

**STATE OF NEW MEXICO
CIBOLA COUNTY
FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS'
REPORT THEREON
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Harshwal & Company LLP
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INTRODUCTORY SECTION

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CIBOLA COUNTY
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**STATE OF NEW MEXICO
CIBOLA COUNTY
OFFICIAL ROSTER
JUNE 30, 2016**

ELECTED OFFICIALS

T. Walter Jaramillo
Robert J. Armijo
Jack R. Moleris
Patrick E. Simpson
Lloyd F. Felipe
Elisa Bro
Dolores P. Vallejos
Geraldine A. Rael
Tony Mace

Commission Chairman
Commission Vice-Chairman
County Commissioner
County Commissioner
County Commissioner
County Clerk
County Treasurer
County Assessor
County Sheriff

ADMINISTRATIVE OFFICIALS

Bob Gallagher
Joseph Sanders

County Manager(Interim)
Finance Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Mr. Timothy Keller
State Auditor of the State of New Mexico
Cibola County Board of Commissioners
Grants, New Mexico

Report on 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 fund of the Cibola County, New Mexico (the "County"), as of and for the year ended June 30, 2016, 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 have audited the financial statements of each of the County's nonmajor governmental, fiduciary funds and the budgetary comparisons for major debt service fund and all nonmajor funds and enterprise fund 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, 2016, 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 did not audit the financial statements of the Cibola General Hospital Corporation (the "Hospital"), which represent 33%, 39%, and 63%, respectively, of the assets, net position, and revenues of the County. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hospital, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not 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 opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
Governmental Fund – General Fund	Unmodified
Governmental Fund – Road Fund	Unmodified
Governmental Fund – Comp Drain Plan & Waste Water	Unmodified
Governmental Fund – Debt Service Fund	Unmodified
Enterprise Fund – Detention Center	Qualified
Fiduciary Fund	Unmodified

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, 2016 (stated at \$24,095,163 net of accumulated depreciation) for the governmental activities, or the amount of depreciation expense for the year then ended (stated at \$1,522,874) 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, 2016 (stated at \$5,074,785 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 \$(203,589)) 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, 2016, 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.

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, 2016, 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 financial position of each nonmajor governmental, and fiduciary fund of the County as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the major 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

Accounting principles generally accepted in the United States of America require the Schedule of the Proportionate Share of the Net Pension Liability on pages 116 - 117, the Schedule of Contributions on pages 118 - 119 and the notes to the required supplementary information on page 119 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements, and the budgetary comparison. Supporting Schedules I through V required by 2.2.2 NMAC are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 01, 2017 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 *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
September 01, 2017

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Cibola General Hospital Corporation
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 20,518,827	\$	\$ 20,518,827	\$ 23,647,679
Investments				8,621,000
Receivable				
Property taxes	1,314,553		1,314,553	
Gross receipt taxes	480,218	72,051	552,269	
Other accounts receivable				18,568
Prison receivables		307,967	307,967	
Patient receivables, net of allowance				2,694,292
Internal balances	742,392	(742,392)		
Prepaid expenses	201,617	95,643	297,260	325,533
Inventory				214,773
Equity interest in component unit	41,781,258		41,781,258	
Noncurrent assets:				
Capital assets	56,226,730	8,552,620	64,779,350	18,085,235
Less: accumulated depreciation	<u>(32,131,567)</u>	<u>(3,477,835)</u>	<u>(35,609,402)</u>	<u>(8,345,808)</u>
Total Assets	<u>89,134,028</u>	<u>4,808,054</u>	<u>93,942,082</u>	<u>45,261,272</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	351,288	0	351,288	
Differences between expected and actual experience	52,952	0	52,952	
Change in proportion	60,086	0	60,086	
Investment experience	0	49,692	49,692	
Employer contributions subsequent to the measurement date	<u>406,541</u>	<u>145,896</u>	<u>552,437</u>	
Total deferred outflows of resources	<u>870,867</u>	<u>195,588</u>	<u>1,066,455</u>	<u>0</u>
Total assets & deferred outflows of resources	<u>\$ 90,004,895</u>	<u>\$ 5,003,642</u>	<u>\$ 95,008,537</u>	<u>\$ 45,261,272</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Cibola General Hospital Corporation
LIABILITIES				
Current liabilities:				
Cash deficit	\$	\$ 275,432	\$ 275,432	\$
Accounts payable	2,239,383	31,971	2,271,354	799,064
Accrued expenses/liabilities	437,611		437,611	954,392
Safety net care pool				1,512,455
Estimated third party payor settlement				214,103
Long-term debt-due within one year	797,658	37,615	835,273	
Noncurrent liabilities:				
Due in more than one year	18,943,300	16,121	18,959,421	
Net pension liability	<u>4,893,760</u>	<u>1,457,367</u>	<u>6,351,127</u>	
Total liabilities	<u>27,311,712</u>	<u>1,818,506</u>	<u>29,130,218</u>	<u>3,480,014</u>
DEFERRED INFLOWS OF RESOURCES				
Change of assumption	48,312	22,821	71,133	
Differences between expected and actual experience	0	39,461	39,461	
Change in proportion	0	16,795	16,795	
Investment experience	<u>69,130</u>	<u>0</u>	<u>69,130</u>	
Total deferred inflows of resources	<u>117,442</u>	<u>79,077</u>	<u>196,519</u>	<u>0</u>
Total liabilities & deferred inflow of resources	<u>27,429,154</u>	<u>1,897,583</u>	<u>29,326,737</u>	<u>3,480,014</u>
NET POSITION				
Net investment in capital assets	5,497,363	5,074,785	10,572,148	9,739,427
Restricted for:				
Debt service fund	8,392,234		8,392,234	
Special revenue funds	2,949,479		2,949,479	
Capital Project Funds	386,246		386,246	
Unrestricted	<u>45,350,419</u>	<u>(1,968,726)</u>	<u>43,381,693</u>	<u>32,041,831</u>
Total Net Position	<u>\$ 62,575,741</u>	<u>\$ 3,106,059</u>	<u>\$ 65,681,800</u>	<u>\$ 41,781,258</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 7,826,773	\$ 692,614	\$ 1,326,860
Public safety	2,418,456	77,391	1,207,934
Public works	1,109,460		514,950
Culture and recreation	438,504		118,495
Health and welfare	493,985	8,124	
Interest on long-term debt	<u>739,082</u>		
Total governmental activities	<u>13,026,260</u>	<u>778,129</u>	<u>3,168,239</u>
Business-type Activities:			
Detention center	<u>4,254,287</u>	<u>1,236,017</u>	
Total business type activities	<u>4,254,287</u>	<u>1,236,017</u>	-
Total primary government	<u>17,280,547</u>	<u>2,014,146</u>	<u>3,168,239</u>
Component unit:			
Cibola General Hospital Corporation	<u>\$ 27,780,747</u>	<u>\$ 27,082,349</u>	<u>\$ -</u>
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 gain on other than trading securities			
Miscellaneous income			
Transfers in (out)			
Total general revenues and transfers			
Change in net position			
Net position-beginning			
Net position-ending			

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Cibola General Hospital Corporation
Primary government:				
Governmental activities:				
General government	\$ (5,807,299)	\$	\$ (5,807,299)	\$
Public safety	(1,133,131)		(1,133,131)	
Public works	(594,510)		(594,510)	
Culture and recreation	(320,009)		(320,009)	
Health and welfare	(485,861)		(485,861)	
Interest on long-term debt	(739,082)		(739,082)	
Total governmental activities	<u>(9,079,892)</u>	<u>-</u>	<u>(9,079,892)</u>	<u>-</u>
Business-type Activities:				
Detention center		(3,018,270)	(3,018,270)	
Total business type activities	<u>-</u>	<u>(3,018,270)</u>	<u>(3,018,270)</u>	<u>-</u>
Total primary government	<u>(9,079,892)</u>	<u>(3,018,270)</u>	<u>(12,098,162)</u>	<u>-</u>
Component unit:				
Cibola General Hospital Corporation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(698,398)</u>
General Revenues:				
Taxes:				
Property taxes	3,350,108		3,350,108	1,308,093
Gross receipts taxes	3,005,619	484,325	3,489,944	
Payment in lieu of taxes	1,976,020		1,976,020	
Other taxes	1,344,520		1,344,520	
Increase in equity interest in component unit	857,045		857,045	
Interest income	38,250		38,250	160,988
Contributions				39,926
Net unrealized gain on other than trading securities				46,436
Miscellaneous income	428,042	143,976	572,018	
Transfers in (out)	<u>(2,059,259)</u>	<u>2,059,259</u>		
Total general revenues and transfers	<u>8,940,345</u>	<u>2,687,560</u>	<u>11,627,905</u>	<u>1,555,443</u>
Change in net position	<u>(139,547)</u>	<u>(330,710)</u>	<u>(470,257)</u>	<u>857,045</u>
Net position-beginning	<u>62,715,288</u>	<u>3,436,769</u>	<u>66,152,057</u>	<u>40,924,213</u>
Net position-ending	<u>\$ 62,575,741</u>	<u>\$ 3,106,059</u>	<u>\$ 65,681,800</u>	<u>\$ 41,781,258</u>

GOVERNMENTAL FUND FINANCIAL STATEMENT

STATE OF NEW MEXICO
CIBOLA COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Funds</u>	<u>Road</u>	<u>Comp Drain Plan & Waste Water</u>	<u>Debt Service Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,226,543	\$ 497,225	\$ 546,715	\$ 9,985,379
Receivable:				
Property taxes	1,314,553			
Gross receipt taxes	265,491			
Interfund receivables	1,830,348			
Prepaid expenses	<u>201,617</u>			
Total assets	<u>9,838,552</u>	<u>497,225</u>	<u>546,715</u>	<u>9,985,379</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	248,186	101,425	324,800	1,535,596
Accrued expenses/liabilities	380,562			57,049
Unearned revenue	1,244,432			
Interfund payables	<u>85,812</u>	<u>87,589</u>	<u>412,393</u>	<u>500</u>
Total liabilities	<u>1,958,992</u>	<u>189,014</u>	<u>737,193</u>	<u>1,593,145</u>
FUND BALANCES				
Non-spendable:				
Prepaid	201,617			
Restricted		308,211		8,392,234
Unassigned (deficit)	<u>7,677,943</u>		<u>(190,478)</u>	
Total fund balances	<u>7,879,560</u>	<u>308,211</u>	<u>(190,478)</u>	<u>8,392,234</u>
Total liabilities and fund balances	<u>\$ 9,838,552</u>	<u>\$ 497,225</u>	<u>\$ 546,715</u>	<u>\$ 9,985,379</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	Other Governmental Funds	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 3,262,965	\$ 20,518,827
Receivable:		
Property taxes		1,314,553
Gross receipt taxes	214,727	480,218
Interfund receivables		1,830,348
Prepaid expenses		<u>201,617</u>
Total assets	<u>3,477,692</u>	<u>24,345,563</u>
LIABILITIES AND FUND BALANCES		
Accounts payable	29,376	2,239,383
Accrued expenses/liabilities		437,611
Unearned revenue		1,244,432
Interfund payables	<u>501,662</u>	<u>1,087,956</u>
Total liabilities	<u>531,038</u>	<u>5,009,382</u>
FUND BALANCES		
Non-spendable:		
Prepaid		201,617
Restricted	3,335,725	12,036,170
Unassigned (deficit)	<u>(389,071)</u>	<u>7,098,394</u>
Total fund balances	<u>2,946,654</u>	<u>19,336,181</u>
Total liabilities and fund balances	<u>\$ 3,477,692</u>	<u>\$ 24,345,563</u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Fund balance - Governmental funds	\$ 19,336,181
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 governmental funds.	24,095,163
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.	41,781,258
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.	1,244,432
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the financial statements.	(19,740,958)
Deferred charge on refunding	351,288
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:	
Deferred outflows of resources related to pension	519,579
Deferred inflows of resources related to pension	(117,442)
Certain liabilities, including net pension liability are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	<u>(4,893,760)</u>
Net position - Governmental activities	<u>\$ 62,575,741</u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Funds</u>	<u>Road</u>	<u>Comp Drain Plan & Waste Water</u>	<u>Debt Service Funds</u>
REVENUES:				
Property taxes	\$ 3,419,587	\$	\$	\$ 14,640
Gross receipts taxes	609,398	441,394		1,301,034
Payment in lieu of taxes	1,976,020			
Other taxes	86,772	374,959		882,788
State and local sources	392,495	514,950		
Federal sources	255,112		220,200	
Licenses and fees	112,240			
Charges for services	526,377	200		
Interest income	10,527			27,724
Miscellaneous	<u>371,111</u>	<u>30,551</u>		
Total revenues	<u>7,759,639</u>	<u>1,362,054</u>	<u>220,200</u>	<u>2,226,186</u>
EXPENDITURES:				
Current:				
General government	6,004,699	991,045		69,893
Public safety	104,496			
Public works		911,970		
Culture and recreation	430,916			
Health and welfare	5,000			
Capital outlay	260,616			6,148,084
Debt service				
Principal				584,311
Interest				<u>739,082</u>
Total expenditures	<u>6,805,727</u>	<u>1,903,015</u>	<u>0</u>	<u>7,541,370</u>
Excess (deficiency) of revenues over expenditures	<u>953,912</u>	<u>(540,961)</u>	<u>220,200</u>	<u>(5,315,184)</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	1,372,692	319,365		1,957,823
Transfers (Out)	<u>(3,328,526)</u>			<u>(2,842,370)</u>
Total other financing sources (uses)	<u>(1,955,834)</u>	<u>319,365</u>	<u>0</u>	<u>(884,547)</u>
Net change in fund balance	(1,001,922)	(221,596)	220,200	(6,199,731)
Fund balance - beginning of year	<u>8,881,482</u>	<u>529,807</u>	<u>(410,678)</u>	<u>14,591,965</u>
Fund balance - end of year	<u>\$ 7,879,560</u>	<u>\$ 308,211</u>	<u>\$ (190,478)</u>	<u>\$ 8,392,234</u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
REVENUES:		
Property taxes	\$ 8,144	\$ 3,442,371
Gross receipts taxes	653,793	3,005,619
Payment in lieu of taxes		1,976,020
Other taxes		1,344,519
State and local sources	1,700,503	2,607,948
Federal sources	84,978	560,290
Licenses and fees	139,168	251,408
Charges for services	145	526,722
Interest income		38,251
Miscellaneous	<u>26,380</u>	<u>428,042</u>
Total revenues	<u>2,613,111</u>	<u>14,181,190</u>
EXPENDITURES:		
Current:		
General government	731,630	7,797,267
Public safety	1,639,076	1,743,572
Public works		911,970
Culture and recreation		430,916
Health and welfare	21,500	26,500
Capital outlay	376,544	6,785,244
Debt service		
Principal		584,311
Interest		<u>739,082</u>
Total expenditures	<u>2,768,750</u>	<u>19,018,862</u>
Excess (deficiency) of revenues over expenditures	<u>(155,639)</u>	<u>(4,837,672)</u>
OTHER FINANCING SOURCES (USES):		
Transfer in	565,307	4,215,187
Transfers (Out)	<u>(103,550)</u>	<u>(6,274,446)</u>
Total other financing sources (uses)	<u>461,757</u>	<u>(2,059,259)</u>
Net change in fund balance	306,118	(6,896,931)
Fund balance - beginning of year	<u>2,640,536</u>	<u>26,233,112</u>
Fund balance - end of year	<u>\$ 2,946,654</u>	<u>\$ 19,336,181</u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net changes in fund balances - Governmental funds \$ (6,896,931)

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	6,785,244
Depreciation expense	(1,522,874)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Decrease in unearned property taxes	(92,261)
-------------------------------------	----------

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

857,045

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.

Increase in the allowance for compensated absences	(23,335)
Principal payments on bonds and notes payable	584,311

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this difference are as follows:

Amortization of premium	55,012
Amortization of deferred charge on refunding	(25,092)

Governmental funds report the County's pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense

Pension expense	(267,207)
Pension contributions	<u>406,541</u>

Change in net position - Governmental activities **\$ (139,547)**

**STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - (NON GAAP BUDGETARY BASIS)**

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Property taxes	\$ 3,203,442	\$ 3,203,442	\$ 3,419,587	\$ 216,145
Gross receipts taxes	573,034	573,034	609,398	36,364
Payment in lieu of taxes	1,600,000	1,600,000	1,976,020	376,020
Other taxes	35,000	35,000	86,772	51,772
State and local sources			392,495	392,495
Federal sources	7,000	7,000	255,112	248,112
Licenses and fees	82,200	82,200	112,240	30,040
Charges for services	597,000	428,000	526,377	98,377
Interest income	7,500	7,500	10,527	3,027
Miscellaneous	312,500	312,500	371,111	58,611
<i>Total revenues</i>	6,417,676	6,248,676	7,759,639	1,510,963
EXPENDITURES:				
Current:				
General government	5,829,609	6,386,609	6,004,699	381,910
Public safety	138,120	138,120	104,496	33,624
Culture and recreation	406,458	406,458	430,916	(24,458)
Health and welfare	5,000	5,000	5,000	
Capital outlay	250,000	232,169	260,616	(28,447)
<i>Total expenditures</i>	6,629,187	7,168,356	6,805,727	362,629
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(211,511)	(919,680)	953,912	1,873,592
OTHER FINANCING SOURCES (USES):				
Transfers in	1,320,485	1,320,485	1,372,692	52,207
Transfers out	(2,772,046)	(3,702,046)	(3,328,526)	373,520
<i>Total other financing sources (uses)</i>	(1,451,561)	(2,381,561)	(1,955,834)	425,727
Net changes in fund balances	\$ (1,663,072)	\$ (3,301,241)	(1,001,922)	\$ 2,299,319
Fund balance - beginning of year			8,881,482	
Fund balance - end of year			\$ 7,879,560	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ROAD FUND
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Amounts	Variance Final Budget vs. Actual Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Gross receipts taxes	\$ 440,000	\$ 440,000	\$ 441,394	\$ 1,394
Other taxes	375,000	375,000	374,959	(41)
State and local sources	420,068	420,068	514,950	94,882
Federal sources	205,884	205,884		(205,884)
Charges for services			200	200
Miscellaneous	<u> </u>	<u> </u>	<u>30,551</u>	<u>30,551</u>
<i>Total revenues</i>	<u>1,440,952</u>	<u>1,440,952</u>	<u>1,362,054</u>	<u>(78,898)</u>
EXPENDITURES:				
Current:				
General government	1,126,081	1,126,081	991,045	135,036
Capital outlay	60,000	60,000		60,000
Public works	<u>893,600</u>	<u>660,282</u>	<u>911,970</u>	<u>(251,688)</u>
<i>Total expenditures</i>	<u>2,079,681</u>	<u>1,846,363</u>	<u>1,903,015</u>	<u>(56,652)</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(638,729)</u>	<u>(405,411)</u>	<u>(540,961)</u>	<u>(135,550)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u> </u>	<u> </u>	<u>319,365</u>	<u>319,365</u>
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>319,365</u>	<u>319,365</u>
Net changes in fund balances	<u>\$ (638,729)</u>	<u>\$ (405,411)</u>	(221,596)	<u>\$ 183,815</u>
Fund balance - beginning of year			<u>529,807</u>	
Fund balance - end of year			<u>\$ 308,211</u>	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
COMP DRAIN PLAN & WASTE WATER
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Federal sources	\$	\$	\$ 220,200	\$ 220,200
State and local sources				
<i>Total revenues</i>	0	0	220,200	220,200
EXPENDITURES:				
Current:				
General government				
Capital Outlay				
<i>Total expenditures</i>	0	0	0	0
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	220,200	220,200
OTHER FINANCING SOURCES (USES):				
Transfers in (out)				
<i>Total other financing sources (uses)</i>	0	0	0	0
Net changes in fund balances	\$ 0	\$ 0	220,200	\$ 220,200
Fund balance - beginning of year			(410,678)	
Fund balance - end of year			\$ (190,478)	

PROPRIETARY FUND

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Detention Center
ASSETS	
Current assets:	
Receivables	\$ 380,018
Prepaid expenses	<u>95,643</u>
Total current assets	<u>475,661</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	8,552,620
Less accumulated depreciation	<u>(3,477,835)</u>
Total noncurrent assets	<u>5,074,785</u>
Total assets	<u>5,550,446</u>
DEFERRED OUTFLOWS OF RESOURCES	
Investment experience	49,692
Employer contributions subsequent to the measurement date	<u>145,896</u>
Total deferred outflows of resources	<u>195,588</u>
LIABILITIES	
Current liabilities:	
Cash deficit	275,432
Accounts payable	31,971
Interfund payables	742,392
Current portion of accrued compensated absences	<u>37,615</u>
Total current liabilities	<u>1,087,410</u>
Noncurrent liabilities:	
Noncurrent portion of accrued compensated absences	16,121
Net pension liability	<u>1,457,367</u>
Total noncurrent liabilities	<u>1,473,488</u>
Total liabilities	<u>2,560,898</u>
DEFERRED INFLOWS OF RESOURCES	
Change of assumption	22,821
Differences between expected and actual experience	39,461
Change in proportion	<u>16,795</u>
Total deferred inflows of resources	<u>79,077</u>
NET POSITION	
Net Investment in capital assets	5,074,785
Unrestricted	<u>(1,968,726)</u>
Total Net position	<u>\$ 3,106,059</u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Detention Centre</u>
OPERATING REVENUES:	
Gross receipts taxes	\$ 484,325
Charges for services	1,236,017
Miscellaneous	<u>143,976</u>
Total operating revenues	<u>1,864,318</u>
OPERATING EXPENSES:	
Personnel services	2,854,976
Contractual services	175,217
Maintenance and materials	88,148
Other operating expenses	932,357
Depreciation	<u>203,589</u>
Total operating expenses	<u>4,254,287</u>
Operating income (loss)	<u>(2,389,969)</u>
OTHER FINANCING SOURCES:	
Transfer in	<u>2,059,259</u>
Total other financing sources	<u>2,059,259</u>
Change in net position	<u>(330,710)</u>
Total net position, beginning of year	<u>3,436,769</u>
Total net position, end of year	<u><u>\$ 3,106,059</u></u>

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Detention Centre</u>
<i>Cash flows from operating activities:</i>	
Cash received from customers and grantors	\$ 1,898,272
Cash payments to suppliers	(1,299,971)
Cash payments to employees	<u>(2,847,387)</u>
<i>Net cash provided (used) by operating activities</i>	<u>(2,249,086)</u>
<i>Cash flows provided by noncapital financing activities:</i>	
Net transfers in/(out)	<u>2,059,259</u>
<i>Net cash used in noncapital financing activities:</i>	<u>2,059,259</u>
<i>Cash flows used for capital and related financing activities:</i>	
Purchase of capital assets	<u>(78,503)</u>
<i>Net cash used for capital and related financing activities</i>	<u>(78,503)</u>
<i>Net change in cash</i>	(268,330)
<i>Cash and cash equivalents, beginning of year</i>	<u>(7,102)</u>
<i>Cash and cash equivalents, end of year</i>	<u><u>\$ (275,432)</u></u>
<i>Reconciliation of operating loss to cash provided by operating activities:</i>	
Operating income (loss)	\$ (2,389,969)
Adjustments to reconcile operating income to net cash flows:	
Depreciation	203,589
Pension expense/ contribution	(101,726)
Changes in operating assets and liabilities:	
Receivable	33,954
Prepaid expenses	
Accounts payable	(7,551)
Accrued compensated absences	7,589
Interfund payable	<u>5,028</u>
<i>Net cash provided (used) by operating activities</i>	<u><u>\$ (2,249,086)</u></u>

Summary of significant non cash activities

There was no significant noncash activity during the year ended June 30, 2016.

FIDUCIARY FUND

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF FIDUCIARY ASSET AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

	Agency Fund
ASSETS	
Cash	\$ 243,642
Property taxes receivable	2,600,466
Total assets	2,844,108
LIABILITIES	
Due to other taxing entities	2,593,689
Undistributed tax	250,419
Total liabilities	\$ 2,844,108

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 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.

Financial Reporting Entity

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 General 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, 2016.

Governmental-wide 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.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental-wide Financial Statements - Continued

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. At June 30, 2016, the County had pension and deferred charges on refunding bonds related to deferred outflows of resource items that qualify for reporting in this category.

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. At June 30, 2016, the County had pension related deferred inflows of resources items that qualify for reporting in this category.

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.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

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 General 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:

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

- 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 Comp Drain Plan & Waste Water Fund is used to accounts for federal and local funds that are used to complete major repairs and improvements for the County's CDBG projects.
- 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.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position

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 backed 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 resold 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 secured by having a market value of at least one hundred two 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.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position - Continued

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, 2016.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30
Furniture and equipment	5 - 10
Vehicles	5 - 10
Infrastructure	30

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30
Furniture and equipment	5 - 10
Vehicles	5 - 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.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position - Continued

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.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position - Continued

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

	<u>General fund</u>	<u>Road fund</u>	<u>Comp Drain Plan & Waste Water</u>	<u>Debt Service Fund</u>	<u>Total Major Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Primary Government</u>
Non-spendable	\$ 201,617	\$	\$	\$	\$ 201,617	\$	\$ 201,617
Restricted for:							
Care of indigents						1,176,182	1,176,182
Road		308,211			308,211		308,211
Debt service				8,392,234	8,392,234		8,392,234
Capital Projects						386,246	386,246
VFD						741,424	741,424
EMS						66,190	66,190
Farm and range						8,323	8,323
Law enforcement						48,942	48,942
County Fire Protection						451,813	451,813
County clerk						131,726	131,726
Property reappraisal						324,879	324,879
Unassigned (deficit)	<u>7,677,943</u>	<u></u>	<u>(190,478)</u>	<u></u>	<u>7,487,465</u>	<u>(389,071)</u>	<u>7,098,394</u>
Total fund balance	<u>\$ 7,879,560</u>	<u>\$ 308,211</u>	<u>\$ (190,478)</u>	<u>\$ 8,392,234</u>	<u>\$ 16,389,527</u>	<u>\$ 2,946,654</u>	<u>\$ 19,336,181</u>

Equity Classifications—In the government-wide financial statements, equity 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.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position - Continued

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.

Pension—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due, and payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncements—The following GASB pronouncements have been issued, but are not yet effective at June 30, 2016:

- GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
- GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- GASB Statement No. 77 Tax Abatement Disclosures
- GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans
- GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14
- GASB Statement No. 81, Irrevocable Split-Interest Agreements
- GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73

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

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

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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 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.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the County consisted of the following at June 30, 2016:

Bank deposits	\$ 11,521,105
Money markets/certificates of deposit	7,932,702
Cash held with New Mexico Finance Authority	38,457
State Local Government Investment Pool	750,731
Petty cash	<u>400</u>
Total county cash and cash equivalents according to the statement of net position	<u>\$ 20,243,395</u>

In addition, the Agency Fund held the following cash balance at June 30, 2016:

Bank deposits	<u>\$ 243,642</u>
Total agency fund cash and cash equivalents according to the statement of fiduciary net position	<u>\$ 243,642</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2016.

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 bonds 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 asking 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.

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 at least one half of the amount on deposit with the institution. The pledged collateral by the bank at June 30, 2016 was as follows:

	Wells Fargo Bank	Bank of New Mexico	U.S. Bank	Total
Total amounts of deposits	\$ 13,664,531	\$ 4,637,643	\$ 2,237,118	\$ 20,539,292
FDIC coverage	<u>500,000</u>	<u>500,000</u>	<u>250,000</u>	<u>1,250,000</u>
Total uninsured public funds	<u>13,164,531</u>	<u>4,137,643</u>	<u>1,987,118</u>	<u>19,289,292</u>
Collateral requirement (50% of uninsured public funds Line of credit held by County)	6,582,266	2,068,822	993,559	9,644,647
Pledged collateral held by pledging bank's trust department or by agent in County's name	<u>8,060,935</u>	<u>5,315,872</u>	<u>2,500,000</u>	<u>15,876,807</u>
Total under (over) collateralized	<u>\$ (1,478,669)</u>	<u>\$ (3,247,050)</u>	<u>\$ (1,506,441)</u>	<u>\$ (6,232,160)</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2016, none of the County’s bank balance of \$20,539,292 was exposed to custodial credit risk.

NOTE 4. RECEIVABLES

Receivables as of June 30, 2016, are as follows:

	General Fund	Other Governmental Funds	Total Governmental Activities	Proprietary Funds	Total Primary Government
Property taxes	\$ 1,314,553	\$	\$ 1,314,553	\$	\$ 1,314,553
Gross receipts taxes	265,491	214,727	480,218	72,051	552,269
Service charges	<u> </u>	<u> </u>	<u> </u>	<u>307,967</u>	<u>307,967</u>
Total receivables	<u>\$ 1,580,044</u>	<u>\$ 214,727</u>	<u>\$ 1,794,771</u>	<u>\$ 380,018</u>	<u>\$ 2,174,789</u>

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 \$1,244,432 as presented in the general fund.

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and payables from interfund transactions as of June 30, 2016 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.

<u>Due from other funds</u>	<u>Amount</u>	<u>Due to other funds</u>	<u>Amount</u>
Major governmental funds:		Major governmental funds:	
General Fund	\$ 1,830,348	General Fund	\$ 85,812
		Road	87,589
		Comp Drain Plan & Waste Water	412,393
		Debt Service Fund	<u>500</u>
Total major governmental funds	<u>1,830,348</u>	Total major governmental funds	<u>586,294</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Due from other funds	Amount	Due to other funds	Amount
Total nonmajor governmental funds	-	Total nonmajor governmental funds	501,662
		Business-type activities - Detention center fund	742,392
Grand total	\$ 1,830,348	Grand total	\$ 1,830,348

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

Transfer In	Amount	Transfer Out	Amount
Major governmental funds:		Major governmental funds:	
General Fund	\$ 1,372,692	General Fund	\$ 3,328,526
Road	319,365		
Debt Service Fund	1,957,823	Debt Service Fund	2,842,370
Total major governmental funds	3,649,880	Total major governmental funds	6,170,896
Total nonmajor governmental funds	565,307	Total nonmajor governmental funds	103,550
Business-type activities - Detention center fund	2,059,259		
Grand total	\$ 6,274,446	Grand total	\$ 6,274,446

NOTE 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, 2016

NOTE 6 CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 716,912	\$	\$	\$ 716,912
Land - infrastructure	3,181,657			3,181,657
Constructions in progress	<u> </u>	<u>6,141,251</u>	<u> </u>	<u>6,141,251</u>
Total capital assets not being depreciated	<u>3,898,569</u>	<u>6,141,251</u>	<u>0</u>	<u>10,039,820</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	56,634			56,634
Buildings and improvements	21,514,848	73,023		21,587,871
Furniture and equipment	5,547,848	23,291		5,571,139
Vehicles	4,722,715	496,176	(27,304)	5,191,587
Infrastructure	<u>13,728,176</u>	<u>51,503</u>	<u> </u>	<u>13,779,679</u>
Total capital assets, being depreciated	<u>45,570,221</u>	<u>643,993</u>	<u>(27,304)</u>	<u>46,186,910</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(3,304)	(5,663)		(8,967)
Buildings and improvements	(9,253,160)	(699,449)		(9,952,609)
Furniture and equipment	(4,831,550)	(365,827)		(5,197,377)
Vehicles	(2,819,807)	(450,647)	27,304	(3,243,150)
Infrastructure	<u>(13,728,176)</u>	<u>(1,288)</u>	<u> </u>	<u>(13,729,464)</u>
Total accumulated depreciation	<u>(30,635,997)</u>	<u>(1,522,874)</u>	<u>27,304</u>	<u>(32,131,567)</u>
Total capital assets, being depreciated, net	<u>14,934,224</u>	<u>(878,881)</u>	<u>0</u>	<u>14,055,343</u>
Governmental Activity, capital assets, net	<u>\$ 18,832,793</u>	<u>\$ 5,262,370</u>	<u>\$ 0</u>	<u>\$ 24,095,163</u>

Depreciation expense for the year ended June 30, 2016 was charged to governmental activities as follows:

General government	\$ 175,427
Public safety	674,884
Health and welfare	467,485
Public works	197,490
Culture and recreation	<u>7,588</u>
	<u>\$ 1,522,874</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 CAPITAL ASSETS (CONTINUED)

Other Business-Type activity for the year ending June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
<u>Business-type Activities:</u>			
<i>Capital assets, not being depreciated:</i>			
Land and easements	\$ 124,966	\$ _____	\$ 124,966
Total capital assets not being depreciated	<u>124,966</u>	<u>0</u>	<u>124,966</u>
<i>Capital assets, being depreciated:</i>			
Buildings and improvements	7,723,371	39,279	7,762,650
Furniture and equipment	442,731	39,224	481,955
Vehicles	<u>183,049</u>	<u> </u>	<u>183,049</u>
Total capital assets being depreciated	<u>8,349,151</u>	<u>78,503</u>	<u>8,427,654</u>
<i>Less accumulated depreciation for:</i>			
Buildings and improvements	(2,980,741)	(169,375)	(3,150,116)
Furniture and equipment	(201,852)	(27,795)	(229,647)
Vehicles	<u>(91,653)</u>	<u>(6,419)</u>	<u>(98,072)</u>
Total accumulated depreciation	<u>(3,274,246)</u>	<u>(203,589)</u>	<u>(3,477,835)</u>
Total capital assets, being depreciated, net	<u>5,074,905</u>	<u>(125,086)</u>	<u>4,949,819</u>
Other business-type activity programs capital assets, net	<u>\$ 5,199,871</u>	<u>\$ (125,086)</u>	<u>\$ 5,074,785</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2016 was \$203,589.

NOTE 7 LONG-TERM DEBT

During the year ended June 30, 2016, the following changes occurred in the long-term liabilities reported in the government-wide statement of net position:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Governmental Activities					
Bonds payable	\$18,605,000	\$ _____	\$ 530,000	\$ 18,075,000	\$ 550,000
Notes payable	577,111	_____	54,311	522,800	55,761
Deferred bonds premium	<u>1,024,898</u>	<u> </u>	<u>55,012</u>	<u>969,886</u>	<u>55,012</u>
Total	20,207,009	_____	639,323	19,567,686	660,773
Compensated absences	<u>149,937</u>	<u>171,456</u>	<u>148,121</u>	<u>173,272</u>	<u>136,885</u>
Total long-term debt	<u>\$20,356,946</u>	<u>\$ 171,456</u>	<u>\$ 787,444</u>	<u>\$ 19,740,958</u>	<u>\$ 797,658</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the bond and notes payable as of June 30, 2016, including interest payments are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 660,773	\$ 726,080	\$ 1,386,853
2018	663,260	708,265	1,371,525
2019	679,231	690,349	1,369,580
2020	705,254	666,128	1,371,382
2021	731,330	640,852	1,372,182
2022-2026	4,167,443	2,682,297	6,849,740
2027-2031	4,309,928	1,758,689	6,068,617
2032-2036	2,541,255	1,229,856	3,771,111
2037-2041	3,011,255	757,006	3,768,261
2042-2046	<u>2,097,957</u>	<u>166,400</u>	<u>2,264,357</u>
	<u>\$ 19,567,686</u>	<u>\$ 10,025,922</u>	<u>\$ 29,593,608</u>

Interest expense paid on long-term debt totaled \$739,082 for the year ended June 30, 2016.

Bonds Payable—At June 30, 2016, the County had the following bonds outstanding:

New Bond Issuance: On January 23, 2015, the County issued \$12,995,000 of General Obligation Bonds, Series 2014B with interest rates ranging from 3.00% to 5.00%. The bonds were issued at a premium of \$420,298, and incurred underwriting discounts and issuance costs of \$272,897. The purpose of the Bonds is to finance the renovation, remodeling, and furnishing of public buildings.

Current and Advance Refunding: On January 23, 2015, the County issued \$6,045,000 of General Obligation Bonds, Series 2014A with interest rates ranging from 3.00% to 5.00%. The bonds were issued at a premium of \$631,337, and incurred underwriting discounts and issuance costs of \$117,857. The \$6,170,000 bond proceeds were used to current refund \$230,000 and advance refund of \$5,940,000 for the series of 2006B bond for the purpose of achieving debt service savings.

The net bond proceeds were deposited with the escrow agent in an amount necessary to accomplish on their scheduled redemption dates, the discharge and final payment of the refunded bonds.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 LONG-TERM DEBT (CONTINUED)

The gross receipts tax revenue bonds outstanding as of June 30, 2016 are comprised of the following issues:

<u>Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Issued</u>	<u>Outstanding</u> June 30, 2016
Series 2014A	06/01/2030	3.00% to 5.00%	\$ 6,045,000	\$ 5,470,000
Series 2014B	06/01/2044	3.00% to 5.00%	12,995,000	12,605,000
			<u>\$ 19,040,000</u>	<u>\$ 18,075,000</u>

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, 2016, 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 \$893,032 in loans issued June 2006 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 \$522,800. Principal and interest (including administrative fees) paid for the current year were \$54,311 and \$14,239 respectively.

<u>Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Issued</u>	<u>Outstanding</u> <u>June 30, 2016</u>
Candy Kitchen Fire Station-12	05/01/2027	3.00% to 4.50%	\$ 554,529	\$ 351,750
Cubero VFD (Cibola 11)	05/01/2027	3.00% to 4.50%	245,425	141,767
Lobo Canyon FD-13	05/01/2017	3.00%	67,703	13,427
Lobo Canyon Fire Truck-15	05/01/2022	2.00% to 3.00%	25,375	15,856
			<u>\$ 893,032</u>	<u>\$ 522,800</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 LONG-TERM DEBT (CONTINUED)

Compensated Absences—Employees of the County are able to accrue a limited amount of vacation and other compensatory time during the year. During the fiscal year, the accrual for compensated absences increased \$23,335.

During the year ended June 30, 2016, the following changes occurred in the long-term liabilities reported in the business-type activities and proprietary fund statement of net position:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Business-Type Activities					
Compensated absences	\$ <u>46,147</u>	\$ <u>63,708</u>	\$ <u>56,119</u>	\$ <u>53,736</u>	\$ <u>37,615</u>

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, 2016, the accrual for compensated absences increased \$7,589.

NOTE 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, 2016, 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 \$1,244,432.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 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 2015, Cibola County contributed \$126,626 to the Workers' Compensation Pool. The self-insured retention level for the pool during the period of coverage July 01, 2015 through June 30, 2016 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.

The self-insured retention level for this pool during the period of coverage January 1, 2016 through December 31, 2016 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, 2016, 2015 and 2014.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 RISK MANAGEMENT (CONTINUED)

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2015, 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, 2016, 2015 and 2014.

NOTE 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, 2016:

Governmental Funds

Major funds

Comp Drain Plan & Waste Water Fund Special Revenue Fund	\$ 190,478
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Nonmajor funds

Grant Fund Special Revenue Fund	369,179
Computer Equipment and Software Capital Project Fund	409
Computer Equipment and Software Debt Capital Project Fund	19,349
VFD Loans Capital Project Fund	134
Total nonmajor funds	389,071

Total primary government	\$ 579,549
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B. Excess expenditures over appropriations: Budgetary authority is at the function level. The following funds exceeded appropriations for the year ended June 30, 2016:

Major funds

General Fund - Culture and Recreation	\$ 24,458
General Fund - Capital Outlay	28,447
Road Special Revenue Fund - Public work	251,688
Detention Center Enterprise Fund - Personal services	98,187
Debt Service Fund - Principal	54,311
Debt Service Fund - Interest	10,095
Debt Service Fund - General government	69,893

Total Major funds	\$ 537,079
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STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 DEFICIT FUND BALANCE (CONTINUED)

Nonmajor funds

VFD Loan Capital Project Fund - General government	\$	616
Indigent Special Revenue Fund - General government		21,202
Grant Special Revenue Fund - General government		37,970
Total nonmajor funds		59,788
Total primary government	\$	596,867

NOTE 11 PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)

Benefits provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members.

Generally, the amount retirement pension is based on its final average salary, which is defined under Tier I as the average salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

Contributions. The contribution requirements of defined benefit plan members and the County is established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf. The PERA coverage options that apply to Cibola County are Municipal General Division and Municipal Police Division. Statutorily required contributions to the pension plan from the County were \$552,437, and there were no employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The County's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of June 30, 2014 to June 30, 2015 were included in the total contributions for a specific employer.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)

Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2016, the County reported a liability of \$4,675,824 for its proportionate share of the net pension liability. At June 30, 2015, the County's proportion was 0.4586%, which was decrease of 0.0074% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized PERA Fund Division Municipal General pension expense of \$115,935. At June 30, 2016, the County reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 103,572
Changes of assumptions		1,822
Net difference between projected and actual earnings on pension plan investments		14,791
Changes in proportion and differences between County contributions and proportionate share of contributions		44,081
County's contributions subsequent to the measurement date	<u>409,793</u>	
Total	<u>\$ 409,793</u>	<u>\$ 164,266</u>

\$409,793 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2017	\$ (134,265)
2018	(134,265)
2019	(134,265)
2020	240,927
2021	<u>(2,398)</u>
Total	<u>\$ (164,266)</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)

For PERA Fund Division Municipal Police, at June 30, 2016, the County reported a liability of \$1,675,303 for its proportionate share of the net pension liability. At June 30, 2015, the County's proportion was 0.3484%, which was an increase of 0.0351% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized PERA Fund Division Police pension expense of \$195,442. At June 30, 2016, the County reported PERA Fund Division Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 117,063	\$
Changes of assumptions		69,311
Net difference between projected and actual earnings on pension plan investments		4,647
Changes in proportion and differences between County contributions and proportionate share of contributions	87,372	
County's contributions subsequent to the measurement date	<u>142,644</u>	
Total	<u>\$ 347,079</u>	<u>\$ 73,958</u>

\$142,644 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2016	\$ 6,390
2017	6,390
2018	6,390
2019	106,555
2020	4,752
Thereafter	<u>0</u>
Total	<u>\$ 130,477</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.1%	5.00%
International Equity	24.8	5.2
Private Equity	7	8.2
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5	4.8
Real Estate	5	5.30
Real Assets	7	5.7
Absolute Return	4	4.15
Total	<u>100</u> %	

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members, as determined in accordance with GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the County's net pension liability in each PERA Fund Division that the County participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
PERA Fund Municipal General Division			
County's proportionate share of the net pension liability	\$ 7,961,074	\$ 4,675,824	\$ 1,944,363
PERA Fund Police Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 2,766,661	\$ 1,675,303	\$ 780,019

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. The County doesn't have any amount due to the plan at June 30, 2016.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
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NOTE 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.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 POST-EMPLOYMENT BENEFITS STATE RETIREE HEALTH CARE PLAN
(CONTINUED)

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 Officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention Officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, 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, 2016, 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, 2016, 2015, and 2014 were \$104,691, \$96,904, \$91,651 respectively, which equals the required contributions for each year.

NOTE 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.

NOTE 14 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 IV of this report.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 CIBOLA GENERAL HOSPITAL – COMPONENT UNIT

Nature of Operations and Reporting Entity

Cibola General Hospital Corporation (Hospital or Corporation) is a New Mexico not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code), and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital is located in Grants, New Mexico. The primary interest of the Hospital is to provide medical services to the residents of Grants, Cibola County, and the surrounding area. The Hospital is a component unit of Cibola County (County), and the Board of County Commissioners appoints four out of nine members to the Board of Trustees of the Hospital. The Hospital does not have component units as defined by Governmental Accounting Standards Board (GASB) Codification, Section 2300.106(a)(2). The Hospital primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Cibola County area.

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

Basis of Presentation

The Hospital's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange takes place, while those from government-mandated non-exchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program-specific (such as county appropriations), ad valorem taxes, investment income, losses on sales of capital assets, changes in unrealized losses of 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 assumptions and estimates.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

Risk Management

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

Cash and Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of checking accounts and a money market savings account maintained with local financial institutions, as well as cash on hand. Amounts whose use is limited by Board of Trustees designation or other arrangements under trust agreements are excluded from cash and cash equivalents. Certificates of deposit have original maturities in excess of three months, and are not considered to be cash equivalents.

Patient Accounts Receivable and Allowance

Patient accounts receivable represent the amount billed but uncollected for services provided to patients. Such receivables are carried at the billed amount less estimates for contractual discounts and allowances as well as for 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 receivables are written off when deemed uncollectible. Recoveries of patient accounts receivable previously written off are recorded when received. Delinquent status is based on how recently payments have been received. The Hospital does not accrue interest on past-due accounts.

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

Inventories

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

Assets Whose Use is Limited

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

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
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NOTE 16 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

Property and Equipment

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. 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:

Assets	Years
Equipment	3 - 20 years
Buildings and improvements	10 - 40 years

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

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from excess of revenues, gains, and other support over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Upon dissolution of the agreement between the Hospital and the County for any reason, all physical and tangible items of the Hospital will revert to the County.

Compensated Absences

Under 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.

Change in Net Position

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

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

Net Patient Service Revenue

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

Mil Levy Taxes

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

Charity Care

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

Donor Restricted Gifts

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

Income Taxes

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

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

Budget Process

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

Fair Value of Financial Instruments

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

Concentrations of Credit and Market Risk

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

Recent Accounting Pronouncements

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

Net Patient Service Revenue

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

Medicare—Inpatient acute care services are cost-based reimbursed, and outpatient services are reimbursed based upon a Medicare cost-based determined percentage of gross charges rates. Inpatient, non-acute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 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 44% of the Hospital's net patient service revenue for the year ended June 30, 2016.

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 2016 cost reports have not been prepared. Management believes that estimated settlement amounts accrued for at June 30, 2016 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:

<u>Medicare</u>			
2016		\$	<u>(235,000)</u>
			<u>(235,000)</u>
<u>Medicaid</u>			
2013			<u>20,897</u>
			<u>20,897</u>
		\$	<u><u>(214,103)</u></u>
Estimated third-party payor settlements			

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

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

Gross charges			
Inpatient gross charges		\$	14,362,110
Outpatient gross charges			<u>47,954,621</u>
			<u>62,316,731</u>
Less			
Third-party contractual discounts and allowances			30,652,485
Unsponsored charges, including community care			<u>3,937,446</u>
Net patient service revenue		\$	<u><u>27,726,800</u></u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

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

All SNCP hospitals are to complete an application to the State by December 31 for funding based upon prior indigent costs. State funding for SNCP is currently limited. Prior overpayments to a hospital can be recouped. Based upon information previously provided, the State requires repayment of prior years' receipts of \$837,623 to which the Hospital has established a payable. The Hospital furnished new data to the State for the subsequent year but no determination has yet been made. Accordingly, the Hospital has recorded a payable for revenues since the last settlement date of \$674,832.

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, 2016, the Hospital was in compliance with the state statutes

As of June 30, 2016, the Hospital had deposits with a bank balance of \$32,172,543 which were all properly collateralized in accordance with state statute.

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 1, 2017, and as of June 30, 2016, 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, 2016:

Certificates of deposit	\$ 8,621,000
Money market	13,812,583
Interest receivable	<u>108,164</u>
Total Funds Set Aside for Future Capital Asset Acquisitions/Replacements	<u>\$ 22,541,747</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

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

Type	Fair value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 8,621,000	\$ 1,700,000	\$ 6,921,000	\$ 0	\$ 0
Deposits and money market					
	<u>13,920,747</u>	<u>13,920,747</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>22,541,747</u>	\$ <u>15,620,747</u>	\$ <u>6,921,000</u>	\$ <u>0</u>	\$ <u>0</u>

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

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

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

Reconciliation to Balance Sheets

The carrying values of cash, cash equivalents, and funds set aside for future capital asset acquisitions/replacements at June 30, 2016 is included in the balance sheet as follows:

Carrying value	
Deposits	\$ 23,308,098
Certificates of deposit	8,621,000
Money market	338,802
Petty cash	780
	<u>\$ 32,268,680</u>
Included in the following balance sheets captions	
Cash and cash equivalents	\$ 9,726,933
Funds set aside for future capital asset acquisitions/ replacements - cash and cash equivalents	13,920,747
Funds set aside for future capital asset acquisitions/ replacements - investments	1,700,000
Funds set aside for future capital asset acquisitions/ replacements - investments	<u>6,921,000</u>
	<u>\$ 32,268,680</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

Capital Assets

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

Capital asset activity of the Hospital for the year ended June 30 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<i>Capital assets, not being depreciated:</i>					
Land	\$ 128,777	\$	\$	\$	\$ 128,777
Construction in progress	<u>212,972</u>	<u>34,836</u>	<u></u>	<u>(212,972)</u>	<u>34,836</u>
Total capital assets not being depreciated	<u>341,749</u>	<u>34,836</u>	<u>0</u>	<u>(212,972)</u>	<u>163,613</u>
<i>Capital assets, being depreciated:</i>					
Buildings and leasehold improvements	9,372,905		(6,909)		9,365,996
Equipment	<u>8,189,816</u>	<u>435,610</u>	<u>(282,772)</u>	<u>212,972</u>	<u>8,555,626</u>
Total capital assets being depreciated	<u>17,562,721</u>	<u>435,610</u>	<u>(289,681)</u>	<u>212,972</u>	<u>17,921,622</u>
Total capital assets	<u>\$ 17,904,470</u>	<u>\$ 470,446</u>	<u>\$ (289,681)</u>	<u>\$ 0</u>	<u>\$ 18,085,235</u>
<i>Less accumulated depreciation for:</i>					
Buildings and leasehold improvements	\$ 2,500,452	\$ 410,782	\$	\$	\$ 2,911,234
Equipment	<u>4,842,233</u>	<u>878,808</u>	<u>(286,467)</u>	<u></u>	<u>5,434,574</u>
Total accumulated depreciation	<u>7,342,685</u>	<u>1,289,590</u>	<u>(286,467)</u>	<u>0</u>	<u>8,345,808</u>
Total capital assets, being depreciated, net	<u>10,220,036</u>	<u>(853,980)</u>	<u>(3,214)</u>	<u>212,972</u>	<u>9,575,814</u>
Total capital assets, net	<u>\$ 10,561,785</u>	<u>\$ (819,144)</u>	<u>\$ (3,214)</u>	<u>\$ 0</u>	<u>\$ 9,739,427</u>

Accrued Liabilities

Accrued liabilities consisted of the following at June 30, 2016:

Accrued compensated absences	\$ 455,095
Accrued wages	484,992
Accrued payroll taxes	14,054
Other	<u>251</u>
Total accrued liabilities	<u>\$ 954,392</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

A schedule of changes in the Hospital's accrued compensated absences for the year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 474,698	\$ 646,869	\$ 666,472	\$ 455,095	\$ 455,095

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 \$1,308,093 and in the year ended June 30, 2016 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.

Commitments and contingencies

Operating Leases-The Hospital has agreed, as part of a settlement with the County of Cibola, to a five-year lease agreement, with an additional five-year renewal with the consent of both parties, for the use of the Hospital facility effective February 20, 2014 with an annual lease amount of \$338,000. The Hospital also leases various equipment under operating leases expiring at various dates through 2021. The Hospital paid \$378,605 in rental expense in the year ended June 30, 2015.

The following schedule details future minimum lease payments as of June 30, 2016, for operating leases with initial or remaining lease terms in excess of one year:

Year Ending June 30	
2017	455,489
2018	437,712
2019	283,347
2020	42,242
2020	<u>35,340</u>
Total due	<u>\$ 1,254,130</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

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 statutes as well as other applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

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

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

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, 2016. Certain malpractice claims have been asserted against the Hospital by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of legal counsel, the outcome of these actions will not have a significant effect on the financial position or the operating results of the Hospital.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

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. Company matching contributions to the Plan totaled \$205,184 in 2016.

Concentration of Credit Risk

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

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

The Hospital recognizes that revenue and receivables from government agencies are significant to its operations, however does not believe that there are any significant credit risks associated with these governmental agencies. The mix of receivables from patients and third-party payors at June 30, 2016 was as follows:

Medicare	32 %
Medicaid	26 %
Commercial insurance	19 %
All other payors	23 %
	100 %
	100 %

SUPPLEMENTARY INFORMATION

**COMBINING STATEMENTS OF
NONMAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO
CIBOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Capital Project Funds	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,875,850	\$ 387,115	\$ 3,262,965
Receivable:			
Gross receipt taxes	<u>214,727</u>	<u> </u>	<u>214,727</u>
Total assets	<u>3,090,577</u>	<u>387,115</u>	<u>3,477,692</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	29,376		29,376
Interfund payables	<u>480,901</u>	<u>20,761</u>	<u>501,662</u>
Total liabilities	<u>510,277</u>	<u>20,761</u>	<u>531,038</u>
FUND BALANCES (DEFICIT)			
Restricted	2,949,479	386,246	3,335,725
Unassigned (deficit)	<u>(369,179)</u>	<u>(19,892)</u>	<u>(389,071)</u>
Total fund balances (deficit)	<u>2,580,300</u>	<u>366,354</u>	<u>2,946,654</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,090,577</u>	<u>\$ 387,115</u>	<u>\$ 3,477,692</u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds	Capital Project Funds	Total Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Property taxes	\$ 8,144	\$	\$ 8,144
Gross receipts taxes	653,793		653,793
State and local sources	1,303,680	396,823	1,700,503
Federal sources	84,978		84,978
Licenses and fees	139,168		139,168
Charges for services	145		145
Miscellaneous	<u>26,380</u>		<u>26,380</u>
<i>Total revenues</i>	<u>2,216,288</u>	<u>396,823</u>	<u>2,613,111</u>
EXPENDITURES:			
Current:			
General government	659,131	72,499	731,630
Public safety	1,639,076		1,639,076
Health and welfare	21,500		21,500
Capital outlay	<u>323,858</u>	<u>52,686</u>	<u>376,544</u>
<i>Total expenditures</i>	<u>2,643,565</u>	<u>125,185</u>	<u>2,768,750</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(427,277)</u>	<u>271,638</u>	<u>(155,639)</u>
OTHER FINANCING SOURCES (USES):			
Transfer in	496,757	68,550	565,307
Transfers (Out)	<u>(103,550)</u>		<u>(103,550)</u>
<i>Total other financing sources (uses)</i>	<u>393,207</u>	<u>68,550</u>	<u>461,757</u>
Net change in fund balance	<u>(34,070)</u>	<u>340,188</u>	<u>306,118</u>
Fund balance - beginning of year	<u>2,614,370</u>	<u>26,166</u>	<u>2,640,536</u>
Fund balance - end of year	<u>\$ 2,580,300</u>	<u>\$ 366,354</u>	<u>\$ 2,946,654</u>

NONMAJOR SPECIAL REVENUE FUNDS

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**DESCRIPTION OF NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016**

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).

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.

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.

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 Fund—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.

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 SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	<u>Indigent</u>	<u>VFD</u>	<u>EMS</u>	<u>Farm & Range</u>
ASSETS				
Cash and cash equivalents	\$ 1,066,715	\$ 744,342	\$ 66,214	\$ 8,323
Receivable:				
Gross receipt taxes	<u>192,992</u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>1,259,707</u>	<u>744,342</u>	<u>66,214</u>	<u>8,323</u>
LIABILITIES AND FUND BALANCES				
Accounts payable		971		
Interfund payables	<u>83,525</u>	<u>1,947</u>	<u>24</u>	<u> </u>
Total liabilities	<u>83,525</u>	<u>2,918</u>	<u>24</u>	<u>0</u>
FUND BALANCES				
Restricted	1,176,182	741,424	66,190	8,323
Unassigned (deficit)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>1,176,182</u>	<u>741,424</u>	<u>66,190</u>	<u>8,323</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,259,707</u>	<u>\$ 744,342</u>	<u>\$ 66,214</u>	<u>\$ 8,323</u>

STATE OF NEW MEXICO
CIBOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	County Clerk Recording and Filing	Law Enforcement Protection	County Fire Protection	Grant Fund
ASSETS				
Cash and cash equivalents	\$ 131,726	\$ 48,942	\$ 433,828	\$ 50,585
Receivable:				
Gross receipt taxes	_____	_____	21,735	_____
Total assets	131,726	48,942	455,563	50,585
LIABILITIES AND FUND BALANCES				
Accounts payable			3,750	24,655
Interfund payables	_____	_____	_____	395,109
Total liabilities	0	0	3,750	419,764
FUND BALANCES				
Restricted	131,726	48,942	451,813	
Unassigned (deficit)	_____	_____	_____	(369,179)
Total fund balances (deficit)	131,726	48,942	451,813	(369,179)
Total liabilities and fund balances (deficit)	\$ 131,726	\$ 48,942	\$ 455,563	\$ 50,585

STATE OF NEW MEXICO
CIBOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Reappraisal Fund	Total
ASSETS		
Cash and cash equivalents	\$ 325,175	\$ 2,875,850
Receivable:		
Gross receipt taxes	_____	214,727
Total assets	<u>325,175</u>	<u>3,090,577</u>
LIABILITIES AND FUND BALANCES		
Accounts payable		29,376
Interfund payables	296	480,901
Total liabilities	<u>296</u>	<u>510,277</u>
FUND BALANCES		
Restricted	324,879	2,949,479
Unassigned (deficit)	_____	(369,179)
Total fund balances (deficit)	<u>324,879</u>	<u>2,580,300</u>
Total liabilities and fund balances (deficit)	<u>\$ 325,175</u>	<u>\$ 3,090,577</u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Indigent	VFD	EMS	Farm & Range
REVENUES:				
Property taxes	\$ 7,410	\$	\$	\$
Gross receipts taxes	484,816			
State and local sources	150,471	555,497	39,634	
Federal sources				
Licenses and fees				8,124
Charges for services				
Miscellaneous	3,082	2	13	
<i>Total revenues</i>	645,779	555,499	39,647	8,124
EXPENDITURES:				
Current:				
General government	592,987			
Public safety		299,408	43,091	
Health and welfare				21,500
Capital outlay		323,858		
<i>Total expenditures</i>	592,987	623,266	43,091	21,500
<i>Excess (deficiency) of revenues over expenditures</i>	52,792	(67,767)	(3,444)	(13,376)
OTHER FINANCING SOURCES (USES):				
Transfer in		35,000		15,975
Transfers (Out)		(68,550)		
<i>Total other financing sources (uses)</i>	0	(33,550)	0	15,975
Net change in fund balance	52,792	(101,317)	(3,444)	2,599
Fund balance - beginning of year	1,123,390	842,741	69,634	5,724
Fund balance - end of year	\$ 1,176,182	\$ 741,424	\$ 66,190	\$ 8,323

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>County Clerk Recording and Filing</u>	<u>Law Enforcement Protection</u>	<u>County Fire protection</u>	<u>Grant Fund</u>
REVENUES:				
Property taxes	\$	\$	\$ 734	\$
Gross receipts taxes			168,977	
State and local sources		30,200		527,878
Federal sources				84,978
Licenses and fees	30,398			41,276
Charges for services				145
Miscellaneous				23,283
<i>Total revenues</i>	<u>30,398</u>	<u>30,200</u>	<u>169,711</u>	<u>677,560</u>
EXPENDITURES:				
Current:				
General government	20,287			37,970
Public safety		24,504	100,615	1,171,458
Health and welfare				
Capital outlay				
<i>Total expenditures</i>	<u>20,287</u>	<u>24,504</u>	<u>100,615</u>	<u>1,209,428</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10,111</u>	<u>5,696</u>	<u>69,096</u>	<u>(531,868)</u>
OTHER FINANCING SOURCES (USES):				
Transfer in				445,782
Transfers (Out)			(35,000)	
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>(35,000)</u>	<u>445,782</u>
Net change in fund balance	<u>10,111</u>	<u>5,696</u>	<u>34,096</u>	<u>(86,086)</u>
Fund balance - beginning of year	<u>121,615</u>	<u>43,246</u>	<u>417,717</u>	<u>(283,093)</u>
Fund balance - end of year	<u>\$ 131,726</u>	<u>\$ 48,942</u>	<u>\$ 451,813</u>	<u>\$ (369,179)</u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Reappraisal Fund	Total
REVENUES:		
Property taxes	\$	\$ 8,144
Gross receipts taxes		653,793
State and local sources		1,303,680
Federal sources		84,978
Licenses and fees	59,370	139,168
Charges for services		145
Miscellaneous		<u>26,380</u>
<i>Total revenues</i>	<u>59,370</u>	<u>2,216,288</u>
EXPENDITURES:		
Current:		
General government	7,887	659,131
Public safety		1,639,076
Health and welfare		21,500
Capital outlay		<u>323,858</u>
<i>Total expenditures</i>	<u>7,887</u>	<u>2,643,565</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>51,483</u>	<u>(427,277)</u>
OTHER FINANCING SOURCES (USES):		
Transfer in		496,757
Transfers (Out)		<u>(103,550)</u>
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>393,207</u>
Net change in fund balance	<u>51,483</u>	<u>(34,070)</u>
Fund balance - beginning of year	<u>273,396</u>	<u>2,614,370</u>
Fund balance - end of year	<u>\$ 324,879</u>	<u>\$ 2,580,300</u>

**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 BALANCES
BUDGET AND ACTUAL - INDIGENT
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance Final Budget vs. Actual Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Property Taxes	\$	\$	\$ 7,410	\$ 7,410
Gross receipts taxes	440,000	440,000	484,816	44,816
State and local sources	268,575	268,575	150,471	(118,104)
Miscellaneous	<u> </u>	<u> </u>	<u>3,082</u>	<u>3,082</u>
<i>Total revenues</i>	<u>708,575</u>	<u>708,575</u>	<u>645,779</u>	<u>(62,796)</u>
EXPENDITURES:				
Current:				
General government	<u>644,695</u>	<u>571,785</u>	<u>592,987</u>	<u>(21,202)</u>
<i>Total expenditures</i>	<u>644,695</u>	<u>571,785</u>	<u>592,987</u>	<u>(21,202)</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>63,880</u>	<u>136,790</u>	<u>52,792</u>	<u>(83,998)</u>
Net changes in fund balances	<u>\$ 63,880</u>	<u>\$ 136,790</u>	<u>52,792</u>	<u>\$ (83,998)</u>
Fund balance - beginning of Year, as restated			<u>1,123,390</u>	
Fund balance - End of Year			<u>\$ 1,176,182</u>	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - VFD
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Final Budget vs. Actual Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State and local sources	\$ 506,217	\$ 553,849	\$ 555,497	\$ 1,648
Miscellaneous	<u> </u>	<u> </u>	<u> 2</u>	<u> 2</u>
<i>Total revenues</i>	<u>506,217</u>	<u>553,849</u>	<u>555,499</u>	<u>1,650</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	473,283	557,269	299,408	257,861
Capital Outlay	<u> </u>	<u>654,202</u>	<u>323,858</u>	<u>330,344</u>
<i>Total expenditures</i>	<u>473,283</u>	<u>1,211,471</u>	<u>623,266</u>	<u>588,205</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>32,934</u>	<u>(657,622)</u>	<u>(67,767)</u>	<u>589,855</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	35,000	35,000	35,000	
Transfers Out	<u>(67,934)</u>	<u>(67,934)</u>	<u>(68,550)</u>	<u>(616)</u>
<i>Total other financing sources (uses)</i>	<u>(32,934)</u>	<u>(32,934)</u>	<u>(33,550)</u>	<u>(616)</u>
<i>Net change in fund balance</i>	<u>\$ 0</u>	<u>\$ (690,556)</u>	<u>(101,317)</u>	<u>\$ 589,239</u>
Fund balance - beginning of year, as restated			<u>842,741</u>	
Fund balance - end of year			<u>\$ 741,424</u>	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - EMS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Final Budget vs. Actual Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State and local sources	\$ 56,962	\$ 39,026	\$ 39,634	\$ 608
Miscellaneous			13	13
<i>Total revenues</i>	56,962	39,026	39,647	621
EXPENDITURES:				
Current:				
Public safety	56,962	49,113	43,091	6,022
<i>Total expenditures</i>	56,962	49,113	43,091	6,022
<i>Excess (deficiency) of revenues over (under) expenditures</i>	\$ 0	\$ (10,087)	(3,444)	\$ 6,643
Fund balance - beginning of year, as restated			69,634	
Fund balance - end of year			\$ 66,190	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FARM AND RANGE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Final Budget vs. Actual Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Licenses and fees	\$ 5,525	\$ 5,525	\$ 8,124	\$ 2,599
<i>Total revenues</i>	5,525	5,525	8,124	2,599
EXPENDITURES:				
Current:				
Health and welfare	21,500	21,500	21,500	—
<i>Total expenditures</i>	21,500	21,500	21,500	0
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(15,975)	(15,975)	(13,376)	2,599
OTHER FINANCING SOURCES (USES):				
Transfers in	15,975	15,975	15,975	—
<i>Total other financing sources (uses)</i>	15,975	15,975	15,975	0
<i>Net change in fund balance</i>	\$ 0	\$ 0	2,599	\$ 2,599
Fund balance - beginning of year			5,724	
Fund balance - end of year			\$ 8,323	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - COUNTY CLERK RECORDING AND FILING
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Final Budget vs. Actual Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Licenses and fees	\$ 25,000	\$ 25,000	\$ 30,398	\$ 5,398
<i>Total revenues</i>	<u>25,000</u>	<u>25,000</u>	<u>30,398</u>	<u>5,398</u>
EXPENDITURES:				
Current:				
General government	<u>32,200</u>	<u>32,200</u>	<u>20,287</u>	<u>11,913</u>
<i>Total expenditures</i>	<u>32,200</u>	<u>32,200</u>	<u>20,287</u>	<u>11,913</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>\$ (7,200)</u>	<u>\$ (7,200)</u>	<u>10,111</u>	<u>\$ 17,311</u>
Fund balance - beginning of year			<u>121,615</u>	
Fund balance - end of year			<u>\$ 131,726</u>	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - LAW ENFORCEMENT PROTECTION
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance Final Budget vs. Actual Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State and local sources	\$ 28,400	\$ 28,400	\$ 30,200	\$ 1,800
Miscellaneous				
<i>Total revenues</i>	28,400	28,400	30,200	1,800
EXPENDITURES:				
Current:				
Public safety	28,400	28,400	24,504	3,896
<i>Total expenditures</i>	28,400	28,400	24,504	3,896
<i>Excess (deficiency) of revenues over (under) expenditures</i>	\$ 0	\$ 0	5,696	\$ 5,696
Fund balance - beginning of year			43,246	
Fund balance - end of year			\$ 48,942	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FIRE PROTECTION
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Final Budget vs. Actual Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Property taxes	\$	\$	734	\$ 734
Gross receipt taxes	130,000	130,000	168,977	38,977
Miscellaneous	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total revenues</i>	<u>130,000</u>	<u>130,000</u>	<u>169,711</u>	<u>39,711</u>
EXPENDITURES:				
Current:				
Public safety	<u>60,000</u>	<u>110,000</u>	<u>100,615</u>	<u>9,385</u>
Capital Outlay	<u>50,000</u>	<u> </u>	<u> </u>	<u> </u>
<i>Total expenditures</i>	<u>110,000</u>	<u>110,000</u>	<u>100,615</u>	<u>9,385</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>20,000</u>	<u>20,000</u>	<u>69,096</u>	<u>49,096</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u> </u>
<i>Total other financing sources (uses)</i>	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>0</u>
<i>Net change in fund balance</i>	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	<u>34,096</u>	<u>\$ 49,096</u>
Fund balance - beginning of year			<u>417,717</u>	
Fund balance - end of year			<u>\$ 451,813</u>	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GRANT
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Amounts	Variance Final Budget vs. Actual Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State and local sources	\$ 671,895	\$ 771,895	\$ 527,878	\$ (244,017)
Federal sources	137,216	137,196	84,978	(52,218)
Licenses and fees	14,600	14,600	41,276	26,676
Charges for services	15,000	15,000	145	(14,855)
Miscellaneous	<u>27,022</u>	<u>27,022</u>	<u>23,283</u>	<u>(3,739)</u>
<i>Total revenues</i>	<u>865,733</u>	<u>965,713</u>	<u>677,560</u>	<u>(288,153)</u>
EXPENDITURES:				
Current:				
General government			37,970	(37,970)
Public safety	<u>1,318,570</u>	<u>1,418,550</u>	<u>1,171,458</u>	<u>247,092</u>
<i>Total expenditures</i>	<u>1,318,570</u>	<u>1,418,550</u>	<u>1,209,428</u>	<u>209,122</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(452,837)</u>	<u>(452,837)</u>	<u>(531,868)</u>	<u>(79,031)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>433,235</u>	<u>463,235</u>	<u>445,782</u>	<u>(17,453)</u>
<i>Total other financing sources (uses)</i>	<u>433,235</u>	<u>463,235</u>	<u>445,782</u>	<u>(17,453)</u>
Net changes in fund balances	<u>\$ (19,602)</u>	<u>\$ 10,398</u>	(86,086)	<u>\$ (96,484)</u>
Fund balance - beginning of year, as restated			<u>(283,093)</u>	
Fund balance - end of year			<u>\$ (369,179)</u>	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - REAPPRAISAL
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Final Budget vs. Actual Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Licenses and fees	\$ 55,000	\$ 55,000	\$ 59,370	\$ 4,370
<i>Total revenues</i>	55,000	55,000	59,370	4,370
EXPENDITURES:				
Current:				
General government	50,517	50,517	7,887	42,630
<i>Total expenditures</i>	50,517	50,517	7,887	42,630
<i>Excess (deficiency) of revenues over (under) expenditures</i>	\$ 4,483	\$ 4,483	51,483	\$ 47,000
Fund balance - beginning of year			273,396	
Fund balance - end of year			\$ 324,879	

NONMAJOR CAPITAL PROJECT FUNDS

**STATE OF NEW MEXICO
CIBOLA COUNTY**

DESCRIPTION OF NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2016

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.

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.

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 SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2016

	Computer Equipment & Software	Computer Equipment & Software Debt Service	VFD Loans	Capital Outlay Projects	Total
ASSETS					
Cash and cash equivalents	\$ <u>869</u>	\$ _____	\$ _____	\$ <u>386,246</u>	\$ <u>387,115</u>
Total assets	<u>869</u>	-	-	<u>386,246</u>	<u>387,115</u>
LIABILITIES AND FUND BALANCES					
Interfund payables	<u>1,278</u>	<u>19,349</u>	<u>134</u>	_____	<u>20,761</u>
Total liabilities	<u>1,278</u>	<u>19,349</u>	<u>134</u>	-	<u>20,761</u>
FUND BALANCES					
Restricted	-	-	-	386,246	386,246
Unassigned (deficit)	<u>(409)</u>	<u>(19,349)</u>	<u>(134)</u>	_____	<u>(19,892)</u>
Total fund balances (deficit)	<u>(409)</u>	<u>(19,349)</u>	<u>(134)</u>	<u>386,246</u>	<u>366,354</u>
Total liabilities and fund balances (deficit)	<u>\$ 869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 386,246</u>	<u>\$ 387,115</u>

**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, 2016**

	<u>Computer Equipment & Software</u>	<u>Computer Equipment & Software Debt Service</u>	<u>VFD Loans</u>	<u>Capital Outlay Projects</u>	<u>Total</u>
REVENUES					
State and local sources	\$ _____	\$ _____	\$ _____	\$ <u>396,823</u>	\$ <u>396,823</u>
Total revenues	_____	_____	_____	<u>396,823</u>	<u>396,823</u>
EXPENDITURES					
Current					
General government			68,550	3,949	72,499
Capital outlay	_____	_____	_____	<u>52,686</u>	<u>52,686</u>
Total expenditures	_____	_____	<u>68,550</u>	<u>56,635</u>	<u>125,185</u>
Excess (deficiency) of revenues over expenditures	_____	_____	<u>(68,550)</u>	<u>340,188</u>	<u>271,638</u>
OTHER FINANCING SOURCES					
(USES):					
Transfer in	_____	_____	<u>68,550</u>	_____	<u>68,550</u>
Total other financing sources (uses)	_____	_____	<u>68,550</u>	_____	<u>68,550</u>
Net change in fund balance	_____	_____	_____	<u>340,188</u>	<u>340,188</u>
Fund balance - beginning of year	<u>(409)</u>	<u>(19,349)</u>	<u>(134)</u>	<u>46,058</u>	<u>26,166</u>
Fund balance - end of year	<u>\$ (409)</u>	<u>\$ (19,349)</u>	<u>\$ (134)</u>	<u>\$ 386,246</u>	<u>\$ 366,354</u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - VFD LOANS
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget vs. Actual Favorable (Unfavorable)
REVENUES:				
State and local sources	\$ _____	\$ _____	\$ _____	\$ _____
<i>Total revenues</i>	0	0	0	0
EXPENDITURES:				
General Government	67,934	67,934	68,550	(616)
<i>Total expenditures</i>	67,934	67,934	68,550	(616)
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(67,934)	(67,934)	(68,550)	(616)
OTHER FINANCING SOURCES (USES):				
Transfers in	67,934	67,934	68,550	616
<i>Total other financing sources (uses)</i>	67,934	67,934	68,550	616
<i>Excess of revenues and other financing sources over expenditures and other financing uses</i>	0	0	0	0
Fund balance - beginning of year			(134)	
Fund balance - end of year			(134)	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CAPITAL OUTLAY TRANSFERS
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance Final Budget vs. Actual Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State and local sources	\$ 793,000	\$ 793,000	\$ 396,823	\$ (396,177)
<i>Total revenues</i>	<u>793,000</u>	<u>793,000</u>	<u>396,823</u>	<u>(396,177)</u>
EXPENDITURES:				
General government	328,000	328,000	3,949	324,051
Public safety	305,000	305,000		305,000
Capital outlay	<u>160,000</u>	<u>160,000</u>	<u>52,686</u>	<u>107,314</u>
<i>Total expenditures</i>	<u>793,000</u>	<u>793,000</u>	<u>56,635</u>	<u>736,365</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>340,188</u>	<u>\$ 340,188</u>
Fund balance - beginning of year, as restated			<u>46,058</u>	
Fund balance - end of year			<u>\$ 386,246</u>	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget vs. Actual Favorable (Unfavorable)
<i>OPERATING REVENUES:</i>				
Property taxes	\$	\$	\$ 14,640	\$ 14,640
Gross receipts taxes	1,160,000	1,160,000	1,301,034	141,034
Other taxes	880,000	880,000	882,788	2,788
Interest income			27,724	27,724
<i>Total revenues</i>	<u>2,040,000</u>	<u>2,040,000</u>	<u>2,226,186</u>	<u>186,186</u>
<i>EXPENDITURES:</i>				
Current:				
General government			69,893	(69,893)
Capital Outlay		12,457,789	6,148,084	6,309,705
Debt service:				
Principal	530,000	530,000	584,311	(54,311)
Interest	<u>728,987</u>	<u>728,987</u>	<u>739,082</u>	<u>(10,095)</u>
<i>Total expenditures</i>	<u>1,258,987</u>	<u>13,716,776</u>	<u>7,541,370</u>	<u>6,175,406</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>781,013</u>	<u>(11,676,776)</u>	<u>(5,315,184)</u>	<u>6,361,592</u>
<i>OTHER FINANCING SOURCES (USES):</i>				
Bond premium				
Bond proceeds				
Payment to escrow agent				
Transfers in	838,043	838,043	1,957,823	1,119,780
Transfers Out	<u>(1,619,056)</u>	<u>(1,619,056)</u>	<u>(2,842,370)</u>	<u>(1,223,314)</u>
<i>Total other financing sources (uses)</i>	<u>(781,013)</u>	<u>(781,013)</u>	<u>(884,547)</u>	<u>(103,534)</u>
<i>Net change in fund balance</i>	<u>\$ 0</u>	<u>\$(12,457,789)</u>	<u>(6,199,731)</u>	<u>\$ 6,258,058</u>
Fund balance - beginning of year			<u>14,591,965</u>	
Fund balance - end of year			<u>\$ 8,392,234</u>	

**STATE OF NEW MEXICO
CIBOLA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DETENTION CENTRE
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Final Budget vs. Actual Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES:				
Gross receipts taxes	\$ 440,000	\$ 440,000	\$ 484,325	\$ 44,325
Charges for services	2,411,800	2,411,800	1,236,017	(1,175,783)
Miscellaneous	50,000	50,000	143,976	93,976
<i>Total operating revenues</i>	2,901,800	2,901,800	1,864,318	(1,037,482)
OPERATING EXPENSES:				
Personal services	2,767,505	2,756,789	2,854,976	(98,187)
Contractual services	198,000	198,000	175,217	22,783
Maintenance and materials	109,830	135,678	88,148	47,530
Other operating expenses	971,100	955,968	932,357	23,611
<i>Total operating expenses</i>	4,046,435	4,046,435	4,050,698	(4,263)
<i>Operating loss</i>	(1,144,635)	(1,144,635)	(2,186,380)	(1,041,745)
NONOPERATING INCOME (EXPENSES):				
Transfers in (Out)	1,144,635	2,044,635	2,059,259	14,624
<i>Total nonoperating income (expenses)</i>	1,144,635	2,044,635	2,059,259	14,624
<i>Net income (loss)</i>	\$ 0	\$ 900,000	(127,121)	\$ (1,027,121)
Net Position - beginning of year, as restated			3,436,769	
Expenses not budgeted - Depreciation			(203,589)	
Net position, end of year			\$ 3,106,059	

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF DEPOSITORIES
FOR THE YEAR ENDED JUNE 30, 2016

Schedule I

<u>Bank Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Carrying Balance</u>
<u>Wells Fargo Bank</u>					
	Interest-Bearing				
Operational	Checking	\$ 3,963,534	\$ 310,704	\$ 1,138,201	\$ 3,136,037
Savings	Savings	8,616,705	2,206		8,618,911
Brokerage	Money Market	1,084,292		15	1,084,277
Subtotal Wells Fargo Bank		<u>13,664,531</u>	<u>312,910</u>	<u>1,138,216</u>	<u>12,839,225</u>
<u>Bank of New Mexico</u>					
	Interest-Bearing				
CDBG	Checking	1			1
	Interest-Bearing				
Inmate trust account	Checking	26,334	40	16,111	10,263
Money market	Money Market	3,619,689			3,619,689
Certificate of deposit	CD	991,619			991,619
Subtotal Bank of NM		<u>4,637,643</u>	<u>40</u>	<u>16,111</u>	<u>4,621,572</u>
<u>U.S. Bank</u>					
Business Account	Money Market	1,904,239			1,904,239
	Interest-Bearing				
Special Event Account	Checking	9,536			9,536
Certificate of deposit	CD	169,445			169,445
Certificate of deposit	CD	153,898			153,898
Subtotal U.S. Bank		<u>2,237,118</u>			<u>2,237,118</u>
Total cash in bank		<u>\$ 20,539,292</u>	<u>\$ 312,950</u>	<u>\$ 1,154,327</u>	19,697,915
Add: Petty Cash					400
Add: State Treasurer's Office LGIP Fund					750,731
Add: New Mexico Finance Authority (NMFA) Cash					38,457
Add: Other unreconciling items					(466)
Subtotal					<u>20,487,037</u>
Less: agency funds					<u>243,642</u>
Total cash and cash equivalents					<u>\$ 20,243,395</u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

Schedule II

**SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Security Description</u>	<u>CUSIP Number</u>	<u>Fair Market Value</u>	<u>Maturity Date</u>	<u>Name and Location of Safe keeper</u>
<u>Wells Fargo Bank</u>				
FNMA FNMS 3.500%	3138WUZT3	\$ 7,160,518	05/01/2043	Bank of New York Mellon, New York, NY
FNMA FNMS 3.000%	31418AAMO	900,417	10/01/2026	Bank of New York Mellon, New York, NY
Subtotal Wells Fargo Bank		<u>8,060,935</u>		
<u>Bank of New Mexico</u>				
FNMA #AH9688 4.50%	3138ABXS3	209,591	04/01/2026	The Independent Banker's Bank, Irving, TX
FNMA #AI1806 4.50%	3138AFAG5	206,264	04/01/2026	The Independent Banker's Bank, Irving, TX
FNMA #AL4952 3.00%	3138AJQE5	244,959	11/01/2026	The Independent Banker's Bank, Irving, TX
FNMA # AL0846 3.50%	3138EG5G5	137,628	10/01/2026	The Independent Banker's Bank, Irving, TX
FNMA # AB4090 3.00%	31417ARL5	207,767	12/01/2026	The Independent Banker's Bank, Irving, TX
Los Alamos ISD Call FR 3.35%	544228BT5	135,273	08/01/2016	The Independent Banker's Bank, Irving, TX
Lovington NM Muni SD #1 BQ 2.50%	547473DG0	463,245	10/01/2018	The Independent Banker's Bank, Irving, TX
Santa Fe Cnty NM BQ NONC 4.30%	801889LR5	221,436	07/01/2019	The Independent Banker's Bank, Irving, TX
Artesia NM WTR & SWR REV BQ 4.00%	04310LAR1	261,050	06/01/2025	The Independent Banker's Bank, Irving, TX
Frankfort In Sew WKS BQ Call Rev 4.00%	352208DQ2	519,665	07/01/2022	The Independent Banker's Bank, Irving, TX
Jefferson Co Mo Con Public SPL Rev 4.00%	473131DX5	601,829	12/01/2018	The Independent Banker's Bank, Irving, TX
Mississippi Dev BK BQ Call 4.00%	60534RSX8	542,745	03/01/2025	The Independent Banker's Bank, Irving, TX
Nthrn Wasco Co Or Util Dist REV 5.00%	666051AP2	232,118	12/01/2020	The Independent Banker's Bank, Irving, TX

Continued..

**STATE OF NEW MEXICO
CIBOLA COUNTY**

Schedule II

**SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Security Description</u>	<u>CUSIP Number</u>	<u>Fair Market Value</u>	<u>Maturity Date</u>	<u>Name and Location of Safe keeper</u>
San Miguel Cnty NM BQ NONC Rev 3.00%	799108CY9	392,839	06/01/2017	The Independent Banker's Bank, Irving, TX
San Miguel Cnty NM BQ NONC Rev 3.00%	799108CZ6	411,310	06/01/2018	The Independent Banker's Bank, Irving, TX
Silver City NM Gross Receipt Rev 2.75%	82750PAG9	232,679	06/01/2018	The Independent Banker's Bank, Irving, TX
Silver City NM Gross Receipt Rev 3.375%	82750PAN4	<u>295,474</u>	06/01/2024	The Independent Banker's Bank, Irving, TX
Subtotal Bank of NM		<u>5,315,872</u>		
<u>U.S. Bank</u>				
Letter of credit	520040	<u>2,500,000</u>	06/01/2017	Cibola County, Grants, NM
Grand total all banks		<u>\$ 15,876,807</u>		

**STATE OF NEW MEXICO
CIBOLA COUNTY**

Schedule III

**TAX ROLL RECONCILIATION
CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2016**

Property taxes receivable, beginning of year	\$ 4,100,641
Changes to tax roll	
Net taxes charged to treasurer for fiscal year	10,269,912
Adjustments in taxes receivable	<u>(91,663)</u>
Total receivables prior to collections	14,278,890
Collections of fiscal year ended June 30, 2016	<u>10,371,645</u>
Property taxes receivable, end of year	<u><u>\$ 3,907,245</u></u>

Property taxes receivable by year

2006	214,358
2007	231,246
2008	290,640
2009	347,009
2010	315,816
2011	376,294
2012	353,656
2013	295,365
2014	482,417
2015	<u>1,000,444</u>
Total taxes receivable	<u><u>\$ 3,907,245</u></u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

Schedule IV

**SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Joint Power Agreement</u>	<u>Participants</u>	<u>Responsible Party</u>
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
Joint Communications Center	Cibola County, City of Grants, and Village of Milan	Cibola County
Cibola Transit Authority	Cibola County, City of Grants, and Village of Milan	Village of Milan
Senior Citizens Program	Cibola County, City of Grants, and Village of Milan	City of Grants
Mother Whiteside Memorial Library	Cibola County, City of Grants, Village of Milan	City of Grants
Animal Control and Shelter	Cibola County, and City of Grants	City of Grants
Tax and Revenue Department	Cibola County, State of New Mexico Taxation & Revenue Dept.	Cibola County Clerk's Office

**STATE OF NEW MEXICO
CIBOLA COUNTY**

Schedule IV

**SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Description</u>	<u>Beginning and Ending Dates</u>	<u>Total Estimated Project Amount and Amount Applicable to County</u>
Provide for the disposition of solid waste by establishing modern solid waste facilities.	05/06 to Indefinite	The County is required to contribute 100% of its Environmental Gross Receipts Tax.
Established and operates a combined communication and dispatch center for Cibola	11/04 to Indefinite	The County is required to provide one half of the yearly operating costs.
Established a transit system to provide transportation to residents and visitors.	09/06 to Indefinite	The County contributes 43% of operating costs.
Establishes a service area of senior citizens	6/81 to Indefinite	The County contributes \$28,000 annually.
Provides capital and operating funds to establish a library	6/81 to Indefinite	The County contributes \$5,000 annually.
Provide sheltering for captured animals for the purpose of preventing nuisance, disease, and animal cruelty.	12/97 to Indefinite	The County contributes \$32,500 annually
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	Free Service

**STATE OF NEW MEXICO
CIBOLA COUNTY**

Schedule IV

**SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Amount Contributed by County During Fiscal Year	Audit	Fiscal Agent and Responsible Reporting Entity
\$ 110,053	Northwest New Mexico Regional Solid Waste	Northwest New Mexico Regional Solid Waste Authority.
-	Cibola County	Cibola County
60,267	Village of Milan	Village of Milan
28,000	City of Grants	City of Grants
7,083	City of Grants	City of Grants
27,917	City of Grants	City of Grants
-	Cibola County	Cibola County

**STATE OF NEW MEXICO
CIBOLA COUNTY**

Schedule V

**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Balance 1-Jul-15	Additions	Deductions	Balance 30-Jun-16
ASSETS				
Cash	\$ 404,177	\$ 3,839,057	\$ 3,999,592	\$ 243,642
Taxes receivable	<u>2,489,773</u>	<u>291,528</u>	<u>180,835</u>	<u>2,600,466</u>
<i>Total assets</i>	<u>2,893,950</u>	<u>4,130,585</u>	<u>4,180,427</u>	<u>2,844,108</u>
LIABILITIES				
Due to other entities	2,718,977	-	125,288	2,593,689
Undistributed tax	<u>174,973</u>	<u>505,141</u>	<u>429,695</u>	<u>250,419</u>
<i>Total liabilities</i>	<u>\$ 2,893,950</u>	<u>\$ 505,141</u>	<u>\$ 554,983</u>	<u>\$ 2,844,108</u>

**STATE OF NEW MEXICO
CIBOLA COUNTY**

SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016

Prepared by Agency Staff Name: FRANCES R MEDINA Title: CPO Date APRIL 21, 2017

Agency Number	Agency Name	Agency Type	RFB#/RFP# / State-Wide Price Agreement #	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of ALL Vendor(s) that responded	Did the Vendor provide documentation of eligibility for in state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
5033	Cibola County	County	# 60-80500-16-14232AA	STATE AGREEMENT	C & E CONCRETE		64,725.00		500 ELKINS RD GRANTS, NM			HAULING OF CHIPS/BASE COURSE	
5033	Cibola County	County	# 40-000-14-00056 AA	STATE AGREEMENT	C & E CONCRETE		82,386.03		500 ELKINS RD GRANTS, NM			CLEAN CHIPS FOR ROADS	
5033	Cibola County	County	# 40-805-13-10194	STATE AGREEMENT	C & E CONCRETE		88,811.77		500 ELKINS RD GRANTS, NM			BASE COURSE	
5033	Cibola County	County	# 60-80500-16-14232AA	STATE AGREEMENT	C & E CONCRETE		64,362.22		500 ELKINS RD GRANTS, NM			HAULING OF CHIPS/BASE COURSE	
5033	Cibola County	County	# 40-805-13-10194	STATE AGREEMENT	C & E CONCRETE		156,585.73		500 ELKINS RD GRANTS, NM			BASE COURSE CO-OPS	
5033	Cibola County	County	# 40-000-13-00009	STATE AGREEMENT	NEW MEXICO OFFICE FURNITURE INC DBA BUSINESS ENVIRONMENT		237,258.32		5351 WILSHIRE AVE NE ALBUQUERQUE, NM 87113-1934			FURNITURE AND BUILT INS FOR ROOSEVELT BUILDING	
5033	Cibola County	County	# 70-805-16-14807-AB	STATE AGREEMENT	HOLLYFRONTIER CORPORATION		264,000.00		4949 EDITH BLVD NE, ALBUQ			OILS	
5033	Cibola County	County	# 40-805-13-10194	STATE AGREEMENT	C & E CONCRETE		147,724.53		500 ELKINS RD GRANTS, NM			BASE COURSE FOR CO-OPS	
5033	Cibola County	County	# 60-000-15-00004	STATE AGREEMENT	MELLOY DODGE 9621 COORS BLVD ALBUQUERQUE, NM 87114		81,912.00					PURCHASE OF 3 SHERIFF DEPT TRUCKS	
5033	Cibola County	County	# 0045-13-CS (BERNALLIO)	BID	ARTESIA FIRE EQUIPMENT 1014 S 1ST ST ARTESIA, NM 88210		86,566.75					BUNKER GEAR/AIR-PAK	
5033	Cibola County	County	# 1678-14	PROPOSAL UNM	SOUTHWEST ABATEMENT, INC. 4609 KINNEY ST SE ALBUQUERQUE, NM 87105		81,929.12					ABESTOS ABATEMENT/MOBILIZATION AIR CLEARANCE	
5033	Cibola County	County	# 15-05	BID	PETE'S EQUIPMENT 1412 BROADWAY NE ALBUQUERQUE, NM 87102		222,995.00		PETE'S EQUIPMENT		Y	TANKER FOR SAN RAFAEL VFD	
5033	Cibola County	County							SOUTHERN FIRE 229 CONFEDERATE AVE JASPER, GA 30143		N		
5033	Cibola County	County							MIDWEST FIRE 901 COMMERCE ROAD LIVERNE, MN 56156-0524		N		
5033	Cibola County	County							SUMMIT TRUCK GROUP 1623 ASPEN AVE., NW ALBUQUERQUE, NM 87104		Y		
5033	Cibola County	County	# 12-01	PROPOSAL	NCA ARCHITECTS		286,735.00		NCA ARCHITECTS PA 1306 RIO GRANDE BLVD			ON CALL CARRIED FORWARD FROM PRIOR YEAR	
5033	Cibola County	County							STUDIO SW ARCHITECTS 2101 MOUNTAIN ROAD NW				

See independent auditor's report

STATE OF NEW MEXICO
CIBOLA COUNTY

SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016

Prepared by Agency Staff Name: FRANCES R MEDINA Title: CPO Date APRIL 21, 2017

Agency Number	Agency Name	Agency Type	RFB#/RFP# / State-Wide Price Agreement #	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of ALL Vendor(s) that responded	Did the Vendor provide documentation of eligibility for in state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
5033	Cibola County	County							GILBERT ARCHITECT 2428 BAYLOR DR SE				
5033	Cibola County	County							GREGORY HICKS AND ASSOC 110 2ND ST #2044				
5033	Cibola County	County							SOLEIL WEST 11930 MENAUL BLVD NE # 109				
5033	Cibola County	County							LEE GAMELSKY ARCHITECTS 2412 MILES ROAD SE				
5033	Cibola County	County							HUITT-ZOLLARS 6501 AMERICAS PKWY NE #550				
5033	Cibola County	County	# 15-06	BID	HIGH DESERT ROOFING, INC. 8800 SUSAN AVE., SE ALBUQUERQUE, NM 87123		233,796.40					RE-ROOF OF SMITHS GROCERY COUNTY OWNED PROPERTY	
5033	Cibola County	County							LONGHORN CONSTRUCTION 9208 LONA LANE, NE ALBUQUERQUE, NM 87111	Y			
5033	Cibola County	County							DKG AND ASSOCIATES INC 6920 HUSEMAN PLACE SW ALBUQUERQUE, NM 87121	Y			
5033	Cibola County	County							J3 SYSTEMS LLC 145 BOSQUE FARMS BLVD BOSQUE FARNS, NM 87068	N			
5033	Cibola County	County							EVERGUARD ROOFING 512 VERANDA ROAD, NW ALBUQUERQUE, NM 87107	DISQUALIFIED			
5033	Cibola County	County	# 15-03	REQUEST FOR QUALIFICATIONS	JAYNES CORPORATION 2906 BROADWAY NE ALBUQUERQUE, NM 87107		857,644.00					CONSTRUCTION MANAGER AT RISK CARRY FORWARD FROM PRIOR YR BID HANDLED BY ARCHITECTS	

See independent auditor's report

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CIBOLA COUNTY**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA
MUNICIPAL GENERAL DIVISION
FOR THE YEAR ENDED JUNE 30, 2016

<u>Public Employees Retirement Association (PERA) Plan:</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.4586%	0.4660%
County's proportionate share of the net pension liability (asset)	\$4,675,824	\$3,635,300
County's covered-employee payroll	\$4,291,030	\$2,966,184
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	108.97%	122.56%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

**STATE OF NEW MEXICO
CIBOLA COUNTY**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA
MUNICIPAL POLICE DIVISION
FOR THE YEAR ENDED JUNE 30, 2016

<u>Public Employees Retirement Association (PERA) Plan:</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.3484%	0.3133%
County's proportionate share of the net pension liability (asset)	\$1,675,303	\$1,021,324
County's covered-employee payroll	\$ 754,729	\$1,343,394
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	221.97%	76.03%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

**STATE OF NEW MEXICO
CIBOLA COUNTY**

SCHEDULE OF CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)
PLAN MUNICIPAL GENERAL DIVISION
FOR THE YEAR ENDED JUNE 30, 2016

<u>PERA Fund Division</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 409,793	\$ 342,523
Contributions in relation to the contractually required contribution	\$ 409,793	\$ 342,523
Contribution deficiency (excess)	-	-
County's covered-employee payroll	\$4,291,030	\$2,966,184
Contributions as a percentage of covered-employee payroll	9.55%	11.55%

**STATE OF NEW MEXICO
CIBOLA COUNTY**

SCHEDULE OF CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)
PLAN MUNICIPAL POLICE DIVISION
FOR THE YEAR ENDED JUNE 30, 2016

<u>PERA Fund Division</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 142,644	\$ 127,990
Contributions in relation to the contractually required contribution	\$ 142,644	\$ 127,990
Contribution deficiency (excess)	-	-
County's covered-employee payroll	\$ 754,729	\$ 1,343,394
Contributions as a percentage of covered-employee payroll	18.90%	9.53%

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirementfund-valuation-reports/6-30-2015-PERAValuation-Report-FINAL.pdf>.

The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2014, the economic and demographic assumptions were updated for this valuation. The total increase to the unfunded actuarial accrued liability (UAAL) is \$410 million and results in a decrease to the funded ratio from 75.8% to 74.9%. For details about changes in the actuarial assumptions, see Appendix B on page 53-61 of the report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund of the Cibola County, New Mexico (County) as of and for the year ended June 30, 2016, and 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's, presented as supplemental information, and have issued our report thereon dated September 01, 2017 which was qualified because we were unable to obtain sufficient evidential matter to satisfy ourselves that capital assets, recorded for the governmental activities, business type activities and enterprise fund – Detention Center are complete. The component unit was audited by separate auditor, as described in our report of the County's financial statements. We did not test internal controls, compliance, and other matters of the component units of the County.

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.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as items 2011-002, 2014-001, 2015-002 and 2016-001 to be significant deficiency.

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, 2013-010, 2013-011, 2014-007 and 2015-003.

The County's Response 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.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
September 01, 2017

**STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditors' report issued	Qualified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiencies identified not considered to be material weaknesses?	Yes
• Noncompliance material to financial statements noted?	No

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Financial Statement Findings

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

Condition: The audit report was submitted to the State Auditor after the required deadline of November 1, 2016. The audit report was submitted on September 06, 2017.

The County did not make progress in complying with the State Auditor Rule filing date requirements, due to factors experienced in fiscal year 2016, as described in the cause below, which prevented the County from maintaining its financial records in a manner to timely file its financial statements.

Criteria: Local public body audits, which includes Counties, are to be submitted to the State Auditor by November 1st, as required by NMAC 2.2.2.9(1)(c).

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

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

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 is well aware of the issues involved with a late audit, and Management nor the Board of County Commissioners take this issue lightly. We however have been in the process of trying to correct some issues that have been outstanding, like our assets, and some issues that have arisen since our software conversion. So we chose to have a late audit in order to work through some of these issue. Not all of our progress has been apparent but we feel we are taking steps in the right direction and fully intend to have our audit done by the December 1st deadline.

Estimated Completion Date: December 1st 2017

Responsible party: County Manager- Valarie Taylor, Accounts Payable - Michelle Molerres, Purchasing and Procurement - Wendy Self.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Financial Statement Findings - Continued

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

Condition: The County could not provide a capital asset listing that agreed to the trial balance for governmental or business-type activities. The County also did not conduct a physical inventory in fiscal year 2016, and is unsure as to the date of the last physical inventory. Capital assets as presented at June 30, 2016 were identified to not be in proper existence prior to fiscal year 2016.

The County did not make progress in resolving this finding. However, the County is in the process of doing a complete inventory of all the County's assets, including retagging all items to ensure this issue is resolved in subsequent years

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.

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 assets listing that agreed to their records, the audit opinion was qualified for both governmental and business-type capital assets.

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 the assets are inventoried at least yearly.

Auditor's Recommendations: The County needs to implement a formal 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 assets listings, including additions, agree to the general ledger and are certified by the governing authority.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Financial Statement Findings - Continued

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

Management's Response: The County has adopted a new policy regarding assets as of July, 27th 2016 and in the last year have done the required physical inventory of those assets.

Estimated Completion Date: December 31st, 2016

Responsible party: Finance Director, Accounts Payable - Michelle Molerres.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Financial Statement Findings - Continued

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

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

- For two out of twenty-five transactions, totaling \$1,783 – The purchase requisition/order was dated after the invoice date. One of the transactions totaling \$1,029 was for sporting equipment. The second transaction in the amount of \$754 was for mail postage.
- For one out of twenty-five transactions in the amount of \$1,495 for hotel expenditures, the client could not provide any supporting documentation.
- For one out of twenty-five transactions in the amount of \$989, for a purchase at Walmart.com, the client could not provide any supporting documentation.
- For four out of twenty-five transactions totaling \$3,020 for employee training and staff development, the client could not provide any supporting documentation.
- For one out of twenty-five transactions in the amount of \$425 for office supplies, the client could not provide any supporting documentation.
- For one out of twenty-five transactions totaling \$527, the purchase requisition order did not have the two required authorizing signatures. The amount spent was on floor carpeting to repair a building.

The County did not make progress in resolving this finding. However, the County's management is working with the appropriate personnel to ensure this issue is resolved in subsequent years.

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.

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

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.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Financial Statement Findings - Continued

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

Auditor's Recommendations: We recommend that the County enforce their policy and not allow credit card transactions to be made without proper approval. We also strongly encourage the County not to make payments 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 has discontinued use of P-Card except for two that are under the control of the Finance office and everything has to go through the Finance Director and Business Office for approval.

Estimated Completion Date: January 1st, 2017

Responsible party: Finance Director, Accounts Payable - Michelle Molerés.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Financial Statement Findings - Continued

2014-001 — Journal Entries (Significant Deficiency) (Repeated)

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

The County did not make progress with this requirement. The County needs to continue to work with staff to ensure they are following policies and procedures.

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.

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

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.

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 Treasurer's Office has implemented a new procedure to cover how journal entries will be handled. One person will generate the entry and another employee will review and approve the entry, both will sign off and date when the entry is completed.

Estimated Completion Date: September 1st, 2017

Responsible party: Treasurer's Office, Kathy Gonzales, Treasurer.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Financial Statement Findings - Continued

2015-002 —Bank reconciliation- (Significant Deficiency) (Repeated)

Condition: During our testwork, we noted that the County did not provide documentation to support the cash balance in the trial balance, which amounted to \$466.

The County did not make progress for resolving this issue.

Criteria: Bank statements should be reconciled to the balances in the general ledger and subsidiary accounts as required by 1978 NMSA 6.10.2 and 6-NMAC-2.2.1.14.11.

Effect: When bank statements are not reconciled to the general ledger, there is an opportunity for misappropriation of cash assets and incorrect financial reporting.

Cause: The cash was not reconciled to the general ledger in a timely manner.

Auditor's Recommendations: A procedure should be established to allow the cash to be reconciled to the general ledger.

Management's Response: This issue has been resolved; the Treasurer's office requires that all Banks are reconciled by the Bookkeeper by mid-month. The Bookkeeper will make sure the books are balanced to the General Ledger on a monthly basis. The County Treasurer and the Bookkeeper will sign off noting that they are balanced.

Estimated Completion Date: July 31st, 2017

Responsible party: Treasurer's Office, Kathy Gonzales, Treasurer.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Financial Statement Findings - Continued

2015-003 —Fixed Asset Disposals -- Other Noncompliance (Repeated)

Condition: The County was unable to provide to the auditors evidence that the State Auditor's Office had been properly notified of any dispositions of capital assets for the fiscal year ended June 30, 2016.

The County did not make progress with this requirement. The County needs to continue to work with staff to ensure they are following policies and procedures.

Criteria: NMAC 2.2.2.10 S requires that, at least thirty days prior to any disposition of property on the inventory listing, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the State Auditor.

Effect: The County is not in compliance with state statutes regarding the disposition of capital assets.

Cause: The County's capital assets disposition policies were not adequately enforced.

Auditor's Recommendations: Policies and procedures should be established for the disposal of capital assets. Proper supporting documentation should be retained and provided during the annual audit.

Management's Response: The County has adopted new policy's regarding assets, as a part of this we address the issue of disposal and will follow all state requirements.

Estimated Completion Date: The Policy was adopted on July 27th, 2016

Responsible party: Valerie Taylor, County Manager, Purchasing and Procurement - Wendy Self.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

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 and Modified)

Condition: During our test work of travel expenditures, we noted the following:

- Four out of forty instances totaling \$2,372 for employees' hotel expenditures, the County could not provide any supporting documentation.
- One out of forty instances in the amount of \$2,000 for conference fees, the County could not provide any supporting documentation.
- Two out of forty instances totaling \$1,807 for hotel expenditures, the purchase requisition order was missing.
- One out of forty instances totaling \$2,418, for hotel expenditures for a Tri-State Fireman Convention, the travel authorization form was not approved by the authorized person.
- One out of forty instances totaling \$262 for per diem reimbursement for meals for a NACO legislative conference, the traveler did not sign the per diem form.
- Four out of forty instances totaling \$1,477, the per diem reimbursement for meals for attending a conference was calculated incorrectly.
- Four out of forty instances totaling \$3,070, for per diem reimbursement for meals for travel taken by staff, the travel authorization form did not state the purpose of the travel.
- One out of forty instances totaling \$160, for per diem reimbursement for meals for a conference, the per diem sheet was not properly authorized.

The County did not make progress in resolving this finding. However, the County is in the process of implementing updates to the travel policies to ensure this issue is resolved in subsequent years.

Criteria: NMSA 1978, section 6-5-8 requires good documentation practices be maintained, and adequate supporting documentation must be present for all travel & per diem expenses and travel reimbursements.

Effect: The County is not in compliance with NMSA 1978, section 6-5-8 in regards to travel and per diem reimbursements.

Cause: It appears the staff may not be submitting proper documentation on expenses for travel and per diem due to inadequate training on travel & per diem requirements.

Auditor's Recommendations: The County should implement procedures to ensure all receipts and supporting documents be provided for all travel & per diem expenses. Management oversight in this area is necessary to ensure records and reimbursements are reasonable, proper, accurate, and supported.

Management's Response: As a part of the new finance policy we have included Travel Policies (section VII). This aligns with state requirements. Additionally all travel has to have the proper documentation and be approved by both the Finance Director and Business Office. This will correct the issues with the travel and per diem.

Estimated Completion Date: Policy was adopted on September 28th, 2016.

Responsible party: Valerie Taylor, County Manager, Finance Director, Purchasing and Procurement, Wendy Self.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

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 and Modified)

Condition: During our testwork over revenue, we noted that, the Sheriff's Department is not making timely deposits to the Treasurer's office.

The County did not make progress in resolving this finding however the County's management is working with the Sheriff's Department to ensure this issue is resolved in subsequent years.

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.

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

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.

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

Management's Response: The Treasurer's office has implemented a procedure with the Sheriff's department in which the staff will be emailing on a daily basis a zero deposit for any day no funds are collected. Any day they do collect funds they will take those to the Treasurer's office for deposit. The Treasurer's office will revise their cash receipting process to reflect daily deposits by all departments.

Estimated Completion Date: September 30th, 2017

Responsible party: Treasurer's Office -Kathy Gonzalez, Treasurer, Sheriff's Department - Tony Mace.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

**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)

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

Major funds

General Fund - Culture and Recreation	\$ 24,458
General Fund - Capital Outlay	28,447
Road Special Revenue Fund - Public work	251,688
Detention Center Enterprise Fund - Personal services	98,187
Debt Service Fund - Principal	54,311
Debt Service Fund - Interest	10,095
Debt Service Fund - General government	<u>69,893</u>
Total Major funds	<u>537,079</u>

Nonmajor funds

VFD Loan Capital Project Fund - General government	616
Indigent Special Revenue Fund - General government	21,202
Grant Special Revenue Fund - General government	37,970
Total nonmajor funds	<u>59,788</u>
Total primary government	<u><u>\$ 596,867</u></u>

The County Clerk Treasurer has started to review budgets regularly, and also the County is developing a process to ensure that funds do not exceed the approved budget.

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.

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

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

**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) - (Cont.)

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

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

Management's Response: Finance and Management have been working on making the budget more accurate to avoid the issues of over expenditures. Additionally we will implement some new processes to try and prevent any overages during the year and an end of the year process to catch and correct any overages that may have been necessary.

Estimated Completion Date: December 31st, 2017

Responsible party: Valerie Taylor, County Manager, Finance Director.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

**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 (Repeated)

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.

The County did not make progress in resolving this finding. However the County's management is working with the appropriate personnel to ensure this issue is resolved in subsequent years.

Criteria: State Auditor Rule 2.2.2.12D requires property tax outstanding and receivable for the past 10 years to be listed.

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.

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.

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 property tax information is being collected and reported out of a separate system than what we use for financials. We will make it our number one priority to get that information reflected in our financials for fiscal year 2018.

Estimated Completion Date: December 31st, 2017

Responsible party: Treasurer's Office - Kathy Gonzales, Treasurer.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

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

2016-001— Internal Controls over Receipts (Significant Deficiency)

Condition: During our test work of revenues from the boxing events, we noted that the County did not maintain a proper internal control process to document and account for the revenue from the sale of tickets.

In addition, we are unable to verify if the regulatory fees were forwarded by Chavez Promotion to the New Mexico Athletic Commission within 72 hours of the event, as required by NMAC 15.6.14.9 since the provided financial report received from NMRLD, including the regulatory fees, did not have a submission date.

Criteria: NMAC 6.20.2.11 states, the County shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in the performance of duties and functions. The internal control system of revenue recognition requires that all receipts be maintained with adequate supporting documentation in order to be processed further. Additionally, according to Section 6.20.2.14 of NMAC, money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Also, NMAC 15.6.14.9 states that the regulatory fee is non-refundable and is due from the promoter within seventy-two (72) hours after the completion of the professional contest.

Effect: The lack of internal control over the receipts processes for this event may have put the County to be the subject of a possible occurrence of fraud.

Cause: The County does not have a proper control structure in place to adequately document and monitor the accounting process for such an event.

Auditor's Recommendation: We recommend that the County put in place the proper internal control and accounting process in order to make sure that revenue from tickets sales is properly accounted for. The County should familiarize responsible employees with the New Mexico Administrative Code relating to cash management laws, regulations, and policies.

Management's Response: The County will not be entering into any similar agreements in the near future, and if we do consider some sort of promotional event we will have all the safe guards' in place to protect the public funds we are charged with managing.

Estimated Completion Date: July 1st, 2017

Responsible party: Valerie Taylor, County Manager, Board of County Commission - Jack Moleres, Robert Armijo, Daniel Torrez, Robert Winhorst, Martha Garcia, Treasurer's Office - Kathy Gonzales.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

Section III — Component unit Findings

CU 2016-001—State Audit Rule – Findings that do not rise to the level of a significant deficiency

Condition: The Hospital did not adhere to the State Audit Rule requirement concerning contracting with external auditors.

Criteria: The State Auditor Rule prescribes the audit and financial reporting requirements for New Mexico governmental units.

Effect: The Hospital violated the State Auditor requirement of contract to OSA by April 15. The Hospital CFO completed the process once the error became known.

Cause: The Hospital Controller did not complete the OSA-connect process.

Auditor's Recommendation: The Hospital should comply with all of the provisions of the State Auditor Rule.

Management's Response: This function has been taken over by the CFO to insure compliance on a go forward basis.

Estimated Completion Date: June 30th, 2018

Responsible party: County Manager - Valerie Taylor

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

Section III — Component unit Findings - Continued

CU 2016-002—State Audit Rule – Findings that do not rise to the level of a significant deficiency

Condition: Because the Hospital did not comply with the provisions of the State Auditor Rule, even though the report was filed by the due date, it was considered late.

Criteria: The State Auditor Rule prescribes the audit and financial reporting requirements for New Mexico governmental units.

Effect: The Hospital was considered delinquent in its filing of the audit report.

Cause: The Hospital did not complete the OSA-connect process until after the filing due date which in turn resulted in the audit report being considered late.

Auditor's Recommendation: The Hospital should comply with all of the provisions of the State Auditor Rule before the filing due date.

Management's Response: The CFO will comply with all provisions of the State Auditor Rule in time to meet filing due dates.

Estimated Completion Date: June 30th, 2018

Responsible party: County Manager - Valerie Taylor

STATE OF NEW MEXICO
CIBOLA COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Section I - Financial Statement Findings

- 2011-002-- Late Audit Report (Significant Deficiency) - Repeated
- 2013-001-- Capital Assets (Material Weakness) - Repeated
- 2013-006-- Credit Cards (Material Weakness) - Repeated
- 2013-007-- Deficiencies in Internal Control Structure Design (Significant Deficiency) - Resolved
- 2014-001-- Journal Entries (Significant Deficiency) - Repeated
- 2014-003-- Segregation of Duties (Significant Deficiency) - Resolved
- 2014-004-- IT (Significant Deficiency) - Resolved
- 2015-001-- Payroll (Significant Deficiency) - Resolved
- 2015-002-- Bank reconciliation- (Significant Deficiency) - Repeated
- 2015-003-- Fixed Asset Disposals -- Other Noncompliance - Repeated

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 & Modified
- 2013-009-- Cash Disbursements (Other) - Resolved
- 2013-010-- Timeliness of Deposits (Other) - Repeated & Modified
- 2013-011-- Exceed Budget Authority (Other) - Repeated
- 2014-006-- Late Submittal of IPA Recommendation Form for FY 2014 Audit and Audit Contract to State Auditor - Other Matter - Resolved
- 2014-007-- Property Tax Schedule Not Included- Other Matter - Repeated

Section III - Component Unit Findings

There are no prior year findings related to the financial statements.

**STATE OF NEW MEXICO
CIBOLA COUNTY
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2016**

Exit Conference

The contents of the County's report were discussed on September 05, 2017, The following individuals were in attendance

Cibola County Administration

Joseph Sanders	Finance Director
Tony M. Boyd	Manager

Harshwal & Company LLP

Sanwar Harshwal, CPA	Managing Partner
Albert Hwu	Senior Auditor
Mariem Tall	Auditor Manager

Preparation of Financial Statements

Harshwal & Company LLP 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.