STATE OF NEW MEXICO
CIBOLA COUNTY
FINANCIAL STATEMENT
WITH INDEPENDENT AUDITOR'S REPORT THEREON
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Harshwal & Company LLP
Certified Public Accountants
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INTRODUCTORY SECTION

STATE OF NEW MEXICO
CIBOLA COUNTY

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CIBOLA COUNTY

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STATE OF NEW MEXICO
CIBOLA COUNTY

OFFICIAL ROSTER
JUNE 30, 2017

ELECTED OFFICIALS

Jack R. Moleres	Commission Chairman
Robert J. Armijo	Commission Vice-Chairman 1st
Robert Windhorst	Commission Vice-Chairman 2nd
Daniel J. Torrez	County Commissioner
Martha Garica	County Commissioner
Michelle Dominguez	County Clerk
Kathy Gonzales	County Treasurer
Geraldine A. Rael	County Assessor
Tony Mace	County Sheriff

ADMINISTRATIVE OFFICIALS

Tony M. Boyd	County Manager
Joseph Sanders	Finance Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Cibola County Board of Commissioners
Grants, New Mexico

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, 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, 2017, 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 did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the County. The schedules and 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 County, is based solely on the report of the other auditors.

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 34%, 42%, and 55%, 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.

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Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion.

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 were not able to obtain sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Basis for Disclaimer of Opinion

The Cibola County was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the County's financial statements as of and for the year ended June 30, 2017, particularly with respect to the cash balances, revenue/receivables, capital assets and depreciation and current year activities.

It was impracticable to extend our audit procedures sufficiently to determine the extent to which Cibola County's financial statements as of and for the year ended June 30, 2017 may have been affected by the matters discussed in the preceding paragraph; accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements as of and for the year ended June 30, 2017.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As described in finding 2013-011: Exceeded Budget Authority, Material Weakness, Cibola County has exceeded its budget authority in governmental funds by approximately $1.66 million dollars. This finding has been repeated every fiscal year since 2013. The continuous actual expenditures in excess of budgeted expenditures may cause the County to not be in compliance with oversight agency reserve requirements and may cause the County to have difficulty managing cash flows and the inability to provide necessary and/or desired services to citizens. Our opinion is not modified with respect to this matter.

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 98 - 99, the Schedule of Contributions on pages 100 - 101 and the notes to the required supplementary information on page 101 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 the Management's Discussion and Analysis that *Government Accounting Standards* require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by *Government 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

We were engaged for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and 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.

The combining and individual fund financial statements and 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. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, it is inappropriate to, and we do not, express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018 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
April 30, 2018

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Cibola General Hospital Corporation
ASSETS				
Current assets:				
Cash and cash equivalents	$ 11,632,665	$	$ 11,632,665	$ 22,032,626
Restricted cash		44,125	44,125	
Investments				7,000,000
Receivable				
Property taxes	966,444		966,444	
Gross receipt taxes	345,015	44,979	389,994	
Other accounts receivable				18,455
Prison receivables				
Patient receivables, net of allowance				2,842,807
Prepaid expenses				260,340
Inventory				208,640
Equity interest in component unit	40,398,419		40,398,419	
Noncurrent assets:				
Capital assets	54,785,360	8,513,055	63,298,415	19,279,181
Less: accumulated depreciation	(31,787,070)	(3,377,077)	(35,164,147)	(9,421,275)
Total Assets	76,340,833	5,225,082	81,565,915	42,220,774
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	326,196		326,196	
Deferred outflows of resources related to pension	3,519,340	775,848	4,295,188	
Total deferred outflows of resources	3,845,536	775,848	4,621,384	
Total assets & deferred outflows of resources	$ 80,186,369	$ 6,000,930	$ 86,187,299	$ 42,220,774

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

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Cibola General Hospital Corporation
LIABILITIES				
Current liabilities:				
Accounts payable	50,050	2,602	52,652	820,247
Accrued expenses/liabilities	261,782		261,782	693,257
Accrued Payroll & Taxes	209,244	95,092	304,336	
Funds held for other		44,125	44,125	
Estimated third party payor settlement				308,851
Long-term debt-due within one year	804,873	30,984	835,857	
Noncurrent liabilities:				
Due in more than one year	18,281,297	13,279	18,294,576	
Net pension liability	8,800,888	2,000,274	10,801,162	
Total liabilities	28,408,134	2,186,356	30,594,490	1,822,355
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension	141,831	30,444	172,275	
Total deferred inflows of resources	141,831	30,444	172,275	
Total liabilities & deferred inflow of resources	28,549,965	2,216,800	30,766,765	1,822,355
NET POSITION				
Net investment in capital assets	5,006,251	5,135,978	10,142,229	9,857,906
Restricted for:				
Debt service fund	1,369,651		1,369,651	
Special revenue funds	1,094,139		1,094,139	
Others		44,125	44,125	
Unrestricted	44,166,363	(1,395,973)	42,770,390	30,540,513
Total Net Position	$ 51,636,404	$ 3,784,130	$ 55,420,534	$ 40,398,419

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

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	$ 22,197,984	$ 7,020,804	$ 669,471
Public safety	3,605,608	73,436	1,936,175
Public works	858,974		1,475,782
Culture and recreation	176,773		
Health and welfare	345,938	6,252	
Interest on long-term debt	747,540		
Total governmental activities	27,932,817	7,100,492	4,081,428
Business-type Activities:			
Detention center	4,497,394	2,043,798	
Total business type activities	4,497,394	2,043,798	
Total primary government	32,430,211	9,144,290	4,081,428
Component unit:			
Cibola General Hospital Corporation	$ 27,935,975	$ 25,284,167	$
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			
Gain/(Loss) on disposal of assets			
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			
Restatement			
Net position-beginning, as restated			
Net position-ending			

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

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
Functions/Programs	Governmental Activities	Business-Type Activities	Total	Cibola General Hospital Corporation
Primary government:				
Governmental activities:				
General government	$(14,507,709)	$	$(14,507,709)	$
Public safety	(1,595,997)		(1,595,997)	
Public works	616,808		616,808	
Culture and recreation	(176,773)		(176,773)	
Health and welfare	(339,686)		(339,686)	
Interest on long-term debt	(747,540)		(747,540)	
Total governmental activities	(16,750,897)		(16,750,897)	
Business-type Activities:				
Detention center		(2,453,596)	(2,453,596)	
Total business type activities		(2,453,596)	(2,453,596)	
Total primary government	(16,750,897)	(2,453,596)	(19,204,493)	
Component unit:				
Cibola General Hospital Corporation				(2,651,808)
General Revenues:				
Taxes:				
Property taxes	3,312,014		3,312,014	1,391,636
Gross receipts taxes	2,732,713	430,325	3,163,038	
Payment in lieu of taxes	1,848,110		1,848,110	
Other taxes	1,333,249		1,333,249	
Increase in equity interest in component unit	(1,382,839)		(1,382,839)	
Interest income	23,167		23,167	131,357
Contributions				(300)
Gain/(Loss) on disposal of assets	(227,389)	(4,371)	(231,760)	(554)
Net unrealized gain on other than trading securities				(28,326)
Miscellaneous income	553,031	81,166	634,197	
Transfers in (out)	(2,624,547)	2,624,547		
Total general revenues and transfers	5,567,509	3,131,667	8,699,176	1,493,813
Change in net position	(11,183,388)	678,071	(10,505,317)	(1,157,995)
Net position-beginning	62,575,741	3,106,059	65,681,800	41,781,258
Restatement	244,051		244,051	(224,844)
Net position-beginning, as restated	62,819,792	3,106,059	65,925,851	41,556,414
Net position-ending	$ 51,636,404	$ 3,784,130	$ 55,420,534	$ 40,398,419

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CIBOLA COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Funds	Indigent	VFD	Grant Fund
ASSETS				
Cash and cash equivalents	$ 7,091,772	$ 789,370	$ 1,187,802	$ 86,477
Receivable:				
Property taxes	966,444			
Gross receipt taxes	180,928	118,963		
Prepaid expenses				
Total assets	8,239,144	908,333	1,187,802	86,477
LIABILITIES AND FUND BALANCES				
Accounts payable	10,280		924	514
Accrued Payroll & Taxes	146,520			30,924
Funds held for other	203,474			
Unearned revenue	854,556			
Total liabilities	1,214,830	-	924	31,438
FUND BALANCES				
Non-spendable:				
Prepaid				
Restricted		908,333	1,186,878	55,039
Unassigned (deficit)	7,024,314			
Total fund balances	7,024,314	908,333	1,186,878	55,039
Total liabilities and fund balances	$ 8,239,144	$ 908,333	$ 1,187,802	$ 86,477

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

STATE OF NEW MEXICO
CIBOLA COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,427,959	$ 1,049,285	$ 11,632,665
Receivable:			
Property taxes			966,444
Gross receipt taxes		45,124	345,015
Prepaid expenses			
Total assets	1,427,959	1,094,409	12,944,124
LIABILITIES AND FUND BALANCES			
Accounts payable		38,332	50,050
Accrued Payroll & Taxes		31,800	209,244
Funds held for other	58,308		261,782
Unearned revenue			854,556
Total liabilities	58,308	70,132	1,375,632
FUND BALANCES			
Non-spendable:			
Prepaid			0
Restricted	1,369,651	1,094,139	4,614,040
Unassigned (deficit)		(69,862)	6,954,452
Total fund balances	1,369,651	1,024,277	11,568,492
Total liabilities and fund balances	$ 1,427,959	$ 1,094,409	$ 12,944,124

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

STATE OF NEW MEXICO
CIBOLA COUNTY

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

Fund balance - Governmental funds	$ 11,568,492
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.	22,998,290
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.	40,398,419
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.	854,556
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the financial statements.	(19,086,170)
Deferred charge on refunding	326,196
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	3,519,340
Deferred inflows of resources related to pension	(141,831)
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	(8,800,888)
Net position - Governmental activities	$ 51,636,404

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

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Funds	Indigent	VFD	Grant Fund
REVENUES:				
Property taxes	$ 3,688,344	$ 2,803	$	$
Gross receipts taxes	572,846	380,622		
Payment in lieu of taxes	1,848,110			
Other taxes	67,341			
State and local sources	250,153		1,201,379	744,829
Federal sources	73,598			94,835
Licenses and fees	80,550			6,617,594
Charges for services	280,892			85
Interest income	17,343			
Miscellaneous	448,603		4	40,545
Total revenues	7,327,780	383,425	1,201,383	7,497,888
EXPENDITURES:				
Current:				
General government	5,502,137	651,274		6,716,372
Public safety	101,977		774,821	1,181,605
Public works				
Culture and recreation	171,580			
Health and welfare	3,960			
Capital outlay	54,798		8,897	60,709
Debt service				
Principal				
Interest				
Total expenditures	5,834,452	651,274	783,718	7,958,686
Excess (deficiency) of revenues over expenditures	1,493,328	(267,849)	417,665	(460,798)
OTHER FINANCING SOURCES (USES):				
Transfer in	7,254,543		135,000	955,343
Transfers (Out)	(9,847,168)		(107,211)	(70,327)
Total other financing sources (uses)	(2,592,625)	0	27,789	885,016
Net change in fund balance	(1,099,297)	(267,849)	445,454	424,218
Fund balance - beginning of year	7,879,560	1,176,182	741,424	(369,179)
Restatement	244,051	-	-	-
Fund balance- as restated	8,123,611	1,176,182	741,424	(369,179)
Fund balance - end of year	$ 7,024,314	$ 908,333	$ 1,186,878	$ 55,039

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

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	$ 10,042	$ 701	$ 3,701,890
Gross receipts taxes	1,174,702	604,543	2,732,713
Payment in lieu of taxes			1,848,110
Other taxes	839,821	426,087	1,333,249
State and local sources	568,844	797,235	3,562,440
Federal sources		350,557	518,990
Licenses and fees		120,921	6,819,065
Charges for services		450	281,427
Interest income	5,823		23,166
Miscellaneous	60,313	3,565	553,030
Total revenues	2,659,545	2,304,059	21,374,080
EXPENDITURES:			
Current:			
General government	7,861,750	1,370,311	22,101,844
Public safety		153,513	2,211,916
Public works		723,798	723,798
Culture and recreation			171,580
Health and welfare		22,000	25,960
Capital outlay		48,470	172,874
Debt service			
Principal	605,761		605,761
Interest	747,540		747,540
Total expenditures	9,215,051	2,318,092	26,761,273
Excess (deficiency) of revenues over expenditures	(6,555,506)	(14,033)	(5,387,193)
OTHER FINANCING SOURCES (USES):			
Transfer in	2,340,657	212,992	10,898,535
Transfers (Out)	(2,807,734)	(690,642)	(13,523,082)
Total other financing sources (uses)	(467,077)	(477,650)	(2,624,547)
Net change in fund balance	(7,022,583)	(491,683)	(8,011,740)
Fund balance - beginning of year	8,392,234	1,515,960	19,336,181
Restatement	-	-	244,051
Fund balance- as restated	8,392,234	1,515,960	19,580,232
Fund balance - end of year	$ 1,369,651	$ 1,024,277	$ 11,568,492

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

STATE OF NEW MEXICO
CIBOLA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balances - Governmental funds	$ (8,011,740)
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	172,874
Depreciation expense	(1,042,358)
Gain/ (Loss) on disposal of assets	(227,389)
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	(389,876)
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	(1,382,839)
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	(5,985)
Principal payments on bonds and notes payable	605,761
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	(1,413,587)
Pension contributions	481,831
Change in net position - Governmental activities	$ (11,183,388)

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

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, 2017

	Budgeted Amounts		Actual	Variance Favorable
	Original	Final	Amounts	(Unfavorable)
***REVENUES*:**				
Property taxes	$ 3,119,174	$ 3,119,174	$ 3,688,344	$ 569,170
Gross receipts taxes	593,034	642,501	572,846	(69,655)
Payment in lieu of taxes	1,600,000	1,351,890	1,848,110	496,220
Other taxes	35,000	35,000	67,341	32,341
State and local sources		250,153	250,153	
Federal sources	7,000	79,660	73,598	(6,062)
Licenses and fees	89,020	89,020	80,550	(8,470)
Charges for services	259,000	259,000	280,892	21,892
Interest income	7,500	7,500	17,343	9,843
Miscellaneous	316,500	316,500	448,603	132,103
Total revenues	6,026,228	6,150,398	7,327,780	1,177,382
EXPENDITURES:				
Current:				
General government	6,182,938	6,254,180	5,502,137	752,043
Public safety	104,503	104,503	101,977	2,526
Culture and recreation	242,899	242,899	171,580	71,319
Health and welfare	15,000	15,000	3,960	11,040
Capital outlay			54,798	(54,798)
Miscellaneous	6,000	6,000		6,000
Total expenditures	6,551,340	6,622,582	5,834,452	788,130
Excess (deficiency) of revenues over (under) expenditures	(525,112)	(472,184)	1,493,328	1,965,512
OTHER FINANCING SOURCES (USES):				
Transfers in	1,188,874	1,076,491	7,254,543	6,178,052
Transfers out	(3,991,663)	(4,098,149)	(9,847,168)	(5,749,019)
Total other financing sources (uses)	(2,802,789)	(3,021,658)	(2,592,625)	429,033
Net changes in fund balances	$ (3,327,901)	$ (3,493,842)	(1,099,297)	$ 2,394,545
Fund balance - beginning of year			8,123,611	
Fund balance - end of year			$ 7,024,314	

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

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) INDIGENT FUND
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance Favorable
	Original	Final	Amounts	(Unfavorable)
***REVENUES*:**				
Property Taxes	$	$	$ 2,803	$ 2,803
Gross receipts taxes	450,000	450,000	380,622	(69,378)
Total revenues	450,000	450,000	383,425	(66,575)
EXPENDITURES:				
Current:				
General government	740,000	740,000	651,274	88,726
Total expenditures	740,000	740,000	651,274	88,726
Excess (deficiency) of revenues over (under) expenditures	(290,000)	(290,000)	(267,849)	22,151
OTHER FINANCING SOURCES (USES):				
Transfers in				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	$ (290,000)	$ (290,000)	(267,849)	$ 22,151
Fund balance - beginning of year			1,176,182	
Fund balance - end of year			$ 908,333	

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

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) VFD FUND
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance Favorable
	Original	Final	Amounts	(Unfavorable)
***REVENUES*:**				
Federal sources	$	$	$	$
State and local sources	601,380	120,180	1,201,379	1,081,199
Miscellaneous			4	4
Total revenues	601,380	120,180	1,201,383	1,081,203
EXPENDITURES:				
Current:				
Public safety	620,407	1,382,502	774,821	607,681
Capital Outlay	666,930	586,049	8,897	577,152
Total expenditures	1,287,337	1,968,551	783,718	1,184,833
Excess (deficiency) of revenues over (under) expenditures	(685,957)	(1,848,371)	417,665	2,266,036
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	66,246	66,246	27,789	(38,457)
Total other financing sources (uses)	66,246	66,246	27,789	(38,457)
Net changes in fund balances	$ (619,711)	$ (1,782,125)	445,454	$ 2,227,579
Fund balance - beginning of year			741,424	
Fund balance - end of year			$ 1,186,878	

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

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) GRANT FUND
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual Amounts	(Unfavorable)
***REVENUES*:**				
State and local sources	$ 755,431	$ 755,431	$ 744,829	$ (10,602)
Federal sources	2,500	2,500	94,835	92,335
Licenses and fees	20,100	2,500	6,617,594	6,615,094
Charges for services	15,000	15,000	85	(14,915)
Miscellaneous	30,703	51,676	40,545	(11,131)
Total revenues	823,734	827,107	7,497,888	6,670,781
EXPENDITURES:				
Current:				
General government	18,842	6,573,649	6,716,372	(142,723)
Public safety	904,690	967,184	1,181,605	(214,421)
Capital Outlay		20,973	60,709	(39,736)
Total expenditures	923,532	7,561,806	7,958,686	(396,880)
Excess (deficiency) of revenues over (under) expenditures	(99,798)	(6,734,699)	(460,798)	6,273,901
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	84,852	84,852	885,016	800,164
Total other financing sources (uses)	84,852	84,852	885,016	800,164
Net changes in fund balances	$ (14,946)	$ (6,649,847)	424,218	$ 7,074,065
Fund balance - beginning of year			(369,179)	
Fund balance - end of year			$ 55,039	

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

PROPRIETARY FUND

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	Detention Center
ASSETS	
Current assets:	
Restricted cash	$ 44,125
Receivables	44,979
Prepaid expenses	-
Total current assets	89,104
Noncurrent assets:	
Capital assets, net of accumulated depreciation	8,513,055
Less accumulated depreciation	(3,377,077)
Total noncurrent assets	5,135,978
Total assets	5,225,082
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pension	775,848
Total deferred outflows of resources	775,848
LIABILITIES	
Current liabilities:	
Accounts payable	2,602
Accrued Payroll & Taxes	95,092
Funds held for other	44,125
Current portion of accrued compensated absences	30,984
Total current liabilities	172,803
Noncurrent liabilities:	
Noncurrent portion of accrued compensated absences	13,279
Net pension liability	2,000,274
Total noncurrent liabilities	2,013,553
Total liabilities	2,186,356
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pension	30,444
Total deferred inflows of resources	30,444
NET POSITION	
Net investment in capital assets	5,135,978
Restricted	44,125
Unrestricted	(1,395,973)
Total Net position	$ 3,784,130

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

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Detention Center
OPERATING REVENUES:	
Gross receipts taxes	$ 430,325
Charges for services	2,043,798
Miscellaneous	81,166
Total operating revenues	2,555,289
OPERATING EXPENSES:	
Personnel services	2,850,338
Contractual services	107,556
Maintenance and materials	85,272
Other operating expenses	1,424,311
Depreciation	29,917
Total operating expenses	4,497,394
Operating income (loss)	(1,942,105)
OTHER FINANCING SOURCES:	
Transfer in	2,624,547
Gain/ (Loss) on disposal of assets	(4,371)
Total other financing sources	2,620,176
Change in net position	678,071
Total net position, beginning of year	3,106,059
Total net position, end of year	$ 3,784,130

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Detention Center
Cash flows from operating activities:	
Cash received from customers and grantors	$ 2,890,328
Cash payments to suppliers	(2,335,118)
Cash payments to employees	(2,764,719)
Net cash provided (used) by operating activities	(2,209,509)
Cash flows provided by noncapital financing activities:	
Net transfers in/(out)	2,624,547
Net cash used in noncapital financing activities:	2,624,547
Cash flows used for capital and related financing activities:	
Purchase of capital assets	(95,481)
Net cash used for capital and related financing activities	(95,481)
Net change in cash	319,557
Cash and cash equivalents, beginning of year	(275,432)
Cash and cash equivalents, end of year	$ 44,125
Reconciliation of operating loss to cash provided by operating activities:	
Operating income (loss)	$ (1,942,105)
Adjustments to reconcile operating income to net cash flows:	
Depreciation	29,917
Pension expense/ contribution	(85,986)
Changes in operating assets and liabilities:	
Receivable	335,039
Prepaid expenses	95,643
Accounts payable	(29,369)
Funds held for others	44,125
Accrues payroll & taxes	95,092
Accrued compensated absences	(9,473)
Interfund payable	(742,392)
Net cash provided (used) by operating activities	$ (2,209,509)

Summary of significant non cash activities

There was no significant noncash activity during the year ended June 30, 2017.

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

FIDUCIARY FUND

STATE OF NEW MEXICO
CIBOLA COUNTY

STATEMENT OF FIDUCIARY ASSET AND LIABILITIES
AGENCY FUND
JUNE 30, 2017

	Agency Fund
ASSETS	
Cash	$ 243,642
Property taxes receivable	1,968,355
Total assets	2,211,997
LIABILITIES	
Due to other taxing entities	1,961,578
Undistributed tax	250,419
Total liabilities	$ 2,211,997

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

NOTES TO FINANCIAL STATEMENTS

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 except personal property 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, 2017.

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.

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 revenue*s.

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 resource*s *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, 2017, 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, 2017, 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.

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 also includes funds that were not required to be presented as major but were at the discretion of management:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Indigent fund is used to 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 7-2ØE-9, NMSA 1978 Compilation)s.
- The Grant Fund is used to account 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.
- Volunteer Fire Districts (VFD) is used to 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.
- 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.

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.

Reserve Requirements

The New Mexico Department of Finance and Administration (DFA) requires New Mexico counties to maintain a reserve balance in the General Fund of at least 25% of the expenditures and Road Fund of at least 1/12th of the expenditures. The General Fund's cash reserve at June 30, 2017 was $7,091,772 which exceeds the 25% of the expenditures reserve requirement whereas Road Funds do not report cash at June 30th and cannot meet the reserve requirements.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position - Continued

Property taxes are levied on November 1 based on the assessed value of property, as listed on the previous January 1, and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent, and the County may assess penalties and interest. The taxes attach as an enforceable lien on property thirty days thereafter, at which time they become delinquent. Collections and remittance of County property taxes are accounted for in the Agency Fund.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incur 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, 2017.

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

Assets	Years
Buildings and improvements	30
Furniture and equipment	5 - 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:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position - Continued

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

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

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

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

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position - Continued

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

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

	General fund	Indigent fund	VFD	Grant Fund	Debt Service Fund	Total Major Funds	Nonmajor Governmental Funds	Total Primary Government
Non-spendable	$	$	$	$	$	$	$	$
Restricted for:								
Care of indigents		908,333				908,333		908,333
Debt service					1,369,651	1,369,651		1,369,651
VFD			1,186,878			1,186,878		1,186,878
EMS							87,581	87,581
Grant				55,039		55,039		55,039
Law enforcement							47,685	47,685
County Fire Protection							432,778	432,778
County clerk							139,656	139,656
Property reappraisal							386,439	386,439
Unassigned (deficit)	7,024,314					7,024,314	(69,862)	6,954,452
Total fund balance	$ 7,024,314	$ 908,333	$ 1,186,878	$ 55,039	$ 1,369,651	$ 10,544,215	$ 1,024,277	$ 11,568,492

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 regulations 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.

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.

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

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, 2017:

Bank deposits	$ 2,935,695
Money markets/certificates of deposit	7,946,199
Cash held with New Mexico Finance Authority	40,107
State Local Government Investment Pool	754,389
Petty cash	400
Total county cash and cash equivalents according to the statement of net position (including restricted cash)	$ 11,676,790

In addition, the Agency Fund held the following cash balance at June 30, 2017:

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

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, 2017. 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 II 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, 2017 was as follows:

	Wells Fargo Bank	Bank of New Mexico	U.S. Bank	Total
Total amounts of deposits	$ 11,170,934	$ 4,670,608	$ 2,237,797	$ 18,079,339
FDIC coverage	500,000	500,000	500,000	1,500,000
Total uninsured public funds	10,670,934	4,170,608	1,737,797	16,579,339
Pledged collateral held by pledging bank's trust department or by agent in County's name	5,376,705	2,603,027	2,500,000	10,479,732
Uninsured and uncollateralized	5,294,229	1,567,581	(762,203)	6,099,607
Collateral requirement (50% of uninsured public funds Line of credit held by County)	5,335,467	2,085,304	868,898	8,289,669
Pledged collateral held by pledging bank's trust department or by agent in County's name	5,376,705	2,603,027	2,500,000	10,479,732
Total under (over) collateralized	$ (41,238)	$ (517,723)	$ (1,631,102)	$ (2,190,063)

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, 2017, $6,099,607 of the County's bank balance of $18,079,339 was exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 4. RECEIVABLES

Receivables as of June 30, 2017, are as follows:

	General Fund	Indigent	Other Governmental Funds	Total Governmental Activities	Proprietary Funds	Total Primary Government
Property taxes	$ 966,444	$	$	$ 966,444	$	$ 966,444
Gross receipts taxes	180,928	118,963	45,124	345,015	44,979	389,994
Total receivables	$ 1,147,372	$ 118,963	$ 45,124	$ 1,311,459	$ 44,979	$ 1,356,438

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 $854,556 as presented in the general fund.

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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	$ 7,254,543	General Fund	$ 9,847,168
VFD	135,000	VFD	107,211
Grant	955,343	Grant	70,327
Debt Service Fund	2,340,657	Debt Service Fund	2,807,734
Total major governmental funds	10,685,543	Total major governmental funds	12,832,440
Total nonmajor governmental funds	212,992	Total nonmajor governmental funds	690,642
Business-type activities - Detention center fund	2,624,547		
Grand total	$ 13,523,082	Grand total	$ 13,523,082

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 listing 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.

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 716,912	$	$	$ 716,912
Land - infrastructure	3,181,657			3,181,657
Constructions in progress	6,141,251			6,141,251
Total capital assets not being depreciated	10,039,820	0	0	10,039,820
Capital assets, being depreciated:				
Land improvements	56,634			56,634
Buildings and improvements	21,587,871			21,587,871
Furniture and equipment	5,571,139	36,000	(1,556,524)	4,050,615
Vehicles	5,191,587	136,874	(57,720)	5,270,741
Infrastructure	13,779,679			13,779,679
Total capital assets, being depreciated	46,186,910	172,874	(1,614,244)	44,745,540
Less accumulated depreciation for:				
Land improvements	(8,967)			(8,967)
Buildings and improvements	(9,952,609)	(29,892)		(9,982,501)
Furniture and equipment	(5,197,377)	(226,593)	1,373,355	(4,050,615)
Vehicles	(3,243,150)	(785,873)	13,500	(4,015,523)
Infrastructure	(13,729,464)			(13,729,464)
Total accumulated depreciation	(32,131,567)	(1,042,358)	1,386,855	(31,787,070)
Total capital assets, being depreciated, net	14,055,343	(869,484)	(227,389)	12,958,470
Governmental Activity, capital assets, net	$ 24,095,163	$ (869,484)	$ (227,389)	$ 22,998,290

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

General government	$ 120,074
Public safety	461,937
Health and welfare	319,978
Public works	135,176
Culture and recreation	5,193
Total	$ 1,042,358

NOTE 6 CAPITAL ASSETS (CONTINUED)

Other Business-Type activity for the year ending June 30, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land and easements	$ 124,966	$	$	$ 124,966
Total capital assets not being depreciated	124,966	0	0	124,966
Capital assets, being depreciated:				
Buildings and improvements	7,762,650	95,481	(8,052)	7,850,079
Furniture and equipment	481,955		(126,994)	354,961
Vehicles	183,049			183,049
Total capital assets being depreciated	8,427,654	95,481	(135,046)	8,388,089
Less accumulated depreciation for:				
Buildings and improvements	(3,150,116)		7,761	(3,142,355)
Furniture and equipment	(229,647)	(14,800)	122,914	(121,533)
Vehicles	(98,072)	(15,117)		(113,189)
Total accumulated depreciation	(3,477,835)	(29,917)	130,675	(3,377,077)
Total capital assets, being depreciated, net	4,949,819	65,564	(4,371)	5,011,012
Other business-type activity programs capital assets, net	$ 5,074,785	$ 65,564	$ (4,371)	$ 5,135,978

Depreciation expense charged to business-type activities for the year ended June 30, 2017 was $29,917.

NOTE 7 LONG-TERM DEBT

During the year ended June 30, 2017, the following changes occurred in the long-term liabilities reported in the government-wide statement of net position:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Maturities
Governmental Activities					
Bonds payable	$18,075,000	$	$ 550,000	$ 17,525,000	$ 565,000
Notes payable	522,800		55,761	467,039	43,248
Deferred bonds premium	969,886		55,012	914,874	55,012
Total	19,567,686		660,773	18,906,913	663,260
Compensated absences	173,272	178,862	172,877	179,257	141,613
Total long-term debt	$19,740,958	$ 178,862	$ 833,650	$ 19,086,170	$ 804,873

NOTE 7 LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the bond and notes payable as of June 30, 2017, including interest payments are as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2018	663,260	707,129	1,370,389
2019	679,231	689,316	1,368,547
2020	705,254	665,199	1,370,453
2021	731,330	640,030	1,371,360
2022	762,469	607,504	1,369,973
2023-2027	4,355,615	2,491,041	6,846,656
2028-2032	3,833,538	1,617,375	5,450,913
2033-2037	2,626,255	1,145,150	3,771,405
2038-2042	3,126,255	645,863	3,772,118
2043-2044	1,423,706	84,200	1,507,906
	$ 18,906,913	$ 9,292,807	$ 28,199,720

Interest expense paid on long-term debt totaled $747,540 for the year ended June 30, 2017.

Bonds Payable—At June 30, 2017, 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.

The gross receipts tax revenue bonds outstanding as of June 30, 2017 are comprised of the following issues:

Issue	**Maturity Date**	**Interest Rate**	**Amount Issued**	**Outstanding June 30, 2017**
Series 2014A	06/01/2030	3.00% to 5.00%	$ 6,045,000	$ 5,175,000
Series 2014B	06/01/2044	3.00% to 5.00%	12,995,000	12,350,000
			$ 19,040,000	$ 17,525,000

NOTE 7 LONG-TERM DEBT (CONTINUED)

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, 2017, 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 $467,039. Principal and interest (including administrative fees) paid for the current year were $55,761 and $11,725 respectively.

Issue	Maturity Date	Interest Rate	Amount Issued	Outstanding June 30, 2017
Candy Kitchen Fire Station-12	05/01/2027	3.00% to 4.50%	$ 554,529	$ 324,126
Cubero VFD (Cibola 11)	05/01/2027	3.00% to 4.50%	245,425	129,529
Lobo Canyon FD-13	05/01/2017	3.00%	67,703	-
Lobo Canyon Fire Truck-15	05/01/2022	2.00% to 3.00%	25,375	13,384
			$ 893,032	$ 467,039

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 by $5,985.

During the year ended June 30, 2017, the following changes occurred in the long-term liabilities reported in the business-type activities and proprietary fund statement of net position:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Maturities
Business-Type Activities					
Compensated absences	$ 53,736	$ 47,142	$ 56,615	$ 44,263	$ 30,984

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, 2017, the accrual for compensated absences decreased by $9,473.

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, 2017, 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 $854,556.

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 2017, 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, 2016 through June 30, 2017 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, 2017 through December 31, 2017 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).

NOTE 9 RISK MANAGEMENT (CONTINUED)

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, 2017, 2016 and 2015.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2016, 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, 2017, 2016 and 2015.

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, 2017:

Governmental Funds		
Nonmajor funds		
Road Special Revenue Fund	$	32,362
Solo Work Program Capital Project Fund		37,500
Total nonmajor funds		69,862
Total primary government	$	69,862

NOTE 10 DEFICIT FUND BALANCE (CONTINUED)

B. Excess expenditures over appropriations: Budgetary authority is at the function level. The following funds exceeded appropriations for the year ended June 30, 2017:

Governmental Major funds:		
General Fund - Capital Outlay	$	54,798
Grant Special Revenue Fund - General government		142,723
Grant Special Revenue Fund - Public safety		214,421
Grant Special Revenue Fund - Capital Outlay		39,736
Debt Service Fund - Principal		277,223
Debt Service Fund - General government		311,023
Total governmental major funds		1,039,924
Other funds:		
Detention Center Enterprise Fund - Maintenance and materials		27,272
Detention Center Enterprise Fund - Other operating expenses		529,856
Solo Work Program Capital Project Fund - General government		12,500
Capital Outlay Project Capital Project Fund - Capital outlay		48,470
Total other funds		618,098
Total primary government	$	1,658,022

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

General Information about the Pension Plan

Plan description. Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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 of retirement pension is based on final average salary, which is defined under Tier I as the average of 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.

TIER II. The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit.

State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans; however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The contribution of final average salary increased as the average of salary for 60 consecutive months.

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

Contributions. See PERA's comprehensive annual financial report for contribution provided description.

PERA Contribution Rates and Pension Factors as of July 1, 2016

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than $20,000	Annual Salary greater than $20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles.

Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For PERA Fund Division Municipal General, at June 30, 2017, the County reported a liability of $8,001,098 for its proportionate share of the net pension liability. At June 30, 2016, the County's proportion was 0.5008%, which was an increase of 0.0422% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized PERA Fund Division Municipal General pension expense of $1,018,031. At June 30, 2017, the County reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 399,767	$ 78,087
Net difference between projected and actual earnings on pension plan investments	1,472,187	
Changes of assumptions	469,171	1,330
Changes in proportion and differences between County contributions and proportionate share of contributions	333,422	42,360
County's contributions subsequent to the measurement date	428,844	
Total	$ 3,103,391	$ 121,777

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

$428,844 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2018	$ 582,070
2019	582,070
2020	1,006,415
2021	382,215
Total	$ 2,552,770

For PERA Fund Division Municipal Police, at June 30, 2017, the County reported a liability of $2,800,064 for its proportionate share of the net pension liability. At June 30, 2016, the County's proportion was 0.3795%, which was an increase of 0.0311% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized PERA Fund Division Police pension expense of $416,781. At June 30, 2017, the County reported PERA Fund Division Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 205,565	$
Net difference between projected and actual earnings on pension plan investments	442,846	
Changes of assumptions	185,461	50,498
Changes in proportion and differences between County contributions and proportionate share of contributions	197,727	
County's contributions subsequent to the measurement date	160,198	
Total	$ 1,191,797	$ 50,498

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

$160,198 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2018	$ 261,919
2019	261,919
2020	340,759
2021	116,504
Total	$ 981,101

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period Asset	Solved for based on statutory rates
Assets valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.48% annual rate, net of investment expense
Payroll growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases-	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years 2.75% all other years
Projected benefit payment	100 years
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitive information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expeted Real Rate of Return
Global Equity	43.50 %	7.39 %
Risk Reduction & Mitigation	21.50 %	1.79 %
Credit Oriented Fixed Income	15.00 %	5.77 %
Real Assets	20.00 %	7.35 %
Total	100.00 %	

Discount rate: A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

PERA Fund Municipal General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
County's proportionate share of the net pension liability	$ 11,928,926	$ 8,001,098	$ 4,743,160

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

PERA Fund Police Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
County's proportionate share of the net pension liability	$ 4,119,590	$ 2,800,064	$ 1,720,847

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued PERA's financial reports.

Payables to the pension plan. At June 30, 2017, the County had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

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.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board. The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional 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, 2017, 2016, and 2015 were $105,261; $104,691; $96,904 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.

NOTE 15 SUBSEQUENT EVENTS

The County has evaluated subsequent events through April 30, 2018, the date the financial statements were available to be issued. There were no material subsequent events.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended June 30, 2017, the County determined that changes to the beginning of year net positions and fund balances were necessary due to incorrect cash balances balances in the prior years. As a result, prior year financial statements have been restated to show the effects of the change, where necessary. The adjustment resulted in a prior period adjustment of $244,051 to its fund and government wide financial statements.

NOTE 17 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 50l(c) (3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital is located in Grants, New Mexico. The primary interest of the Hospital is to provide medical services to the residents of Grants, Cibola County, and the surrounding area. The Hospital is a component unit of Cibola County (County) and the Board of County Commissioners appoints four out of nine members to the Board of Trustees of the Hospital. The Hospital does not have component units as defined by Governmental Accounting Standards Board (GASB) Codification, Section 2300.106(a) (2). The Hospital primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Cibola County area.

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

This summary of significant accounting policies of the Hospital is presented to assist in the understanding of the Corporation's financial statements. The financial statements and notes are the representations of the Hospital's management who is responsible for their integrity and objectivity. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The more significant of the Hospital's accounting policies are described below.

Basis of Presentation

The Hospital's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange takes place, while those from government-mandated non-exchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions.

NOTE 17 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

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.

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.

NOTE 17 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

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.

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 land improvements	10 - 40 years

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

NOTE 17 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

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

Net Position

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

- Net Investment in Capital Assets - Is intended to reflect the portion of net position which is associated with capital assets less outstanding capital asset related debt, if any. The Hospital has no capital asset related debt at fiscal year-end.
- Restricted Net Position - Restricted net position results when constraints placed on an assets' use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - Represents net position not otherwise classified as invested in capital assets or restricted net position.

Change in Net Position

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

Net Patient Service Revenue

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

Mill Levy Taxes

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

NOTE 17 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

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.

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.

NOTE 17 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

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 to 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.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications have no effect on the changes in net position.

Net Patient Service Revenue

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

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

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

Net revenue from the Medicare and Medicaid programs accounted for approximately 38% and 44% of the Hospital's net patient service revenue for the years ended June 30, 2017 and 2016, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Medicare and Medicaid cost reports for fiscal years 2012 and prior have been settled and the 2013, 2014, 2015 fiscal year Medicaid cost reports remain open. The 2017 cost reports have not been prepared. Management believes that estimated settlement amounts accrued for at June 30, 2017 are adequate to provide for the settlement of all open cost reports. Estimates are continually monitored and reviewed, and as settlements are made or more information becomes available to improve estimates, differences are reflected in current operations. Medicare and Medicaid cost report receivables (liabilities) are as follows:

NOTE 17 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

Medicare	
2010	$ (8,851)
2017	$ (300,000)
Estimated third-party payor settlements	$ (308,851)

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

Net patient service revenue consists of the following at June 30, 2017:

Gross charges	
Inpatient gross charges	$ 13,583,830
Outpatient gross charges	45,191,168
	58,774,998
Less	
Third-party contractual discounts and allowances	30,440,809
Unsponsored charges, including community care	3,600,226
Net patient service revenue	$ 24,733,963

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

All SNCP hospitals are to complete an application to the State by December 31 for funding based upon prior year indigent costs. State funding for SNCP is currently limited. Prior overpayments to a hospital can be recouped. In 2016, based upon information previously provided, the State requires repayment of prior years' receipts of $837,623 to which the Hospital has established a payable. Also in 2016, 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. In 2017, it was determined that the liability at June 30, 2016 was understated by $224,844. A prior period adjustment for $224,844 has been recorded for 2016 to correct, see also note Prior Period Adjustment.

NOTE 17 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

Cash and Cash Equivalents

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

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

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, 2018, and as of June 30, 2017, 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, 2017:

Certificates of deposit	$ 7,000,000
Deposits and money market	18,571,569
Interest receivable	91,158
Total Funds Set Aside for Future Capital Asset Acquisitions/Replacements	$ 25,662,727

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

		Maturities in Years			
Type	Fair value	Less than 1	1-5	6-10	More than 10
Certificates of deposit	$ 7,000,000	$ 1,800,000	$ 5,200,000	$ 0	$ 0
Deposits and money market	18,662,727	18,662,727	0	0	0
Total	$ 25,662,727	$ 20,462,727	$ 5,200,000	$ 0	$ 0

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

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

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

NOTE 17 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

Reconciliation to Balance Sheets

The carrying values of cash, cash equivalents, and funds set aside for future capital asset acquisitions/replacements at June 30, 2017 is included in the balance sheet as follows:

Carrying value		
Deposits	$	13,369,009
Interest receivable		91,158
Certificates of deposit		7,000,000
Money market		8,571,569
Petty cash		890
	$	29,032,626
Included in the following balance sheets captions		
Cash and cash equivalents	$	3,369,899
Funds set aside for future capital asset acquisitions/ replacements - cash and cash equivalents		18,662,727
Funds set aside for future capital asset acquisitions/ replacements - investments		1,800,000
Funds set aside for future capital asset acquisitions/ replacements - investments		5,200,000
	$	29,032,626

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's Corporation to provide patient care services, for the use of which, annual rental payment of $338,000 is rendered by the Hospital Corporation to the County in quarterly increments of $84,500. This amount is agreed upon by the respective County and Hospital Corporation governing bodies, and is subject to change when the County - Hospital Corporation Agreement is up for renewal.

NOTE 17 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

Capital asset activity of the Hospital for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 128,777	$ 32,223	$	$	$ 161,000
Construction in progress	34,836	82,833		(52,254)	65,415
Total capital assets not being depreciated	163,613	115,056	0	(52,254)	226,415
Capital assets, being depreciated:					
Buildings and leasehold improvements	9,365,994	314,719			9,680,713
Equipment	8,555,627	1,005,615	(241,443)	52,254	9,372,053
Total capital assets being depreciated	17,921,621	1,320,334	(241,443)	52,254	19,052,766
Total capital assets	$ 18,085,234	$ 1,435,390	$ (241,443)	$ 0	$ 19,279,181
Less accumulated depreciation for:					
Buildings and leasehold improvements	$ 2,911,234	$ 419,308	$	$	$ 3,330,542
Equipment	5,434,574	897,049	(240,889)		6,090,734
Total accumulated depreciation	8,345,808	1,316,357	(240,889)	0	9,421,275
Total capital assets, being depreciated, net	9,575,814	3,977	(554)	52,254	9,631,491
Total capital assets, net	$ 9,739,426	$ 119,033	$ (554)	$ 0	$ 9,857,906

Accrued Liabilities

Accrued liabilities consisted of the following at June 30, 2017:

Accrued compensated absences	$ 520,836
Accrued wages	158,641
Accrued payroll taxes	13,322
Other	458
Total accrued liabilities	$ 693,257

A schedule of changes in the Hospital's accrued compensated absences for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Compensated absences	$ 455,905	$ 1,216,317	$ 1,151,386	$ 520,836	$ 520,836

NOTE 17 CIBOLA GENERAL HOSPITAL - COMPONENT UNIT (CONTINUED)

Ad Valorem Taxes

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

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

Commitments and contingencies

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

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

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

NOTE 17 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 statues as well as other applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Health Insurance Portability and Accountability Act (HIPAA) was enacted on 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 years ended June 30, 2017 and 2016. Certain malpractice claims have been asserted against the Hospital by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of legal counsel, the outcome of these actions will not have a significant effect on the financial position or the operating results of the Hospital.

NOTE 17 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. The Plan does not have standalone financial reports available for the public. Company matching contributions to the Plan totaled $290,469 and $205,184 in 2017 and 2016, respectively.

Concentration of Credit Risk

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

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

The Hospital recognizes that revenue and receivables from government agencies are significant to its operations, however it 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, 2017 was as follows:

Medicare	30 %
Medicaid	22 %
Commercial insurance	16 %
All other payors	32 %
	100 %

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

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS OF NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
CIBOLA COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds	Capital Project Funds	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,049,285	$	$ 1,049,285
Receivable:			
Gross receipt taxes	45,124		45,124
Total assets	1,094,409	0	1,094,409
LIABILITIES AND FUND BALANCES			
Accounts payable	832	37,500	38,332
Accrued Payroll & Taxes	31,800		31,800
Interfund payables			
Total liabilities	32,632	37,500	70,132
FUND BALANCES (DEFICIT)			
Restricted	1,094,139		1,094,139
Unassigned (deficit)	(32,362)	(37,500)	(69,862)
Total fund balances (deficit)	1,061,777	(37,500)	1,024,277
Total liabilities and fund balances (deficit)	$ 1,094,409	$ 0	$ 1,094,409

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

STATE OF NEW MEXICO
CIBOLA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Project Funds	Total Other Governmental Funds
REVENUES:			
Property taxes	$ 701	$	$ 701
Gross receipts taxes	604,543		604,543
Other taxes	426,087		426,087
State and local sources	430,250	366,985	797,235
Federal sources	350,557		350,557
Licenses and fees	120,921		120,921
Charges for services	450		450
Miscellaneous	3,565		3,565
Total revenues	1,937,074	366,985	2,304,059
EXPENDITURES:			
Current:			
General government	1,049,370	320,941	1,370,311
Public safety	153,513		153,513
Public works	723,798		723,798
Health and welfare	22,000		22,000
Capital outlay		48,470	48,470
Total expenditures	1,948,681	369,411	2,318,092
Excess (deficiency) of revenues over expenditures	(11,607)	(2,426)	(14,033)
OTHER FINANCING SOURCES (USES):			
Transfer in	193,100	19,892	212,992
Transfers (Out)	(269,322)	(421,320)	(690,642)
Total other financing sources (uses)	(76,222)	(401,428)	(477,650)
Net change in fund balance	(87,829)	(403,854)	(491,683)
Fund balance - beginning of year	1,149,606	366,354	1,515,960
Fund balance - end of year	$ 1,061,777	$ (37,500)	$ 1,024,277

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

NONMAJOR SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
CIBOLA COUNTY

DESCRIPTION OF NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

Road Fund—Accounts for the activities of the County's road and highways, which provides service to the residents of the County, authorized by sections 66-2-3, 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—Accounts for federal and local funds that are used to complete major repairs and improvements for the County's CDBG projects.

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 Section 29-13-4, NMSA 1978.

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 the need for the fire district.

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, 2017

	EMS	Road	Farm & Range	County Clerk Recording and Filing	Law Enforcement Protection
ASSETS					
Cash and cash equivalents	$ 87,750	$	$	$ 139,757	$ 47,685
Receivable:					
Gross receipt taxes					
Total assets	87,750	0	0	139,757	47,685
LIABILITIES AND FUND BALANCES					
Accounts payable	169	562		101	
Accrued Payroll & Taxes		31,800			
Total liabilities	169	32,362	0	101	0
FUND BALANCES					
Restricted	87,581			139,656	47,685
Unassigned (deficit)		(32,362)			
Total fund balances (deficit)	87,581	(32,362)	0	139,656	47,685
Total liabilities and fund balances (deficit)	$ 87,750	$ 0	$ 0	$ 139,757	$ 47,685

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

STATE OF NEW MEXICO
CIBOLA COUNTY

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	County Fire Protection	Comp Drain Plan & Waste Water	Reappraisal Fund	Total
ASSETS				
Cash and cash equivalents	$ 387,654	$	$ 386,439	$ 1,049,285
Receivable:				
Gross receipt taxes	45,124			45,124
Total assets	432,778	0	386,439	1,094,409
LIABILITIES AND FUND BALANCES				
Accounts payable				832
Accrued Payroll & Taxes				31,800
Total liabilities	0	0	0	32,632
FUND BALANCES				
Restricted	432,778		386,439	1,094,139
Unassigned (deficit)				(32,362)
Total fund balances (deficit)	432,778	0	386,439	1,061,777
Total liabilities and fund balances (deficit)	$ 432,778	$ 0	$ 386,439	$ 1,094,409

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

STATE OF NEW MEXICO
CIBOLA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	EMS	Road	Farm & Range	County Clerk Recording and Filing	Law Enforcement Protection
REVENUES:					
Property taxes	$	$	$	$	$
Gross receipts taxes		419,911			
Other taxes		426,087			
State and local sources	47,745	351,705			30,800
Federal sources	7,200	18,557			
Licenses and fees			6,252	27,135	
Charges for services		450			
Miscellaneous		3,565			
Total revenues	54,945	1,220,275	6,252	27,135	30,800
EXPENDITURES:					
Current:					
General government	4,576	1,020,285		15,459	
Public safety	28,978	2,440		3,746	32,057
Public works		723,798			
Health and welfare			22,000		
Total expenditures	33,554	1,746,523	22,000	19,205	32,057
Excess (deficiency) of revenues over expenditures	21,391	(526,248)	(15,748)	7,930	(1,257)
OTHER FINANCING SOURCES (USES):					
Transfer in		185,675	7,425		
Transfers (Out)					
Total other financing sources (uses)	0	185,675	7,425	0	0
Net change in fund balance	21,391	(340,573)	(8,323)	7,930	(1,257)
Fund balance - beginning of year	66,190	308,211	8,323	131,726	48,942
Fund balance - end of year	$ 87,581	$ (32,362)	$ 0	$ 139,656	$ 47,685

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

STATE OF NEW MEXICO
CIBOLA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	County Fire protection	Comp Drain Plan & Waste Water	Reappraisal Fund	Total
REVENUES:				
Property taxes	$ 701	$	$	$ 701
Gross receipts taxes	184,632			604,543
Other taxes				426,087
State and local sources				430,250
Federal sources		324,800		350,557
Licenses and fees			87,534	120,921
Charges for services				450
Miscellaneous				3,565
Total revenues	185,333	324,800	87,534	1,937,074
EXPENDITURES:				
Current:				
General government			9,050	1,049,370
Public safety	69,368		16,924	153,513
Public works				723,798
Health and welfare				22,000
Total expenditures	69,368	0	25,974	1,948,681
Excess (deficiency) of revenues over expenditures	115,965	324,800	61,560	(11,607)
OTHER FINANCING SOURCES (USES):				
Transfer in				193,100
Transfers (Out)	(135,000)	(134,322)		(269,322)
Total other financing sources (uses)	(135,000)	(134,322)	0	(76,222)
Net change in fund balance	(19,035)	190,478	61,560	(87,829)
Fund balance - beginning of year	451,813	(190,478)	324,879	1,149,606
Fund balance - end of year	$ 432,778	$ 0	$ 386,439	$ 1,061,777

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

NONMAJOR CAPITAL PROJECT FUNDS

STATE OF NEW MEXICO
CIBOLA COUNTY

DESCRIPTION OF NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2017

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.

Solo Work Program—Accounts for creating and sustaining economic-base jobs for a solo worker who is engaged in full-time employment and whose employer, if any, does not supply the office space or amenities used to perform the person's work.

STATE OF NEW MEXICO
CIBOLA COUNTY

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2017

	Computer Equipment & Software	Computer Equipment & Software Debt Service	VFD Loans	Solo Work Program	Capital Outlay Projects	Total
ASSETS						
Cash and cash equivalents	$	$	$	$	$	$
Total assets	-	-	-	-	-	-
LIABILITIES AND FUND BALANCES						
Accounts payable				37,500		37,500
Interfund payables						
Total liabilities	-	-	-	37,500	-	37,500
FUND BALANCES						
Restricted	-	-	-	-	-	-
Unassigned (deficit)				(37,500)		(37,500)
Total fund balances (deficit)	-	-	-	(37,500)	-	(37,500)
Total liabilities and fund balances (deficit)	$ -	$ -	$ -	$ -	$ -	$ -

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, 2017

	Computer Equipment & Software	Computer Equipment & Software Debt Service	VFD Loans	Solo Work Program	Capital Outlay Projects	Total
REVENUES						
State and local sources	$	$	$	$	$ 366,985	$ 366,985
Total revenues					366,985	366,985
EXPENDITURES						
Current						
General government				37,500	283,441	320,941
Capital outlay					48,470	48,470
Total expenditures				37,500	331,911	369,411
Excess (deficiency) of revenues over expenditures				(37,500)	35,074	(2,426)
OTHER FINANCING SOURCES (USES):						
Transfer in	409	19,349	134			19,892
Transfer out					(421,320)	(421,320)
Total other financing sources (uses)	409	19,349	134		(421,320)	(401,428)
Net change in fund balance	409	19,349	134	(37,500)	(386,246)	(403,854)
Fund balance - beginning of year	(409)	(19,349)	(134)		386,246	366,354
Fund balance - end of year	$	$	$	$ (37,500)	$	$ (37,500)

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
CIBOLA COUNTY

Schedule I

SCHEDULE OF DEPOSITORIES
FOR THE YEAR ENDED JUNE 30, 2017

Bank Name	Account Type	Bank Balance	Deposits in Transit	Miscellaneous	Outstanding Checks	Carrying Balance
Wells Fargo Bank						
Operational	Interest-Bearing Checking	$ 9,069,197	$ 91,999	$ 2,961	$ 6,788,549	$ 2,369,686
Savings	Savings	521,885				521,885
Property tax account	Savings	491,997				491,997
Brokerage	Money Market	1,087,855				1,087,855
Subtotal Wells Fargo Bank		11,170,934	91,999	2,961	6,788,549	4,471,423
Bank of New Mexico						
Inmate trust account	Interest-Bearing Checking	50,061	69		6,006	44,124
Money market	Money Market	3,623,429				3,623,429
Certificate of deposit	CD	997,118				997,118
Subtotal Bank of NM		4,670,608	69		6,006	4,664,671
U.S. Bank						
Business Account	Money Market	1,913,953				1,913,953
Certificate of deposit	CD	169,869				169,869
Certificate of deposit	CD	153,975				153,975
Subtotal U.S. Bank		2,237,797				2,237,797
Total cash in bank		$18,079,339	$ 92,068	$ 2,961	$ 6,794,555	11,373,891
Add: Petty Cash						400
Add: State Treasurer's Office LGIP Fund						754,389
Add: New Mexico Finance Authority (NMFA) Cash						40,107
Add: Other unreconciling items						(248,355)
Subtotal						11,920,432
Less: Agency funds						243,642
Total cash and cash equivalents (including restricted cash)						$ 11,676,790

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

STATE OF NEW MEXICO Schedule II
CIBOLA COUNTY

SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2017

Security Description	CUSIP Number	Fair Market Value	Maturity Date	Name and Location of Safe keeper
Wells Fargo Bank				
FNMA FNMS 2.500%	3140F2X39	$ 2,197,334	04/01/2031	Bank of New York Mellon, New York, NY
FNMA FNMS 2.500%	3140F2ZA1	3,179,371	05/01/2031	Bank of New York Mellon, New York, NY
Subtotal Wells Fargo Bank		5,376,705		
Bank of New Mexico				
FNMA #AH9688 4.50%	3138ABXS3	162,225	04/01/2026	The Independent Banker's Bank, Irving, TX
FNMA #AI1806 4.50%	3138AFAG5	153,429	04/01/2026	The Independent Banker's Bank, Irving, TX
FNMA #AL4952 3.00%	3138AJQE5	177,164	11/01/2026	The Independent Banker's Bank, Irving, TX
FNMA # AL0846 3.50%	3138EG5G5	104,891	10/01/2026	The Independent Banker's Bank, Irving, TX
FNMA # AB4090 3.00%	31417ARL5	161,566	12/01/2026	The Independent Banker's Bank, Irving, TX
Lovington NM Muni SD #1 BQ 2.50%	547473DG0	452,743	10/01/2018	The Independent Banker's Bank, Irving, TX
Santa Fe Cnty NM BQ NONC 4.30%	801889LR5	212,742	07/01/2019	The Independent Banker's Bank, Irving, TX
Artesia NM WTR & SWR REV BQ 4.00%	04310LAR1	260,300	06/01/2025	The Independent Banker's Bank, Irving, TX
San Miguel Cnty NM BQ NONC Rev 3.00%	799108CZ6	402,387	06/01/2018	The Independent Banker's Bank, Irving, TX
Silver City NM Gross Receipt Rev 2.75%	82750PAG9	228,197	06/01/2018	The Independent Banker's Bank, Irving, TX
Silver City NM Gross Receipt Rev 3.375%	82750PAN4	287,383	06/01/2024	The Independent Banker's Bank, Irving, TX
Subtotal Bank of NM		2,603,027		
U.S. Bank				
Letter of credit	523224	2,500,000	06/01/2018	Cibola County, Grants, NM
Grand total all banks		$ 10,479,732		

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

STATE OF NEW MEXICO
CIBOLA COUNTY

Schedule III

TAX ROLL RECONCILIATION
CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2017

Property taxes receivable, beginning of year	$ 3,907,245
Changes to tax roll	
Net taxes charged to treasurer for fiscal year	10,873,873
Adjustments in taxes receivable	
Increase in taxes receivables	152,393
Charge off of taxes receivables	(864,077)
Adjustments to tax roll	(1,483,833)
Total receivables prior to collections	12,585,601
Collections of fiscal year ended June 30, 2017	9,657,579
Property taxes receivable, end of year	$ 2,928,022

Property taxes receivable by year	
2007	66,593
2008	122,198
2009	147,814
2010	129,943
2011	209,987
2012	184,292
2013	220,178
2014	301,987
2015	482,758
2016	1,062,272
Total taxes receivable	$ 2,928,022

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

STATE OF NEW MEXICO Schedule IV
CIBOLA COUNTY

SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Joint Power Agreement	Participants	Responsible Party
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, 2017

Description	Beginning and Ending Dates	Total Estimated Project Amount and Amount Applicable to County
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

Schedule IV

STATE OF NEW MEXICO
CIBOLA COUNTY

SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Amount Contributed by County During Fiscal Year	Audit	Fiscal Agent and Responsible Reporting Entity
$ 122,584	Northwest New Mexico Regional Solid Waste	Northwest New Mexico Regional Solid Waste Authority.
-	Cibola County	Cibola County
9,357	Village of Milan	Village of Milan
28,000	City of Grants	City of Grants
5,000	City of Grants	City of Grants
30,000	City of Grants	City of Grants
$-	Cibola County	Cibola County

STATE OF NEW MEXICO
CIBOLA COUNTY

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Balance 1-Jul-16	Additions	Deductions	Balance 30-Jun-17
ASSETS				
Cash	$ 243,642	$ 159,488	$ 159,488	$ 243,642
Taxes receivable	2,600,466	58,614,910	59,247,021	1,968,355
Total assets	2,844,108	58,774,398	59,406,509	2,211,997
LIABILITIES				
Due to other entities	2,593,689	58,614,910	59,247,021	1,961,578
Undistributed tax	250,419	-	-	250,419
Total liabilities	$ 2,844,108	$ 58,614,910	$ 59,247,021	$ 2,211,997

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CIBOLA COUNTY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA
MUNICIPAL GENERAL DIVISON
FOR THE YEAR ENDED JUNE 30, 2017

Public Employees Retirement Association (PERA) Plan:	2017	2016	2015
County's proportion of the net pension liability (asset)	0.5008%	0.4586%	0.4660%
County's proportionate share of the net pension liability (asset)	$8,001,098	$4,675,824	$3,635,300
County's covered-employee payroll	$4,277,482	$4,291,030	$2,966,184
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	187.05%	108.97%	122.56%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

STATE OF NEW MEXICO
CIBOLA COUNTY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA
MUNICIPAL POLICE DIVISON
FOR THE YEAR ENDED JUNE 30, 2017

Public Employees Retirement Association (PERA) Plan:	2017	2016	2015
County's proportion of the net pension liability (asset)	0.3795%	0.3484%	0.3133%
County's proportionate share of the net pension liability (asset)	$2,800,064	$1,675,303	$1,021,324
County's covered-employee payroll	$ 752,346	$ 754,729	$1,343,394
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	372.18%	221.97%	76.03%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

STATE OF NEW MEXICO
CIBOLA COUNTY

SCHEDULE OF CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)
PLAN MUNICIPAL GENERAL DIVISON
FOR THE YEAR ENDED JUNE 30, 2017

PERA Fund Division	2017	2016	2015
Contractually required contribution	$ 428,844	$ 409,793	$ 342,523
Contributions in relation to the contractually required contribution	$ 428,844	$ 409,793	$ 342,523
Contribution deficiency (excess)	-	-	-

STATE OF NEW MEXICO
CIBOLA COUNTY

SCHEDULE OF CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)
PLAN MUNICIPAL POLICE DIVISON
FOR THE YEAR ENDED JUNE 30, 2017

PERA Fund Division	2017	2016	2015
Contractually required contribution	$ 160,198	$ 142,644	$ 342,523
Contributions in relation to the contractually required contribution	$ 160,198	$ 142,644	$ 342,523
Contribution deficiency (excess)	-	-	-

Notes to the Required Supplementary Information:
Changes of benefit terms. The PERA and COLA and retirement eligibility benefits changes in recent years re described in Note 1 of PERA's CFAR. https://www.saonm.org.

Changes of assumptions. The Public Employee Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at http://www.nmpera.org/. See

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. Wayne Johnson, New Mexico State Auditor
Cibola County Board of Commissioners
Grants, New Mexico

We were engaged to audit, 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, 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, 2017, and related notes to the financial statements, which collectively comprise the County's basic financial statements, and the combining and individual funds of the County's, presented as supplemental information, and have issued our report thereon dated April 30, 2018. Our report disclaims an opinion on such financial statements because of the County of Cibola was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the County's financial statements as of and for the year ended June 30, 2017, particularly with respect to the cash balances, revenue/receivables, capital assets and depreciation and current year activities. 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.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 deficiencies described in the accompanying schedule of findings and responses as items 2013-001, 2013-006, 2013-011, 2015-002, and 2017-002 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 deficiencies described in the accompanying schedule of findings and responses as items 2011-002, 2014-001, 2017-001, 2017-003, 2017-005, 2017-007 and 2017-008 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-005, 2013-010, 2014-007, 2015-003, 2017-004 and 2017-006.

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
April 30, 2018

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditors' report issued	Disclaimer
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?	Yes

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Section I - Financial Statement Findings

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

Condition: The audit report was submitted to the State Auditor's Office after the required deadline of November 1, 2017. The audit report was submitted on May 04, 2018.

The County did not make progress in complying with the State Auditor Rule filing date requirements, due to factors experienced in fiscal year 2017, as described in the cause below. These factors 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, and the County did not have a finance director or county manager to schedule and oversee the audit.

Auditor's Recommendation: The County has several areas that need 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 has taken the first step already. There is an RFP out for hiring an audit firm to work and submit all necessary entities within the time frame to not have to be late again. I am confident that this is an absolute priority for the commission, and have given management specific direction to get this finding addressed and to accomplish this for the FY 18 audit.

Estimated Completion Date: This finding will be taken care of within the time frame of this coming FY 18 audit.

Responsible party: Commission and Management office, specifically the County Manager.

Section I - Financial Statement Findings - Continued

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

Condition: The County could not provide a capital assets listing that agreed to the trial balance for governmental or business-type activities. The County also did not conduct a count of physical inventory in fiscal year 2017, and is unsure as to the date of the last count of physical inventory. Capital assets as presented at June 30, 2017 were identified to not be in proper existence prior to fiscal year 2017.

The County did not make progress in resolving this finding.

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 that was given was a disclaimer of opinion 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 that the capital assets listings, including additions, agree to the general ledger and are certified by the governing authority.

Management's Response: Management will educate and put into written policy, the necessary action to rectify this. We are also considering going out for RFP to have an outsource company implement the actual fixed assets so we have something to go on. Since this has never been addressed, I feel it is prudent for the county to actually get this corrected with the experience of an actual inventory asset vendor and software.

Estimated Completion Date: The size of the county management is estimating that this finding will take approximately 2 years to completely correct.

Responsible party: The Management is the responsible party – specifically the County Manager.

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 five out of thirty transactions, totaling $4,082 – the purchase requisition/order was not issued to approve the purchase.
- For one sample in the amount of $52 for a lunch meeting, there was no purchase order or requisition, and the reason for the meeting is unknown.
- For one sample in the amount of $40, there was no itemized receipt and the purchase requisition was not properly authorized.
- For one sample in the amount of $378 for travel expenditures, the County was charged for five nights while the approved travel authorization was approved for four nights.
- For six out of thirty transactions in the amount of $2,739, the client could not provide any supporting documentation to substantiate the transactions.

The County did not make progress in resolving this finding.

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.

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: This finding has already been addressed and completely rectified. The county no longer has a credit card policy, and is not in possession of any credit cards.

Estimated Completion Date: N/A -already complete.

Responsible party: Management

Section I - Financial Statement Findings - Continued

2013-011 — Exceeded Budget Authority (Material Weakness) (Repeated)

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

Governmental Major funds	
General Fund - Capital Outlay	$54,798
Grant Special Revenue Fund - General government	142,723
Grant Special Revenue Fund - Public safety	214,421
Grant Special Revenue Fund – Capital Outlay	39,736
Debt Service Fund - Principal	277,223
Debt Service Fund - General government	311,023
Total governmental major funds	1,039,924
Other funds	
Detention Center Enterprise Fund - Maintenance and materials	27,272
Detention Center Enterprise Fund - Other operating expenses	529,856
Solo Work Program Capital Project Fund - General government	12,500
Capital Outlay Project Capital Project Fund - Capital outlay	48,470
Total other funds	618,098
Total primary government	$ 1,658,022

Management has not made progress in this area.

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.

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: The County has reached out to entities throughout the last six months, and requested assistance concerning this finding. Management can now be confident that we have an ongoing plan that this finding will not be repeated. Management will be continuing to train and educate all parties in regards to budgets. The county commission has directed the county manager to fill the finance director position, and we are confident that we will have all necessary policies and procedures in place so the county will not exceed the approved budget. Budgetary review will be an ongoing procedure monthly.

Estimated Completion Date: June 30, 2018

Responsible party: Collaborate effort with all heads of departments and their budgets / County Manager/ Finance Director

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 be approved by another.

Management's Response: This finding has been addressed, and we have implemented a new policy and procedure so that there will be stronger checks and balances from this date forward.

Estimated Completion Date: June 30, 2018

Responsible party: Purchasing and finance department

Section I - Financial Statement Findings - Continued

2015-002 —Bank reconciliation- (Material Weakness) (Repeated)

Condition: During our audit, we noted that material audit adjustments were necessary to fairly present cash balances. The cash balance was adjusted in the general fund in the amount of $244,051.

The property tax account of the County has not been reconciled with the general ledger, and this resulted in a difference of $248,355.

During our audit procedures, we have identified that the operating account of the County has not been reconciled with the general ledger, and this resulted in a difference of $504,592. Later, the County provided an updated outstanding checks listing which resulted in resolving the variance of $504,592. However, the County could not provide an updated bank reconciliation because the County's accounting software does not allow to go back and correct or complete a bank reconciliation for a prior month.

The County did not make progress in resolving this finding.

Criteria: Bank statements should be reconciled to the balances in the general ledger and subsidiary accounts as required by 1978 NMAC 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 balance and cash equivalents were not reconciled to the general ledger in a timely manner.

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

Management's Response: This is a finding that we are working on presently. The county has reconciled all cash and approved all BARS to have the funds reconcile with the cash balances. The county is in the process of hiring a Finance Director – this is a necessary part of this finding, as the finance director will have all tools and resources to ensure this finding does not occur again.

Estimated Completion Date: The County is anticipating this finding to be completely addressed by the end of FY 19.

Responsible party: County Manager/ treasurer

Section I - Financial Statement Findings - Continued

2015-003 —Fixed Asset Disposals -- Material 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, 2017.

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 U 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 reviewed all regulations that include the thirty-day letter of disposition to the Office of the State Auditor, and the process is understood by the County. The County plans on having multiple auctions, while not violating the NMAC 2.2.2.10 U.

Estimated Completion Date: Management is not anticipating this finding again.

Responsible party: Manager's office and purchasing department.

Section I - Financial Statement Findings - Continued

2017-001 —Payroll (Significant Deficiency)

Condition: During our test work of 25 employees' personnel files, we noted that the employees did not have a performance evaluation during the year.

Criteria: Per County's personnel policy," Employees of the County shall be evaluated at least once annually by County Management. Such evaluations may be considered in determining employee pay raises in the annual county budget process."

Effect: Without proper feedback, there is a possibility that employees could be performing their duties incorrectly, and without a documented evaluation it would be difficult for the County to correct this.

Cause: The County's payroll policies were not adequately enforced. The performance appraisals were not completed due to a lack of oversight.

Auditor's Recommendations: We recommend that the County should document performance evaluations for each employee.

Management's Response: Management will put in place a mandatory evaluation policy for all employees. Management will assist with this new implementation.

Estimated Completion Date: FY 2019

Responsible party: HR and management

Section I - Financial Statement Findings - Continued

2017-002 —Preparation of Accounts Payable (Material Weakness)

Condition: During our performance of audit procedures relating to accounts payable, we noted that the County incorrectly excluded $432,783 of accounts payable that were considered due and payable at year end.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 115, a system of internal control over financial reporting does not stop at the general ledger. Well-designed systems include controls over financial statement preparation, including GAAP-Basis accruals, and any footnote disclosures. Generally Accepted Accounting Principles (GAAP) state that expense recognition is recognized in the period in which the transaction is incurred.

Effect: Preparing accurate accounts payable subledgers, as well as properly posting transactions, is essential to the County's operational and management decisions. Incorrect preparation of the accounts payable could lead to misstating the balances and the related expenditures in the proper periods of funds.

Cause: The County prepared its accounts payable listings at year end, and incorrectly excluded items from their accrual.

Auditor's Recommendations: We recommend that the County review all invoices when they are received to verify that the expenses are being properly listed as accounts payable or as expenses of the subsequent period.

Management's Response: The Management is working closely with accounts payable staff to establish stronger checks and balances, and we will formulate management to reevaluate the accounts payable job description to assist with this concern.

Estimated Completion Date: FY2020

Responsible party: Management and accounts payable

Section I - Financial Statement Findings - Continued

2017-003 Internal Control over Cash Disbursement - (Significant Deficiency)

Condition: During our testwork of disbursements, we noted the following deficiencies:

- For 3 out of 60 samples totaling $17,410, no purchase order or purchase requisition was issued.
- For 1 out of 60 samples totaling $6,965, the PO was issued and approved after the purchase.
- For 4 out of 60 samples totaling $8,100, there was no supporting documentation.

Criteria: Good accounting and internal control practices require that all disbursements must originate with authorizing documents and be supported by properly approved documents such as purchase orders, bills, petty cash reimbursement forms, payroll and time records, leases, contracts, or other supporting documents.

Cause: The County staff did not ensure that all of the required documentation and procedures were in place prior to final disbursement of funds. Completing the purchase order after the purchase has been made defeats the purpose of having the purchase order and purchase requisition. Such documents should be completed prior to the purchase.

Effect: The lack of implementing adequate policies and procedures over disbursements and not enforcing proper segregation of duties may result in a non-authorized or incorrect calculation of invoices. In addition, when purchases are made without proper authorization, items could be procured that are inappropriate and/or unallowed, and the risk of misappropriation is increased.

Recommendation: The County must develop and enforce policies and procedures for the purchase of goods and/or services and ensure that the vendor invoices are being checked for accuracy prior to payment.

Management's Response: Accounts payable will be continually reviewing, and will make necessary changes to the policy if we see any discrepancies or concerns.

Estimated Completion Date: FY2020

Responsible party: Finance Management and accounts payable department

Section I - Financial Statement Findings - Continued

2017-005 Property Taxes Receivables- (Significant Deficiency)

Condition: Delinquent property taxes receivables were not reconciled timely on a monthly basis to the property tax subsidiary ledger.

Criteria: In order to maintain "adequate accounting records" as required by 2.2.2.10 D NMAC, a monthly reconciliation of property taxes receivable is required to ensure the assessment, collection and adjustments are properly applied. 2.2.2.12 D NMAC requires that the financial statements include the County Treasurer's Property Tax Schedule, including all protested property taxes, which are recorded as deferred revenue in the financial statements.

Cause: The County did not have internal control policies or procedures that require the reconciliation of delinquent property taxes receivable to preclude the possibility of misstatement.

Effect: The County is at risk that property tax assessment, adjustment and collections could be improperly recorded such that management, in the normal course of business, would not timely detect, prevent or correct errors which could result in misstatement of the financial statements.

Recommendation: We recommend the preparation of a monthly reconciliation of delinquent property taxes receivable to ensure accuracy. We recommend that the County continues to prepare property taxes receivable reconciliations on a monthly basis as required, and prepare the 10-year schedule required under State Audit Rule no less than once a year.

Management's Response: The treasurer's office will be reporting to the finance department and manager's office every month with the report and management and the finance department will approve it to be complete.

Estimated Completion Date: FY 2020

Responsible party: Treasurer's office

Section I - Financial Statement Findings - Continued

2017-007 Receivables – (Significant Deficiency)

Condition: During our audit procedures over receivables, we noted the following:

1. Gross Receipts taxes totaling $389,993, the County could not provide proper supporting documentation.
2. Accounts receivable, the County was unable to provide an accounts receivable aging schedule. The total amounts of accounts receivable are not known.

Criteria: Per Audit Rule 2.2.2.10 D. Preparation of Financial Statements, the financial statements are the responsibility of the agency. The agency shall maintain adequate accounting records, prepare financial statements in accordance with accounting principles generally accepted in the United States of America and provide complete, accurate, and timely information to the IPA as requested to meet the audit report due date imposed in Subsection A of 2.2.2.9 NMAC.

Cause: The County does not have an appropriate document retention policy, and its staff lacks the accounting knowledge and the familiarity with governing rules.

Effect: Because of the lack of accounting education and training by the County staff, management and staff are unsure about what procedures and process is adequate to fulfill governing rules. Consequently, the County does not have sufficient audit evidence to support the financial information being reported.

Recommendation: The County should seek accounting and government training in this area. Furthermore, an appropriate document retention policy should be created and adopted.

Management's Response: The County has been lacking knowledge in this area, and has concluded that more training needs to be obtained throughout this next fiscal year. The county is planning on hiring a financial director who has had multiple years of knowledge with government accounting.

Estimated Completion Date: This is going to be an ongoing action, as it is a well-known fact that the county needs to educate itself to a higher standard of understanding government rules and regulations. I am foreseeing this finding to be addressed throughout the next couple of years, understanding that every year the county will get stronger in this field.

Responsible party: Finance department and management

Section I - Financial Statement Findings – Continued

2017-008 Proper Payment of Payroll Taxes – (Significant Deficiency)

Condition: During our payroll transaction testwork and analysis, we noted a penalty payment to the IRS in the amount of $3,432 for a failure to make a proper tax deposit.

Criteria: Per Internal Revenue Service (IRS) Publication 15, Circular E Employer's Tax Guide, employers must deposit social security, Medicare, and withheld income taxes either monthly or semiweekly. In addition, good accounting and internal control practices require that all disbursements must originate with authorizing document and be supported by properly approved documents. According to NMSA 1978 Section 6-6-3, the County is expected to conform to the rules and regulations that they have adopted relating to internal controls.

Cause: The County did not properly review payroll to verify that the payroll process is being followed and completed, and that IRS obligations were paid timely.

Effect: Failure to properly pay the IRS obligation on time makes the County susceptible to more penalties, and creates opportunities for waste, fraud, and abuse.

Recommendation: The County should design internal controls, which should include management review, to verify that all federal tax payments are made properly on time.

Management's Response: Management will implement internal controls and shall verify that payments are processed in a timely manner.

Estimated Completion Date: FY 2019

Responsible party: Payroll and Management

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:

- Three out of forty instances totaling $1,296, the County could not provide any supporting documentation.
- Five out of forty instances totaling $1,629, the travel authorization request was not issued.
- One out of forty instances totaling $244, the travel authorization form was not approved by the authorized person.
- Four out of forty instances totaling $1,019, the amount for per diem reimbursement was calculated incorrectly.
- One out of forty instances totaling $844, the County could not provide the approval for out of state travel in the meeting minutes.

The County did not make progress in resolving this finding.

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 and per diem requirements.

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

Management's Response: The County will implement procedures, and have multiple trainings in all departments so we can assure all that this does not happen again. The county has already addressed this, and management is confident that this finding will be completed before the upcoming FY 2018 audit.

Estimated Completion Date: June 30, 2018

Responsible party: Accounts payable and management

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: We noted that for 9 out of 25 samples tested, the cash was not entered and recorded daily. The money collected by the sheriff's department was not remitted or deposited to the Treasurer's office within 24 hours of receipts by the staff at the sheriff's department.

The County did not any 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: New Mexico Statutes - Section 6-10-2 requires that an agency who receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money.

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

Cause: The staff of the County did not deposit the funds within 24 hours after receipt. Proper procedures relating to cash receipts were not followed.

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

Management's Response: Management has addressed this finding with the Sheriff's office, and has implemented a new proactive procedure to help eliminate this issue. Management has also given this new procedure three months to be implemented, and will revisit this at that time to see if it is successfully addressing this finding.

Estimated Completion Date: August 2018

Responsible party: Sheriff's office

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

2014-007— Property Tax Schedule Not Included – Other Matter (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 total amounts owed to recipients of property taxes are not known.

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: Management has reviewed this finding with the county Treasurer; we will be working on the county's software company to establish a plan to address this particular finding. We are concerned that we will be unable to resolve this finding within the next FY. After long discussions, we are hoping that we can have this accomplished within the next two years.

Estimated Completion Date: FY 2020

Responsible party: Treasurer

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

2017-004 Compliance with Procurement Code – Bids – (Other Matter)

Condition: During our review of 30 vendors with payments exceeding $20,000, we noted that for two "on call" contracts that exceeded the $60,000 threshold limit, the proper procurement process was not followed. Additionally, the County contracted with the Cibola Chamber of Commerce (the Chamber) for $46,500 per year for the Chamber to perform advertising services to promote tourism. There were no supporting documents to determine the value of the services or if the services were actually performed.

Criteria: Good accounting policies require that the County be able to obtain documentation of contracts as requested as per state procurement code. The County should comply with the procurement code, Section 13-1-1 to 13-1-199, NMSA 1978 requirements required by the Purchasing Act. The New Mexico Constitution Article IX, Section 14 states "neither the state nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a "gift", an allocation or appropriation of something of value, without consideration."

Section 13-1-125 NMSA 1978 Paragraph C states "Notwithstanding the requirements of Subsection A of this section, a state agency or a local public body may procure services, construction or items of tangible personal property having a value not exceeding twenty thousand dollars ($20,000), excluding applicable state and local gross receipts taxes, by issuing a direct purchase order to a contractor based upon the best obtainable price.

Cause: The County did not comply with the procurement code and ensure that all documentation was obtained as requested as per state procurement code.

Also, the County personnel were not aware of the applicability of the Anti-Donation Clause for this contract.

Effect: The County is not in compliance with state law, and may have overpaid for the services it received or may not have received the services at all.

Recommendation: The County should enforce policies pertaining to the application of the New Mexico Procurement Code and Anti-Donation Clause. Applicable County staff should be provided training relating to the New Mexico Procurement Code and Anti-Donation Clause.

Management's Response: The County has two CPOs at present, and is planning on training two employees – the county is aware of the procurement codes, and internal policies will be followed.

Estimated Completion Date: Effective immediately April 2018

Responsible party: Management, finance, and purchasing

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

2017-006 GASB Statement 77 Tax Abatement Disclosures (Other)

Condition: During the fiscal year ended June 30, 2017, the County did not maintain all required information related to the abatement agreements that they enter into, nor provide required information to the agency whose tax revenues are affected by the County's tax abatement agreement by September 15, 2017.

Criteria: As per NMAC 2.2.2.10 BB, GASB Statement 77, tax abatement disclosures, is effective for reporting periods beginning after December 15, 2015 (FY17 for agencies with a June 30 fiscal year end). Unaudited, but final, GASB 77 disclosure information in the format prescribed shall be provided to any agency whose tax revenues are affected by the reporting agency's tax abatement agreements no later than September 15, 2017. Failure to meet this due date results in a compliance finding. This due date does not apply if the reporting agency does not have any tax abatement agreements that reduce the tax revenues of another agency.

Cause: The County does not have policies and procedures in place for GASB 77 related requirement under NMAC 2.2.2.10 BB.

Effect: The County did not comply with NMAC 2.2.2.10 BB. Because the County did not provide all of the required information for tax abatement disclosures, this has the potential to cause information to be missing or misleading in other note disclosures.

Recommendation: The County should comply with all of the provisions of the State Auditor Rule, including GASB 77 related requirement under NMAC 2.2.2.10 BB.

Management's Response: Management will review and comply with the State Auditors Rule including GASB 77.

Estimated Completion Date: FY 2020

Responsible party: Assessor

Section III — Component Unit Findings

No Current Year Findings.

STATE OF NEW MEXICO
CIBOLA COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Section I - Financial Statement Findings

2011-002 - Late Audit Report - Repeated
2013-001 - Capital Assets - Repeated and Modified
2013-006 - Credit Cards - Repeated and Modified
2013-011 - Exceeded Budget Authority - Repeated
2014-001 - Journal Entries - Repeated
2015-002 - Bank reconciliation - Repeated
2015-003 - Fixed Asset Disposals - Repeated

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

2013-005 - Travel and Per Diem - Repeated & Modified
2013-010 - Timeliness of Deposits - Repeated & Modified
2014-007 - Property Tax Schedule Not Included - Repeated
2016-001- Internal Controls over Receipts - Resolved

Section III - Component Unit Findings

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

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

STATE OF NEW MEXICO
CIBOLA COUNTY
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2017

Exit Conference

The contents of the County's report were discussed on April 30, 2018, The following individuals were in attendance.

County Commissioners	
Robert Windhorst	Commissioner
Cibola County Administration	
Kathy Gonzales	County Treasurer
Wendy Self	Procurement Officer
Kate Fletcher	County Manager
David H. Pato	County Attorney
Rick Lopez	DFA/LGD Director
Michael P. Steininger	DFA/LGD Special Director
Harshwal & Company LLP	
Albert Hwu	Senior Auditor
Mariem Tall	Audit Manager
Elder Rosales	Staff Auditor

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.