custody and tag the existing and future capital assets in accordance with the rule.

Section III – Component Unit Findings — continued

CU-2014-002 — Capital Assets Controls – Other Matters — continued

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Management's Response: We agree that a system should be in place to safeguard capital assets and to report them properly in the financial statements. We propose that a process be implemented whereby; the Hospital annually physically inspects a sampling of fixed assets, emphasizing those assets with high dollar value and elevated risk of loss. Such inspections would be done by a designated staff person not directly connected with the operation of the departments holding the assets to be inspected. Exceptions would be documented, reported to the CFO, and would be used to support needed adjustments to the accounting records. Fixed assets could be marked in some permanent fashion, using the system-assigned asset number.

Section III – Component Unit Findings — continued

CU-2014-003 — Late Submittal of IPA Recommendation Form for FY2014 Audit and Audit Contract to State Auditor – Other Matter

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Criteria: According to Paragraph (6) of Subsection G of 2.2.2.8 NMAC, the auditor must include a finding of noncompliance if a completed Independent Public Accountants (IPA) Recommendation Form and audit contract are not delivered to the State Auditor by the deadline, which is May 1st for the Hospital.

Condition: Records of the County of State Auditor indicate that the IPA Recommendation Form and audit contract were not timely submitted to the State Auditor by the Hospital.

Cause: The Hospital is a component unit of Cibola County. The County completed a common IPA Recommendation Form and audit contract for fiscal year 2014 audits. The IPA Recommendation Form and audit contract was not completed and submitted by Cibola County to the New Mexico County of State Auditor prior to the required May 1, 2014 deadline.

Effect: The Hospital is out of compliance with statutory requirements to timely submit the IPA Recommendation Form and audit contract to the State Auditor.

Auditor's Recommendations: We recommend that management establish controls to ensure that the required forms are submitted to the State Auditor in a timely manner.

Management's Response: Cibola County signed the audit contract with REDW, not Cibola General Hospital Corporation. Therefore, Cibola County is responsible for timely filing of the IPA Recommendation form and audit contract. Cibola General Hospital Corporation only provided input to the County for selection of the auditor and the County made the final decision and replied to the State Auditor's County.

State of New Mexico
Cibola County
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2014

Reference Number	Finding	Status
FS 2011-002		
(FS 11-02)	Late Audit Report	Unresolved
FS 2013-001		
(FS 2013-01)	Capital Assets	Unresolved
FS 2013-02	Bank Reconciliations	Resolved
FS 2013-003		
(FS 2013-03)	Preparation of Financial Statements	Unresolved
FS 2013-004		
(FS 2013-04)	Preparation of Trial Balance	Unresolved
FS 2013-005		
(FS 2013-05)	Travel and Per Diem	Unresolved
FS 2013-006		
(FS 2013-06)	Credit Cards	Unresolved
FS 2013-007		
(FS 2013-07)	Deficiencies in Internal Control Structure Design	Unresolved
FS 2013-08	Payroll	Resolved

State of New Mexico
Cibola County
Summary Schedule of Prior Audit Findings — continued
For the Year Ended June 30, 2014

Reference Number	Finding	Status
FS 2013-009		
(FS 2013-09)	Cash Disbursements	Unresolved
FS 2013-010		
(FS 2013-10)	Timeliness of Deposits	Unresolved
FS 2013-011		
(FS 2013-11)	Exceeded Budget Authority	Unresolved
FS 2013-12	Cash Appropriations in Excess of Available Cash Balances	Resolved
	Component Unit Findings	
FS 2013-1	Improper Revenue Recognition	Resolved
FS 2013-2	Payroll Processes	Resolved

State of New Mexico
Cibola County
Other Disclosures
For the Year Ended June 30, 2014

Exit Conference
The contents of the County's report were discussed on March 18, 2015. The following individuals were in attendance

County Commissioners

Robert Armijo	Commissioner
Pat Simpson	Commissioner

Cibola County Administration

Joseph Sanders	Finance Director

REDW LLC

Danny Martinez, CPA, CGFM	Manager

Preparation of Financial Statements
REDW LLC assisted in the preparation of the financial statements presented in this report. The County's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.