NEW MEXICO · EST. 1981

STATE OF NEW MEXICO
CIBOLA COUNTY

FINANCIAL STATEMENT AND SUPPLEMENTARY INFORMATION

JUNE 30, 2019

JARAMILLO ACCOUNTING GROUP
CLARITY FROM COMPLEXITY

INTRODUCTORY SECTION

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CIBOLA COUNTY
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STATE OF NEW MEXICO
CIBOLA COUNTY
OFFICIAL ROSTER
JUNE 30, 2019

ELECTED OFFICIALS

Daniel Torres	Commission Chairman
Robert Windhorst	Commission Vice-Chairman 1st
Ralph Lucero	Commissioner Vice-Chairman 2nd
Christine Lourey	County Commissioner
Martha Garcia	County Commissioner
Michelle Dominguez	County Clerk
Kathy Gonzales	County Treasurer
Delores Vallejos	County Assessor
Tony Mace	County Sheriff

ADMINISTRATIVE OFFICIALS

Kate Fletcher	County Manager
Paul Ludi	Finance Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Cibola County
Grants, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Cibola County, New Mexico (the "County"), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 County'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 County'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 financial statement presentation.

County Commissioners of
Cibola County and
Mr. Brian Colón, Esq.
New Mexico State Auditor

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

Summary of Opinions

Governmental Activities	Qualified
Business-Type Activities	Qualified
Enterprise Fund	Qualified
Discretely Presented Component Unit	Unmodified
Each Major Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinion for the Governmental Activities, Business-Type Activities, Enterprise Fund, and Aggregate Remaining Fund Information

Management 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, 2019, particularly with respect to the fiduciary fund transactions and governmental, business-type and enterprise fund capital assets and depreciation.

Qualified Opinion

In our opinion, except for the possible effects of the matters discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

County Commissioners of
Cibola County and
Mr. Brian Colón, Esq.
New Mexico State Auditor

Accounting principles generally accepted in the United States of America require the Schedule of the County's Proportionate Share of the Net Pension Liability, Schedule of the County's Pension Contributions, Schedule of the County's Proportionate Share of the Net OPEB Liability, Schedule of the County's OPEB Contributions, and the Notes to Required Supplementary Information on pages 67-71 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements, the Schedule of Deposits and Investment Accounts, Schedule of Pledged Collateral, Tax Roll Reconciliation of Changes in Property Taxes Receivable, Property Tax Schedule, Schedule of Expenditures of State Appropriations, Schedule of Joint Powers Agreements, and the Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds, each required by 2.2.2 NMAC, and other information, such as the Introductory Section, which is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

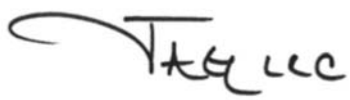
The combining and individual nonmajor fund financial statements, the Schedule of Deposits and Investment Accounts, Schedule of Pledged Collateral, Tax Roll Reconciliation of Changes in Property Taxes Receivable, Property Tax Schedule, Schedule of Expenditures of State Appropriations, Schedule of Joint Powers Agreements, and the Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds, each required by 2.2.2 NMAC, 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 themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the Schedule of Deposits and Investment Accounts, Schedule of Pledged Collateral, Tax Roll Reconciliation of Changes in Property Taxes Receivable, Property Tax Schedule, Schedule of Expenditures of State Appropriations, Schedule of Joint Powers Agreements, and the Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds, each required by 2.2.2 NMAC, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

County Commissioners of
Cibola County and
Mr. Brian Colón, Esq.
New Mexico State Auditor

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019 on our consideration of the 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.



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

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Cibola General Hospital Corporation
ASSETS				
Current assets				
Cash and cash equivalents	$ 8,553,463	$ 233,981	$ 8,787,444	$ 19,437,966
Restricted cash	-	7,376	7,376	-
Investments	5,157,901	-	5,157,901	750,000
Receivables	1,794,745	248,288	2,043,033	6,822,017
Prepaid expenses	-	-	-	754,381
Inventories	-	-	-	260,942
Equity interest in component unit	32,006,951	-	32,006,951	-
Total current assets	47,513,060	489,645	48,002,705	28,025,306
Non-current assets				
Investments	-	-	-	2,650,000
Capital assets, net	21,495,048	4,847,977	26,343,025	4,725,409
Total non-current assets	21,495,048	4,847,977	26,343,025	7,375,409
Total assets	69,008,108	5,337,622	74,345,730	32,750,715
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	276,012	-	276,012	-
Related to pensions and OPEB	1,704,843	508,336	2,213,179	-
Total deferred outflows of resources	1,980,855	508,336	2,489,191	-
Total assets & deferred outflows of resources	70,988,963	5,845,958	76,834,921	32,750,715
LIABILITIES				
Current liabilities				
Accounts payable	371,625	631,772	1,003,397	1,202,643
Accrued payroll and taxes	212,812	6,621	219,433	1,187,072
Accrued interest	54,904	-	54,904	-
Claims payable	-	-	-	80,000
Estimated third-party payor settlements				924,049
Funds held for other	-	7,376	7,376	-
Compensated absences, current portion	178,804	6,114	184,918	-
Long-term debt-due within one year	718,428	-	718,428	-
Total current liabilities	1,536,573	651,883	2,188,456	3,393,764
Non-current liabilities				
Long-term debt-due in more than one year	17,400,150	-	17,400,150	-
Net pension liability	6,070,329	1,706,255	7,776,584	-
Net OPEB liability	3,036,108	861,322	3,897,430	-
Total non-current liabilities	26,506,587	2,567,577	29,074,164	-
Total liabilities	28,043,160	3,219,460	31,262,620	3,393,764
DEFERRED INFLOWS OF RESOURCES				
Related to pensions and OPEB	4,070,723	348,440	4,419,163	-
Total liabilities & deferred inflows of resources	32,113,883	3,567,900	35,681,783	3,393,764
NET POSITION				
Net investment in capital assets	3,376,470	4,847,977	8,224,447	4,725,409
Restricted for				
Debt service	886,591	-	886,591	-
Special revenue fund	3,866,728	-	3,866,728	-
Capital outlay	26,404	-	26,404	-
Unrestricted (deficit)	30,718,887	(2,569,919)	28,148,968	27,281,542
Total net position	$ 38,875,080	$ 2,278,058	$ 41,153,138	$ 32,006,951

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Cibola General Hospital Corporation
Primary Government								
Governmental activities								
General government	$ 4,383,968	$ 696,366	$ 345,539	$ -	$ (3,342,063)	$ -	$ (3,342,063)	$ -
Public safety	3,169,739	44,038	1,527,718	-	(1,597,983)	-	(1,597,983)	-
Public works	1,582,499	-	1,894,924	322,600	635,025	-	635,025	-
Culture and recreation	-	-	-	-	-	-	-	-
Health and welfare	2,657,054	-	-	-	(2,657,054)	-	(2,657,054)	-
Interest on long-term debt	695,234	-	-	-	(695,234)	-	(695,234)	-
Total governmental activities	12,488,494	740,404	3,768,181	322,600	(7,657,309)	-	(7,657,309)	-
Business-Type Activities								
Detention center	3,599,180	630,907	-	-	-	(2,968,273)	(2,968,273)	-
Total business-type activities	3,599,180	630,907	-	-	-	(2,968,273)	(2,968,273)	-
Total primary government	$16,087,674	$ 1,371,311	$ 3,768,181	$ 322,600	(7,657,309)	(2,968,273)	(10,625,582)	-
Component Unit								
Cibola General Hospital Corporation	$31,234,609	$ 27,316,886	$ -	$ -	-	-	-	(3,917,723)
General Revenues:								
Taxes								
Property taxes					4,149,087	-	4,149,087	1,855,593
Gross receipts taxes					4,840,257	523,576	5,363,833	-
Payment in lieu of taxes					1,943,506	-	1,943,506	-
Decrease in equity interest in component unit					(8,391,468)	-	(8,391,468)	-
Interest income					68,037	-	68,037	63,182
Miscellaneous income					469,732	15,673	485,405	69,292
Transfers in (out)					(2,070,591)	2,070,591	-	-
Total general revenues and transfers					1,008,560	2,609,840	3,618,400	1,988,067
Change in net position					(6,648,749)	(358,433)	(7,007,182)	(1,929,656)
Net position - beginning					45,523,829	2,636,491	48,160,320	33,936,607
Net position - end of year					$ 38,875,080	$ 2,278,058	$ 41,153,138	$ 32,006,951

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Road	Revenue Bond Debt Service Funds
ASSETS			
Cash and cash equivalents	$ 4,123,915	$ 1,662,232	$ -
Investments	5,157,901	-	-
Receivables			
Property taxes	1,029,511	-	-
Gross receipt taxes	134,085	72,418	258,297
Accounts receivable	1,257	15,792	-
Total assets	$ 10,446,669	$ 1,750,442	$ 258,297
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Current liabilities			
Accounts payable	$ 148,601	$ 5,053	$ -
Accrued payroll and taxes	156,119	26,117	-
Funds held for other	-	-	-
Total liabilities	304,720	31,170	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	721,682	-	-
FUND BALANCES			
Restricted	-	1,719,272	258,297
Unassigned	9,420,267	-	-
Total fund balances	9,420,267	1,719,272	258,297
Total liabilities, deferred inflows of resources and fund balances	$ 10,446,669	$ 1,750,442	$ 258,297

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019

	NMFA Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 628,294	$ 2,139,022	$ 8,553,463
Investments	-	-	5,157,901
Receivables			
Property taxes	-	-	1,029,511
Gross receipt taxes	-	256,687	721,487
Accounts receivable	-	26,698	43,747
Total assets	$ 628,294	$ 2,422,407	$ 15,506,109
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Current liabilities			
Accounts payable	$ -	$ 217,971	$ 371,625
Accrued payroll and taxes	-	30,576	212,812
Funds held for other	-	-	-
Total liabilities	-	248,547	584,437
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	-	-	721,682
FUND BALANCES			
Restricted	628,294	2,173,860	4,779,723
Unassigned	-	-	9,420,267
Total fund balances	628,294	2,173,860	14,199,990
Total liabilities, deferred inflows of resources and fund balances	$ 628,294	$ 2,422,407	$ 15,506,109

STATE OF NEW MEXICO
CIBOLA COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances - total governmental funds	$ 14,199,990
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital assets, net of accumulated depreciation	21,495,048
Deferred inflows and outflows of resources related to pensions, OPEB, and deferred charge on refunding are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions and OPEB	1,704,843
Deferred inflows of resources related to pensions and OPEB	(4,070,723)
Deferred charge on refunding	276,012
The County has an equity interest in the Cibola General Hospital. This investment is not a current financial resources and, therefore, is not reported in the funds.	32,006,951
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.	721,682
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(54,904)
Accrued compensated absences payable	(178,804)
Bond premium payable	(804,850)
Loan premium payable	-
Bonds payable	(16,380,000)
Notes payable	(933,728)
Net pension liability	(6,070,329)
Net OPEB liability	(3,036,108)
Net position - total governmental activities	$ 38,875,080

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Primary Government					
	General Funds	Road	Revenue Bond Debt Service Funds	NMFA Debt Service	Other Governmental Funds	Total Governmental Funds
Primary government						
REVENUES						
Property taxes	$ 4,209,811	$ -	$ -	$ -	$ -	$ 4,209,811
Gross receipts tax	792,354	415,258	2,104,249	-	1,528,396	4,840,257
Payment in lieu of taxes	1,943,506	-	-	-	-	1,943,506
State and local sources	345,539	1,672,148	-	-	1,788,190	3,805,877
Federal sources	-	222,776	-	-	62,128	284,904
Charges for services	515,147	-	-	-	280	515,427
Licenses and fees	59,945	-	-	-	165,032	224,977
Investment income	55,275	-	-	12,762	-	68,037
Other	377,899	16,249	-	-	75,584	469,732
Total revenues	8,299,476	2,326,431	2,104,249	12,762	3,619,610	16,362,528
EXPENDITURES						
Current						
General government	3,770,261	419	-	469,365	95,085	4,335,130
Public safety	1,649,114	-	-	-	1,142,979	2,792,093
Public works	197,368	1,204,021	-	-	44,608	1,445,997
Culture and recreation	-	-	-	-	-	-
Health and welfare	220,693	-	-	-	2,048,569	2,269,262
Capital outlay	-	-	-	-	583,005	583,005
Debt service						
Principal	-	-	580,000	44,219	-	624,219
Interest and fees	-	-	742,299	9,679	-	751,978
Total expenditures	5,837,436	1,204,440	1,322,299	523,263	3,914,246	12,801,684
Excess (deficiency) of revenues over (under) expenditures	2,462,040	1,121,991	781,950	(510,501)	(294,636)	3,560,844
Other financing sources (uses)						
Loan proceeds	-	-	-	554,156	-	554,156
Transfers in	3,871,266	-	-	79,012	503,615	4,453,893
Transfers out	(5,013,304)	-	(891,921)	-	(619,259)	(6,524,484)
Total other financing sources (uses)	(1,142,038)	-	(891,921)	633,168	(115,644)	(2,070,591)
Change in fund balances	1,320,002	1,121,991	(109,971)	122,667	(410,280)	2,044,409
Fund balances, beginning of year	8,100,265	597,281	368,268	505,627	2,584,140	12,155,581
Fund balances, end of year	$ 9,420,267	$ 1,719,272	$ 258,297	$ 628,294	$ 2,173,860	$ 14,199,990

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, 2019

Net change in fund balances - total governmental funds	$ 2,044,409
Amounts reported for *governmental activities* in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	742,068
Depreciation expense	(1,356,537)
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	(60,724)
The change in the equity position in the component units is not reported in the funds, but recorded as revenue on the Statement of Activities.	(8,391,468)
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.	
Loan proceeds	(554,156)
Compensated absences payable	38,035
Principal payments on bonds and notes payable	624,219
Accrued interest on long-term debt	1,732
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 and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense	
Pension expense	(532,858)
Pension contributions	387,418
OPEB income	310,526
OPEB contributions	68,667
Change in net position of governmental activities	$ (6,648,749)

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	$ 3,723,544	$ 3,954,544	$ 4,092,413	$ 137,869
Gross receipts taxes	780,310	812,610	773,076	(39,534)
Payment in lieu of taxes	-	-	1,943,507	1,943,507
State and local sources	2,378,000	2,385,000	351,406	(2,033,594)
Licenses and fees	5,265	6,665	59,250	52,585
Charges for services	430,664	669,844	515,147	(154,697)
Interest income	-	-	55,275	55,275
Other	563,571	633,571	377,899	(255,672)
Total revenues	7,881,354	8,462,234	8,167,973	(294,261)
EXPENDITURES				
Current				
General government	3,329,793	3,623,326	3,628,060	(4,734)
Public safety	1,879,100	1,885,332	1,614,467	270,865
Public Works	167,727	171,727	159,985	11,742
Culture and recreation	-	-	-	-
Health and welfare	211,344	211,344	222,017	(10,673)
Capital outlay	-	-	-	-
Other	-	-	-	-
Total expenditures	5,587,964	5,891,729	5,624,529	267,200
Excess (deficiency) of revenues over (under) expenditures	2,293,390	2,570,505	2,543,444	(27,061)
Other financing sources (uses)				
Transfers in	3,422,445	3,422,445	1,282,943	(2,139,502)
Transfers out	(5,343,647)	(5,343,647)	(2,424,981)	2,918,666
Total other financing sources (uses)	$ (1,921,202)	$ (1,921,202)	(1,142,038)	$ 779,164
Net changes in fund balances - budgetary basis			1,401,406	
Reconciliation to change in fund balance - GAAP Basis				
Unbudgeted revenue accruals			(131,503)	
Unbudgeted expenditure accruals			50,099	
Change in fund balance - GAAP Basis			$ 1,320,002	

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Gross receipts taxes	613,714	613,714	415,258	(198,456)
Payment in lieu of taxes	-	-	-	-
State and local sources	1,200,626	1,200,626	1,679,428	478,802
Federal sources	-	-	222,776	222,776
Charges for services	293,934	293,934	-	(293,934)
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Other	27,000	27,000	16,249	(10,751)
Total revenues	2,135,274	2,135,274	2,333,711	198,437
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public Works	1,678,366	1,678,366	1,174,959	503,407
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Other	-	-	-	-
Total expenditures	1,678,366	1,678,366	1,174,959	503,407
Excess (deficiency) of revenues over (under) expenditures	456,908	456,908	1,158,752	701,844
Other financing sources (uses)				
Transfers in	300,000	300,000	-	(300,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	$ 300,000	$ 300,000	-	$ (300,000)
Net changes in fund balances - budgetary basis			1,158,752	
Reconciliation to change in fund balance - GAAP Basis				
Unbudgeted revenue accruals			7,280	
Unbudgeted expenditure accruals			(44,041)	
Change in fund balance - GAAP Basis			$ 1,121,991	

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

	Detention Center
ASSETS	
Current assets	
Cash	$ 233,981
Restricted cash	7,376
Receivables	248,288
Prepaid expenses	-
Total current assets	489,645
Non-current assets	
Capital assets	8,513,054
Less accumulated depreciation	(3,665,077)
Total non-current assets	4,847,977
Total assets	5,337,622
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pension and OPEB	508,336
LIABILITIES	
Current liabilities	
Accounts payable	631,772
Accrued payroll and taxes	6,621
Funds held for others	7,376
Unearned revenues	-
Current portion of accrued compensated absences	6,114
Total current liabilities	651,883
Non-current liabilities	
Net pension liability	1,706,255
Net OPEB liability	861,322
Total non-current liabilities	2,567,577
Total liabilities	3,219,460
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pension and OPEB	348,440
NET POSITION	
Net investment in capital assets	4,847,977
Unrestricted (deficit)	(2,569,919)
Total net position	$ 2,278,058

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Detention Center
OPERATING REVENUES	
Gross receipts taxes	$ 523,576
Charges for services	566,753
Licenses and fees	64,154
Other	15,673
Total operating revenues	1,170,156
OPERATING EXPENSES	
Personal services	245,862
Contractual services	10,364
Maintenance and materials	136,468
Other operating expenses	3,062,486
Depreciation	144,000
Total operating expenses	3,599,180
Operating loss	(2,429,024)
Other financing sources	
Transfer in	2,070,591
Gain (loss) on disposal of assets	-
Total other financing sources	2,070,591
Change in net position	(358,433)
Total net position, beginning of year	2,636,491
Total net position, end of year	$ 2,278,058

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Detention Center
Cash flows from operating activities	
Cash received from customers and grantors	$ 1,002,232
Cash payments to suppliers	(2,595,301)
Cash payments to employees	(238,238)
Net cash used in operating activities	(1,831,307)
Cash flows from non-capital financing activities	
Net transfers in (out)	2,070,591
Cash flows from capital and related financing activities	
Purchase of capital assets	-
Net change in cash and cash equivalents	239,284
Cash and cash equivalents, beginning of year	2,073
Cash and cash equivalents, end of year	$ 241,357
Reconciliation of operating loss to cash provided by (used in) operating activities	
Operating loss	$ (2,429,024)
Adjustments to reconcile operating loss to net cash flows:	
Depreciation	144,000
Changes in operating assets and liabilities:	
Receivable	(173,227)
Accounts payable	614,017
Accrued payroll taxes	6,621
Funds held for others	5,303
Unearned revenues	-
Accrued compensated absences	1,003
Net cash used in operating activities	$ (1,831,307)

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2019

ASSETS		
Cash and cash equivalents	$	392,905
Property taxes receivable		2,139,385
Receivable from federal government		
for ICE and US Marshal's billings		4,484,770
Total assets	$	7,017,060
LIABILITIES		
Property taxes paid in advance	$	392,905
Due to taxing entities		2,139,385
Due to Core Civic for ICE and US Marshal's billings		4,484,770
Total liabilities	$	7,017,060

See Accompanying Notes.

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.

A. 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 Statements No. 39, 61, and 80. 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 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, 2019.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary 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)

B. Government-Wide and Fund 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.

C. 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, 2019, the County had pension, OPEB, 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, 2019, the County had pension and OPEB 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)

C. 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 non-expendable trust funds.

- The Debt Service Fund accounts for the services of general long-term debt not being financed by proprietary or non-expendable 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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:

- 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 Revenue Bond Debt Service Fund accounts for the services of general long-term debt of the County, related to revenue bonds.

- The NMFA Debt Service Fund accounts for the services of debt of the County related to NMFA loans.

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 non-operating 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 non-operating revenues and expenses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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, 2019 was $4,123,915, which exceeds the 25% of the expenditures reserve requirement. The Road Fund's cash reserve at June 30, 2019 was $1,662,232, which exceeds the 1/12th of the expenditures reserve requirement.

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)

D. 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, 2019.

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)

D. 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.

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 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’s. 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.

Post-employment Benefits Other Than Pensions (OPEB) - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA’s fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

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

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

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

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

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

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

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

	General Fund	Road	Revenue Bond Debt Service Funds	NMFA Debt Service	Nonmajor Governmental Funds	Total Primary Government
Restricted for						
Debt Service	$ -	$ -	$ 258,297	$ 628,294	$ -	$ 886,591
Road	-	1,719,272	-	-	-	1,719,272
Volunteer Fire Districts	-	-	-	-	829,341	829,341
Grant	-	-	-	-	29,579	29,579
DWI Program	-	-	-	-	95,769	95,769
Care of Indigents	-	-	-	-	-	-
Consolidated Dispatch	-	-	-	-	113,671	113,671
County Fire Protection	-	-	-	-	619,339	619,339
County Clerk	-	-	-	-	81,586	81,586
Law Enforcement	-	-	-	-	12,509	12,509
Property Reappraisal	-	-	-	-	361,854	361,854
Emergency	-	-	-	-	3,808	3,808
Capital Projects	-	-	-	-	26,404	26,404
Unassigned	9,420,267	-	-	-	-	9,420,267
Total fund balances	$ 9,420,267	$ 1,719,272	$ 258,297	$ 628,294	$ 2,173,860	$ 14,199,990

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

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.

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.

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. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, the legal level of budgetary control is the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level.

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, 2019:

Bank deposits	$ 8,476,707
Money markets/certificates of deposit	4,067,077
Cash held with New Mexico Finance Authority	628,294
State Local Government Investment Pool	780,143
Petty cash	500
Total County cash and cash equivalents according to the Statement of Net Position (including restricted cash and investments)	$ 13,952,721

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

In addition, the Agency Fund held the following cash balance at June 30, 2019:

Bank deposits	$ 392,905
Total agency fund cash and cash equivalents according to the Statement of Fiduciary Assets and Liabilities	$ 392,905

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, 2019. 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 non-demand 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 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, 2019 was as follows:

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

	Wells Fargo Bank	TDK	U.S. Bank	**Total**
Total amounts of deposits	$ 9,337,695	$ 1,015,222	$ 3,051,855	**$ 13,404,772**
FDIC coverage	(250,000)	(250,000)	(2,977,005)	**(3,477,005)**
Total uninsured public funds	9,087,695	765,222	74,850	**9,927,767**
Pledged collateral held by pledging bank's trust department or by agent in County's name	4,811,819	713,444	2,500,000	**8,025,263**
Uninsured and uncollateralized	4,275,876	51,778	-	**4,327,654**
Collateral requirement (50% of uninsured public funds Line of credit held by County)	4,543,848	382,611	37,425	**4,963,884**
Pledged collateral held by pledging bank's trust department or by agent in County's name	4,811,819	713,444	2,500,000	**8,025,263**
Total under (over) collateralized	$ (267,971)	$ (330,833)	$ (2,462,575)	**$ (3,061,379)**

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, 2019, $4,327,654 of the County's bank balance of $13,404,772 was exposed to custodial credit risk as uninsured and uncollateralized.

Local Government Investment Pool. GASB Statement No. 40, Deposit and Investment Risk Disclosures, relates to how deposits and investments are reported in the annual financial statements of government entities. GASB Statement No. 40 disclosures inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. GASB Statement No. 40 requires governments to disclose deposit and investment risks related to credit (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk.

The State Treasurer's Office provides the following information regarding the LGIP:

Credit Risk - With respect to credit risk, the LGIP is rated AAAm by Standard & Poor's. Therefore, the LGIP reports AAAm for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

Concentration Risk - GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure.

Foreign Currency Risk - GASB Statement No. 40 defines foreign currency risk as the potential that changes in exchange rates may adversely affect the fair value of an investment or deposit. The LGIP does not have any foreign currency risk as all investments are denominated in US dollars.

Interest Rate Risk - GASB Statement No. 40 defines interest rate risk as the potential that interest rate changes may adversely affect the fair value of an investment.

According to the Statement, an acceptable method for reporting interest rate risk is weighted average maturity ("WAM"). The State Treasurer's Office (STO) uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at www.nmsto.gov. The value of the investment in the LGIP as of June 30, 2018, is the ending balance on the LGIP statements. The District Court's June 30, 2019 balance is as follows:

New Mexico LGIP AAAm Rated $780,143 [35] day WAM (R); [112] day WAM (F)

STO's investment portfolio is posted on the STO website, www.nmsto.gov, and available for review by participants at any time.

NOTE 4. RECEIVABLES

Receivables as of June 30, 2019, are as follows:

	General Fund	Road	Revenue Bond Debt Service Funds	Other Governmental Funds	Total Governmental Activities	Proprietary Funds
Property taxes	$ 1,029,511	$ -	$ -	$ -	$ 1,029,511	$ -
Gross receipts taxes	134,085	72,418	258,297	256,687	721,487	79,343
Accounts receivable	1,257	15,792	-	26,698	43,747	168,945
Total receivables	$ 1,164,853	$ 88,210	$ 258,297	$ 283,385	$ 1,794,745	$ 248,288

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 $721,682 as presented in the general fund.

NOTE 5. 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	$ 3,871,266	General Fund	$ 5,013,304
Road	-	Road	-
Revenue Bond Debt Service Funds	-	Revenue Bond Debt Service Funds	891,921
NMFA Debt Service Fund	79,012	Revenue Bond Debt Service Funds	-
Total major governmental funds	3,950,278	Total major governmental funds	5,905,225
Total nonmajor governmental funds	503,615	Total nonmajor governmental funds	619,259
Business-type activities - Detention Center fund	2,070,591		-
Grand Total	$ 6,524,484	**Grand Total**	$ 6,524,484

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 Position and Statement of Activities in future years. Below is the activity of capital assets for the year ended June 30, 2019:

Governmental Activities	Beginning Balance June 30, 2018	Additions	Deletions	**Ending Balance June 30, 2019**
Capital assets, not being depreciated:				
Land	$ 716,912	$ -	$ -	**$ 716,912**
Land - infrastructure	3,181,657	-	-	**3,181,657**
Construction in progress	6,141,251	-	(6,141,251)	**-**
Total capital assets, not being depreciated	10,039,820	-	(6,141,251)	**3,898,569**
Capital assets, being depreciated:				
Land improvements	56,634	-	-	**56,634**
Buildings and improvements	21,587,871	6,141,251	-	**27,729,122**
Furniture and equipment	4,155,386	30,470	-	**4,185,856**
Vehicles, furniture, and equipment	5,510,921	711,598	-	**6,222,519**
Infrastructure	13,779,679	-	-	**13,779,679**
Total capital assets being depreciated	45,090,491	6,883,319	-	**51,973,810**
Less accumulated depreciation for:				
Land improvements	(55,552)	(1,082)	-	**(56,634)**
Buildings and improvements	(10,668,844)	(891,050)	-	**(11,559,894)**
Furniture and equipment	(4,149,094)	(10,646)	-	**(4,159,740)**
Vehicles, furniture, and equipment	(4,367,625)	(453,759)	-	**(4,821,384)**
Infrastructure	(13,779,679)	-	-	**(13,779,679)**
Total accumulated depreciation	(33,020,794)	(1,356,537)	-	**(34,377,331)**
Total capital assets, being depreciated, net	12,069,697	5,526,782	-	**17,596,479**
Governmental activities capital assets, net	$ 22,109,517	$ 5,526,782	$ (6,141,251)	**$ 21,495,048**

Depreciation expense for the year ended June 30, 2019 was charged to governmental activities as follows:

General government	$ 163,023
Public safety	601,171
Public works	175,920
Health and welfare	416,423
Culture and recreation	-
Total	$ 1,356,537

NOTE 6. CAPITAL ASSETS (CONTINUED)

Other business-type activity for the year ending June 30, 2019 was as follows:

Business-type Activities	Beginning Balance June 30, 2018	Additions	Deletions	**Ending Balance June 30, 2019**
Capital assets, not being depreciated:				
Land and easements	$ 124,966	$ -	$ -	**$ 124,966**
Total capital assets, not being depreciated	124,966	-	-	**124,966**
Capital assets, being depreciated:				
Buildings and improvements	7,850,078	-	-	**7,850,078**
Furniture and equipment	354,961	-	-	**354,961**
Vehicles	183,049	-	-	**183,049**
Total capital assets being depreciated	8,388,088	-	-	**8,388,088**
Less accumulated depreciation for:				
Buildings and improvements	(3,252,459)	(110,104)	-	**(3,362,563)**
Furniture and equipment	(136,333)	(14,800)	-	**(151,133)**
Vehicles	(132,285)	(19,096)	-	**(151,381)**
Total accumulated depreciation	(3,521,077)	(144,000)	-	**(3,665,077)**
Total capital assets, being depreciated, net	4,867,011	(144,000)	-	**4,723,011**
Total capital assets	$ 4,991,977	$ (144,000)	$ -	**$ 4,847,977**

Depreciation expense charged to business-type activities for the year ended June 30, 2019 was $144,000.

NOTE 7. LONG-TERM DEBT

During the year ended June 30, 2019, the following changes occurred in the long-term liabilities reported in the government-wide Statement of Net Position:

	Beginning Balance June 30, 2018	Additions	Retirements	**Ending Balance June 30, 2019**	Current Maturities
Governmental Activities					
Bonds payable	$ 16,960,000	$ -	$ (580,000)	**$ 16,380,000**	$ 605,000
Notes payable	423,791	554,156	(44,219)	**933,728**	58,416
Deferred bond premium	859,862	-	(55,012)	**804,850**	55,012
Total	18,243,653	554,156	(679,231)	**18,118,578**	718,428
Compensated absences	216,839	203,608	(235,529)	**184,918**	184,918
Total long-term debt	$ 18,460,492	$ 757,764	$ (914,760)	**$ 18,303,496**	$ 903,346

NOTE 7. LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the bonds, notes payable, and bond premium as of June 30, 2019, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2020	$ 718,428	$ 687,126	$ 1,405,554
2021	745,041	661,421	1,406,462
2022	776,738	628,336	1,405,074
2023	810,569	593,672	1,404,241
2024	847,321	557,288	1,404,609
2025-2029	4,720,513	2,189,596	6,910,109
2030-2034	3,033,551	1,467,245	4,500,796
2035-2039	2,941,335	1,001,092	3,942,427
2040-2044	3,525,082	414,930	3,940,012
Total	$ 18,118,578	$ 8,200,704	$26,319,282

Interest expense paid on long-term debt totaled $751,978 for the year ended June 30, 2019.

Bonds Payable - At June 30, 2019, the County had the following bonds outstanding:

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.

NOTE 7. LONG-TERM DEBT (CONTINUED)

The gross receipts tax revenue bonds outstanding as of June 30, 2019 are comprised of the following issues:

Issue	Maturity Date	Interest Date	Amount Issued	Outstanding June 30, 2019
Series 2014A	6/1/2030	3.00% to 5.00 %	$ 6,045,000	**$ 4,560,000**
Series 2014B	6/1/2044	3.00% to 5.00 %	12,995,000	**11,820,000**
			$ 19,040,000	**$ 16,380,000**

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 2044.

At June 30, 2019, the County had the following notes outstanding:

NMFA Loan - Volunteer Fire Districts

The County has pledged future fire allotment revenues, net of specified operating expenses, to repay $1,377,485 in loans issued June 2006 through June 2019. 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.

Issue	Maturity Date	Interest Date	Amount Issued	Outstanding June 30, 2019
Candy Kitchen Fire Station-12	5/1/2027	3.00% to 4.50%	$ 554,529	**$ 266,603**
Cubero VFD (Cibola 11)	5/1/2027	3.00% to 4.50%	245,425	**104,705**
Lobo Canyon Fire Truck-15	5/1/2022	2.00% to 3.00%	23,375	**8,264**
Bluewater VFD-19	6/1/2044	4%	554,156	**554,156**
			$ 1,377,485	**$ 933,728**

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 decreased by $31,921.

During the year ended June 30, 2019, the following changes occurred in the long-term liabilities reported in the business-type activities and proprietary fund statement of net position:

NOTE 7. LONG-TERM DEBT (CONTINUED)

	Beginning Balance June 30, 2018	Additions	Retirements	**Ending Balance June 30, 2019**	Current Maturities
Business-Type Activities					
Compensated absences	$ 5,111	$ 1,776	$ (773)	**$ 6,114**	$ 6,114

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, 2019, the accrual for compensated absences increased by $1,003.

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, 2019, 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 $721,682.

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 2019, Cibola County contributed $125,879 to the Workers' Compensation Pool. The self-insured retention level for the pool during the period of coverage July 1, 2018 through June 30, 2019 was $300,000 (that is, the maximum

NOTE 9. RISK MANAGEMENT (CONTINUED)

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, 2019 through December 31, 2019 is $150,000 for property and $500,000 for liability per occurrence (that is the maximum amount of coverage for each insured event before obtaining reinsurance).

The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited, to a statutory limit of $2,000,000.

The pooling agreements require the pools to be self-sustaining; it is not possible to estimate the range of contingent losses to be borne by the County. The pool boards retain $2,500,000 equity prior to evaluating any refunds to the participating counties based upon losses expensed and losses incurred.

The pools retain the risk of loss to be shared proportionately by pool participants. The County does not retain the sole risk of losses incurred by the County. There were no payments in excess of insurance coverage for the years ended June 30, 2019, 2018, and 2017.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2019, 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, 2019, 2018 and 2017.

NOTE 10. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

Deficit fund balance of individual funds: No funds reflected a deficit fund balance as of June 30, 2019.

Excess expenditures over appropriations: Budgetary authority is at the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level. There were no funds that exceeded appropriations for the year ended June 30, 2019.

NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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. The County participates in two PERA plans: Municipal General Plan 2 and Municipal Police Plan 5.

Benefits Provided. Benefits are generally available at age 65 with five or 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%. The computation of final average salary increased as the average of salary for 60 consecutive months.

NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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

PERA Contribution Rates and Pension Factors in effect during FY18						
	Employee Contribution		Employer Contribution Percentage	Pension Factor per year of		Pension Maximum as a Percentage of the Final
Coverage Plan	Annual Salary less than $20,000	Annual Salary greater than $20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
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 PLANS 1 - 5						
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 PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	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						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	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 (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the County's reported a liability of $7,776,584 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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.

The assets of the PERA Fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows of resources were performed separately for each of the membership groups.

The County's proportionate share of the net pension liability for each of the County's membership groups is based on the share of the County's employer contributions relative to each membership group's total employer contributions for the fiscal year ended June 30, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Employer contributions on behalf of the employee were excluded from the calculation. In the event that a participating employer is behind in its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions for the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

The County's proportionate share of each PERA plan's net pension liability, and each plan's annual pension expense, as of and for the year ended June 30, 2018 are shown in the table below. The County's proportionate share in the Municipal General Plan 4 decreased 0.1421%% from the prior year and the County's proportionate share in the Municipal Police Plan 5 decreased 0.0257% from the prior year.

	Net Pension Liability and Pension Expense		
PERA Plan	Proportionate Share of Net Pension Liability	Percent of Net Pension Liability	Pension Expense
Municipal General Plan 2	$ 5,546,814	-0.0518%	$ (2,876)
Municipal Police Plan 5	2,229,770	5.2385%	116,806
	$ 7,776,584		$ 113,930

NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for each of the County's PERA Fund divisions:

	Municipal General Plan 2		Municipal Police Plan 5		Total	Total
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 160,314	$ 145,630	$ 109,159	$ 221,028	$ 269,473	$ 366,658
Changes of assumptions	502,897	31,892	254,420	13,631	757,317	45,523
Net difference between projected and actual earnings on pension plan investments	411,380	-	153,440	-	564,820	-
Changes in proportion and differences between between contributions and proportionate share of contributions	117,616	1,374,609	47,869	177,503	165,485	1,552,112
Contributions subsequent to the measurement date	246,381	-	141,037	-	387,418	-
Total	$ 1,438,588	$ 1,552,131	$ 705,925	$ 412,162	$ 2,144,513	$ 1,964,293

$246,381 from Municipal General Plan 2 and $141,037 from Municipal Police Plan 5 reported as deferred outflows of resources related to pensions resulting from County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Municipal General Plan 2	Municipal Police Plan 5	Total
Year Ended June 30,			
2020	$ 225,595	$ 153,380	$ 378,975
2021	(220,563)	(24,387)	(244,950)
2022	(381,242)	16,070	(365,172)
2023	16,286	7,663	23,949
2024	-	-	-
Thereafter	-	-	-
	$ (359,924)	$ 152,726	$ (207,198)

NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND	
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	
Actuarial assumptions:	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75 % all other years
Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

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:

NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	43.50%	7.48%
Risk reduction and mitigation	21.50%	2.37%
Credit oriented fixed income	15.00%	5.47%
Real assets	20.00%	6.48%
Total	100.0%	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Proportionate Share of Net Pension Liability:	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Municipal General Plan 2	$ 8,547,268	$ 5,546,814	$ 3,066,458
Municipal Police Plan 5	3,428,471	2,229,770	1,252,544
Total	$ 11,975,739	$ 7,776,584	$ 4,319,002

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

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTHCARE PLAN

Plan description. Employees of the County are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms. At June 30, 2018, the Fund's measurement date, the following State of New Mexico employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	156,025
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	93,349

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTHCARE PLAN (CONTINUED)

employer's participation in the Fund. Contributions to the Fund from the County were $68,666 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2019, the County reported a liability of $3,897,430 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the County's proportion was 0.08963%.

For the year ended June 30, 2019, the County recognized OPEB income of $311,927. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 230,753
Net Difference between actual and projected earnings on OPEB plan investments	-	48,638
Changes of assumptions	-	727,633
Change in Proportion	-	1,447,846
Contributions made after the measurement date	68,666	-
Total	$ 68,666	$ 2,454,870

Deferred outflows of resources totaling $68,666 represent County contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Ended June 30,	
2019	$ (562,610)
2020	(562,610)
2021	(562,610)
2022	(504,338)
2023	(262,702)
Total	$ (2,454,870)

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTHCARE PLAN (CONTINUED)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2018
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.
The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Target Allocation	Long-Term Rate of Return
U.S. core fixed income	20%	2.1%
U.S. equity - large cap	20%	7.7%
Non U.S. - emerging markets	15%	10.2%
Non U.S. - developed equities	12%	7.8%
Private equity	10%	11.8%
Credit and structured finance	10%	5.3%
Real estate	5%	4.9%
Absolute return	5%	4.1%
U.S. equity - small/mid cap	3%	7.1%

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTHCARE PLAN (CONTINUED)

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the **current discount rate**:

1% Decrease (3.08%)	Current Discount (4.08%)	1% Increase (5.08%)
$ 4,716,809	$ 3,897,430	$ 3,251,578

The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the ***current healthcare cost trend rates***:

1% Decrease	Rates	1% Increase
$ 3,294,695	$ 3,897,430	$ 4,369,988

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2019.

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. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

GASB has issued the following statements, which are applicable in future years. At this time, management has not determined the impact, if any, on the County.

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

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

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

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

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

NOTE 15. TAX ABATEMENTS

Industrial Revenue Bonds. Under the Industrial Revenue Bond Act [3-32 NMSA 1978], the Board of Commissioners or the City Council can vote to induce an industrial revenue bond in order to induce a manufacturing, industrial, or commercial enterprise to locate or expand in that region, by financing a specified project. The County or the City may include in the agreement a stipulation of an amount or a percentage reduction of property taxes, which can be as much as 100%. This reduction or exemption is applicable for the life of the bond issue, not to exceed 30 years from the date the bonds were issued and is a significant benefit for borrowers that would not otherwise qualify for a property tax exemption under other constitutional or statutory provisions. Information relevant to disclosure of those programs for the fiscal year ended June 30, 2019 are presented on the following pages:

NOTE 16. TAX ABATEMENTS (CONTINUED)

Description	RED Mesa Wind, LLC / Cibola County & County Schools - IRB
Agency Number	5033
Agency Name	Cibola County
Agency Type	County
Tax Abatement Agreement Name	Red Mesa Wind Project
Recipient(s) of tax abatement	Med Mesa Wind, LLC
Parent company(ies) of recipient(s) of tax abatement	NEXTera Energy Resources
Tax abatement program (name and brief description)	Industrial Revenue Bond - Wind power generation project and facilities
Specific Tax(es) Being Abated	Real Property Taxes
Legal authority under which tax abatement agreement was entered into	NMSA 7-37-3; NMSA 3-32
Criteria that make a recipient eligible to receive a tax abatement	Cibola County, NM, Taxable Industrial Revenue Bond, (Red Mesa Wind Project), Series 2010, Closing date October, 2, 2010; Provides the County with electricity
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Property tax in project area foregone
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	Notwithstanding the foregoing, for so long as the Bond is outstanding, the Company will pay to the issuer a payment in lieu of property tax (PILOT) in the amount of $425,000 per year for the first five years and $625,000 per year thereafter. Such payments will be due on June 1 during the term, beginning on June 1, 2011 after the completion date. 50% goes to Cibola Schools and 50% to the County
Are there provisions for recapturing abated taxes? (Yes or No)	Yes
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	Leins may be imposed to clawback payments
List each specific commitment made by the recipient of the abatement.	Cibola County receives 95% of electricity from this project, adds tax base to the County, delivers landowner lease payments, creates no air or water pollution, uses no water, all land can be used agriculturally, supports econcomy through purchase of regional goods and services
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	$674,430
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	Cibola County schools $312,500 and Cibola County $312,500 per NMSA 1978 Section 7-37-3 and the IRB
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	$312,500
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	$312,500
List each specific commitment made by your agency or any other government, other than the tax abatement.	None
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	Yes, Cibola County Schools
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	N/A
In the report disclosure is this abatement aggregated?	Yes
Threshold amount for aggregation	$312,500

NOTE 16. SUBSEQUENT EVENTS

The County has evaluated subsequent events through December 2, 2019, the date the financial statements were available to be issued. There were no material subsequent events.

NOTE 17. CIBOLA GENERAL HOSPITAL – COMPONENT UNIT

NOTE A. ORGANIZATION AND OPERATIONS

Cibola General Hospital Corporation (a component unit of Cibola County) (the "Hospital") is a New Mexico not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital is owned by Cibola County as a "County Hospital" as defined under the Hospital Funding Act, NMSA § 4-48B-3 under the jurisdiction of the Cibola County Commission located in the City of Grants, County of Cibola, New Mexico.

The Hospital is located in Grants, New Mexico. The primary interest of the Hospital is to provide medical services to the residents of Grants, Cibola County, and the surrounding area. The Hospital is a component unit of Cibola County (the "County") and the Board of County Commissioners appoints four out of nine members to the Board of Trustees of the Hospital.

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

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Inventories. Inventories, consisting primarily of pharmaceuticals and medical supplies, are stated at the market value price which materially approximates cost.

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

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

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Net position is categorized as follows:

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

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

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE C. NET PATIENT SERVICE REVENUE

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

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

Net revenue from the Medicare and Medicaid programs accounted for approximately 53% and 44% of the Hospital’s net patient service revenue for the years ended June 30, 2019 and 2018, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Medicare cost reports for fiscal years 2015, 2016, 2017, and 2018 and Medicaid cost reports for fiscal years 2015, 2016, 2017, and 2018 remain open at June 30, 2019 and are subject to adjustment.

Management believes that estimated settlement amounts accrued for at June 30, 2019 and 2018 are adequate to provide for the settlement of all open cost reports. Estimates are continually monitored and reviewed and, as settlements are made or more information becomes available to improve estimates, differences are reflected in current operations. The Hospital has accrued reserves for estimated settlements relating open cost reports for Medicare of $400,000 and $400,000 and Medicaid of $524,049 and $516,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE C. NET PATIENT SERVICE REVENUE (CONTINUED)

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

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

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

Safety Net Care Pool Program (SNCP) - State statutes provide for a county-imposed tax of one-twelfth percent of gross receipts be permanently transferred to the State's "Safety Net Care Pool Fund" and expended pursuant to the Indigent Hospital and County Health Care Act. The law allows counties to budget for expenditures on ambulance services, burial expenses, and hospital or medical expenses for indigent residents of their county.

The law also requires that qualifying hospitals receiving payment from the Safety Net Care Pool file a quarterly report on all uncompensated health care costs with the New Mexico Human Services Department (HSD) and the County Commission. The HSD is required to submit a quarterly report to the New Mexico Legislative Finance Committee containing the previous quarter's Safety Net Care Pool Fund receipts and the disposition of funds.

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

NOTE D. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents. Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. In accordance with Section 6-10-17 NMSA 1978 compilation, the Hospital is required to obtain collateral in an amount equal to one-half of the deposited public money in excess of $250,000 of FDIC coverage. The Hospital's policy is to require collateral in accordance with state statutes. As of June 30, 2019, the Hospital was not in compliance with state statutes as more fully described in audit finding 2019-007.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE E. CAPITAL ASSETS

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

NOTE E. CAPITAL ASSETS (CONTINUED)

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

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

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

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

NOTE F. ACCRUED LIABILITIES

Accrued liabilities consist of the following at June 30:

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

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

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

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

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

NOTE G. AD VALOREM TAXES

Pursuant to New Mexico law adopted in 1980 and amended in 1981 allowing counties to provide expanded tax support to qualified hospitals, the voters of Cibola County approved an ad valorem tax in 2011. The Hospital recorded $1,855,593 and $1,372,102 in the years June 30, 2019 and 2018, respectively, in ad valorem taxes. The amounts were used in accordance with the provisions of the ad valorem tax referendum. The Hospital receives ad valorem taxes from the Treasurer of Cibola County. The County serves as the intermediary collecting agency and remits the Hospital's share of ad valorem tax collections. The Hospital does not maintain records of ad valorem taxes receivable by the individual taxpayer.

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

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

NOTE H. COMMITMENTS AND CONTINGENCIES

Operating Leases. The Hospital has a five-year facility lease agreement with the County, which includes an additional five-year renewal with the consent of both parties for the use of the Hospital facility effective February 20, 2014 with an annual lease amount of $338,000. The parties agreed to extend the lease through June 30, 2019. Subsequent to fiscal year-end, the lease has been paid on a monthly basis through the audit report date. Management of the Hospital continues to discuss the arrangements under the facility lease with management of the County through the audit report date. The Hospital also leases various equipment under operating leases expiring at various dates through 2022. Total equipment lease expense in 2019 and 2018 was $96,573 and $136,578, respectively.

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

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

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

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

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

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

NOTE H. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

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

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

Litigation. In the ordinary course of business, claims alleging malpractice and other matters may have been filed against the Hospital. Claims may also be filed for incidents that have occurred, including some of which the Hospital is not presently aware. It is not possible to estimate the likelihood and amount of such potential claims. The Hospital has purchased a commercial insurance policy on a claims-made basis for coverage of its professional liability expense. Losses under this policy have not exceeded the coverage limits for the years ended June 30, 2019 and 2018. Certain malpractice claims have been asserted against the Hospital by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of legal counsel, the outcome of these actions will not have a significant effect on the financial position or the operating results of the Hospital.

NOTE I. DEFINED CONTRIBUTION RETIREMENT PLAN

The Hospital's Defined Contribution Retirement Plan (Plan) allows eligible employees to defer a portion of their annual compensation pursuant to Section 403(b) of the Internal Revenue Code. The Hospital matches 50% of an employee's contributions subject to IRS per employee dollar limits. All matching contributions vest 20% each year for five years. In addition, the Plan provides for discretionary contributions as determined by the Board of Trustees. The Plan does not have standalone financial reports available for the public. Company matching contributions to the Plan totaled $134,086 and $292,640 in 2019 and 2018, respectively.

NOTE J. CONCENTRATIONS OF CREDIT RISK

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

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

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

	2019	2018
Medicare	**27%**	30%
Medicaid	**31%**	22%
Commercial insurance	**17%**	16%
All other payors	**25%**	32%
	100%	100%

NOTE K. SUBSEQUENT EVENTS

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

NOTE L. ACCOUNTING PRONOUNCEMENTS WITH FUTURE EFFECTIVE DATES

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN
LAST 10 FISCAL YEARS* (UNAUDITED)

Fiscal Year	**2019**	2018	2017	2016	2015
Measurement Date	**2018**	2017	2016	2015	2014
Municipal General Plan					
County's proportion of the net pension liability (asset)	**0.3479%**	0.4900%	0.5008%	0.4586%	0.4660%
County's proportionate share of the net pension liability (asset)	**$ 5,546,814**	$ 6,733,014	$ 8,001,098	$ 4,675,824	$ 3,635,300
County's covered payroll	**$ 4,322,616**	$ 4,490,510	$ 4,277,482	$ 4,291,030	$ 2,966,184
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	**128.32%**	149.94%	187.05%	108.97%	122.56%
Municipal Police Plan					
County's proportion of the net pension liability (asset)	**0.3268%**	0.3525%	0.3795%	0.3484%	0.3133%
County's proportionate share of the net pension liability (asset)	**$ 2,229,770**	$ 1,958,368	$ 2,800,064	$ 1,675,303	$ 1,021,324
County's covered payroll	**$ 863,271**	$ 847,611	$ 752,346	$ 754,729	$ 1,343,394
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	**258.29%**	231.05%	372.18%	221.97%	76.03%
County Total					
County's proportionate share of the net pension liability (asset)	**$ 7,776,584**	$ 8,691,382	$ 10,801,162	$ 6,351,127	$ 4,656,624
County's covered payroll	**$ 5,185,887**	$ 5,338,121	$ 5,029,828	$ 5,045,759	$ 4,309,578
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	**149.96%**	162.82%	214.74%	125.87%	108.05%
Plan fiduciary net position as a percentage of total pension liability	**73.13%**	73.74%	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for County's is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See Notes to Required Supplementary Information.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF THE COUNTY'S PENSION CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN
LAST 10 FISCAL YEARS* (UNAUDITED)

	June 30,				
	2019	2018	2017	2016	2015
Municipal General Plan					
Statutory required	**$ 246,381**	$ 272,574	$ 428,844	$ 409,793	$ 342,523
Contributions in relation to statutorily required contributions	**$ 246,381**	$ 272,574	$ 428,844	$ 409,793	$ 342,523
Annual contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
Municipal Police Plan					
Statutory required	**$ 141,037**	$ 146,352	$ 160,198	$ 142,644	$ 342,523
Contributions in relation to statutorily required contributions	**$ 141,037**	$ 146,352	$ 160,198	$ 142,644	$ 342,523
Annual contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
County Total					
Statutory required	**$ 387,418**	$ 418,926	$ 589,042	$ 552,437	$ 685,046
Contributions in relation to statutorily required contributions	**$ 387,418**	$ 418,926	$ 589,042	$ 552,437	$ 685,046
Annual contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for County's is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See Notes to Required
Supplementary Information.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH CARE ACT (RHCA) OPEB PLAN
FOR THE YEARS ENDED JUNE 30, 2019 - 2018
LAST 10 FISCAL YEARS* (UNAUDITED)

Fiscal Year	**2019**	2018
Measurement Date	**2018**	2017
County's proportion of the net OPEB liability	**0.08963%**	0.12117%
County's proportionate share of the net OPEB liability	**$ 3,897,430**	$ 5,491,028
County's covered-employee payroll	**$ 3,845,680**	$ 5,047,515
County's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	**101.35%**	108.79%
RHCA Plan fiduciary net position as a percentage of the total pension liability	**13.14%**	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for available years.

See Notes to Required Supplementary Information.

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
RETIREE HEALTH CARE ACT (RHCA) OPEB PLAN
FOR THE YEARS ENDED JUNE 30, 2019 - 2018
LAST 10 FISCAL YEARS* (UNAUDITED)

	June 30,	
	2019	2018
Contractually required contribution	**$ 140,062**	$ 384,772
Contributions in relation to the contractually required contribution	**$ 138,352**	$ 193,113
Contribution deficiency (excess)	**$ 1,710**	$ 191,659
County's Covered-employee payroll	**$ 3,845,680**	$ 5,047,515
Contributions as a percentage of covered-employee payroll	**3.60%**	3.83%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for available years.

See Notes to Required Supplementary Information.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2019

NOTE 1. PENSION PLAN SCHEDULES

PERA PLAN

Changes of benefit terms. The PERA and COLA retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CAFR. https://www.saonm.org

Changes of benefit assumptions. The PERA Annual Actuarial Valuations as of the June 2018 report is available at http://www.nmpera.org.

RHCA PLAN

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuary valuation as of June 30, 2018.

Changes in assumptions and methods. The actuary removed 4,010 members that were deemed participants of non-participating employers. There were no other modifications to the assumptions and methods that were reflected in the actuarial valuation at June 30, 2018.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CIBOLA COUNTY
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 2,112,618	$ 26,404	$ 2,139,022
Receivables			
Gross receipt taxes	256,687	-	256,687
Accounts receivable	26,698	-	26,698
Total assets	$ 2,396,003	$ 26,404	$ 2,422,407
LIABILITIES AND FUND BALANCES			
Accounts payable	$ 217,971	$ -	$ 217,971
Accrued payroll and taxes	30,576	-	30,576
Interfund advances payable	-	-	-
Total liabilities	248,547	-	248,547
FUND BALANCES			
Nonspendable	-	-	-
Restricted	2,147,456	26,404	2,173,860
Unassigned	-	-	-
Total fund balances	2,147,456	26,404	2,173,860
Total liabilities and fund balances	$ 2,396,003	$ 26,404	$ 2,422,407

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, 2019

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Property taxes	$ -	-	$ -
Gross receipts tax	1,528,396	-	1,528,396
Payment in lieu of taxes	-	-	-
State and local sources	1,465,590	322,600	1,788,190
Federal sources	62,128	-	62,128
Charges for services	280	-	280
Licenses and fees	165,032	-	165,032
Investment income	-	-	-
Other	75,584	-	75,584
Total revenues	3,297,010	322,600	3,619,610
EXPENDITURES			
Current			
General government	95,085	-	95,085
Public safety	1,142,979	-	1,142,979
Public works	44,608	-	44,608
Health and welfare	2,048,569	-	2,048,569
Capital outlay	265,005	318,000	583,005
Total expenditures	3,596,246	318,000	3,914,246
Excess (deficiency) of revenues over (under) expenditures	(299,236)	4,600	(294,636)
Other financing sources (uses)			
Transfers in	222,059	281,556	503,615
Transfers out	(359,507)	(259,752)	(619,259)
Total other financing sources (uses)	(137,448)	21,804	(115,644)
Change in fund balances	(436,684)	26,404	(410,280)
Fund balances, beginning of year	2,584,140	-	2,584,140
Fund balances, end of year	$ 2,147,456	$ 26,404	$ 2,173,860

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

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

Indigent fund - To account 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 7-20E-9, NMSA 1978 Compilations).

Grant Fund - 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.

DWI Program - To account for federal funds received through the State of New Mexico Children, Youth and Families Department (CYFD) to combat underage drinking. (Authorized by Commission and Budget Approval)

Consolidated Dispatch - To account for revenues and expenditures related to contracts of emergency services provided to districts within the County. (Authorized by Commission and Budget Approval)

Emergency Management - To account for the various federal, state and other grant funding sources for emergency management received by the County. (Authorized by Commission and Budget Approval)

STATE OF NEW MEXICO
CIBOLA COUNTY
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Emergency Medical Services	Volunteer Fire Districts	Grant Fund	DWI Program	Farm & Range
ASSETS					
Cash and cash equivalents	$ 1,855	$ 830,797	$ 12,391	$ 106,100	$ -
Receivables					
Gross receipt taxes	-	-	-	-	-
Accounts receivable	-	-	17,188	-	-
Total assets	$ 1,855	$ 830,797	$ 29,579	$ 106,100	$ -
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ -	$ 1,456	$ -	$ 3,979	$ -
Accrued payroll and taxes	-	-	-	6,352	-
Total liabilities	-	1,456	-	10,331	-
FUND BALANCES					
Restricted	1,855	829,341	29,579	95,769	-
Unassigned	-	-	-	-	-
Total fund balances	1,855	829,341	29,579	95,769	-
Total liabilities and fund balances	$ 1,855	$ 830,797	$ 29,579	$ 106,100	$ -

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2019

	Indigent	CUBERO EMS	Consolidated Dispatch	County Fire Protection	County Clerk Recording and Filing
ASSETS					
Cash and cash equivalents	$ 119,180	$ 981	$ 61	$ 580,739	$ 82,034
Receivables					
Gross receipt taxes	79,868	-	138,219	38,600	-
Accounts receivable	-	-	-	-	-
Total assets	$ 199,048	$ 981	$ 138,280	$ 619,339	$ 82,034
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 199,048	$ -	$ 385	$ -	$ 448
Accrued payroll and taxes	-	-	24,224	-	-
Total liabilities	199,048	-	24,609	-	448
FUND BALANCES					
Restricted	-	981	113,671	619,339	81,586
Unassigned	-	-	-	-	-
Total fund balances	-	981	113,671	619,339	81,586
Total liabilities and fund balances	$ 199,048	$ 981	$ 138,280	$ 619,339	$ 82,034

STATE OF NEW MEXICO
CIBOLA COUNTY
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2019

	Emergency Management	Law Enforcement Protection	Reappraisal Fund	Totals
ASSETS				
Cash and cash equivalents	$ 972	$ 13,616	$ 363,892	$ 2,112,618
Receivables				-
Gross receipt taxes	-	-	-	256,687
Accounts receivable	-	-	9,510	26,698
Total assets	$ 972	$ 13,616	$ 373,402	$ 2,396,003
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ 1,107	$ 11,548	$ 217,971
Accrued payroll and taxes	-	-	-	30,576
Total liabilities	-	1,107	11,548	248,547
FUND BALANCES				
Restricted	972	12,509	361,854	2,147,456
Unassigned	-	-	-	-
Total fund balances	972	12,509	361,854	2,147,456
Total liabilities and fund balances	$ 972	$ 13,616	$ 373,402	$ 2,396,003

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, 2019

	Emergency Medical Services	Volunteer Fire Districts	Grant Fund	DWI Program	Farm & Range
REVENUES					
Property taxes	$ -	$ -	$ -	$ -	$ -
Gross receipts tax	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-
State and local sources	24,673	1,204,480	-	208,038	-
Federal sources	-	-	48,000	14,128	-
Charges for services	-	-	-	-	-
Licenses and fees	-	-	-	43,758	-
Investment income	-	-	-	-	-
Other	-	75,413	-	-	-
Total revenues	24,673	1,279,893	48,000	265,924	-
EXPENDITURES					
Current					
General government	-	-	-	1,439	-
Public safety	22,818	781,044	-	320,601	-
Public works	-	-	-	-	16,690
Health and welfare	-	-	74,182	-	-
Capital outlay	-	265,005	-	-	-
Total expenditures	22,818	1,046,049	74,182	322,040	16,690
Excess (deficiency) of revenues over (under) expenditures	1,855	233,844	(26,182)	(56,116)	(16,690)
Other financing sources (uses)					
Transfers in	-	42,000	60,641	27,728	16,690
Transfers out	-	(79,012)	(158,327)	(5,168)	-
Total other financing sources (uses)	-	(37,012)	(97,686)	22,560	16,690
Change in fund balances	1,855	196,832	(123,868)	(33,556)	-
Fund balances, beginning of year	-	632,509	153,447	129,325	-
Fund balances, end of year	$ 1,855	$ 829,341	$ 29,579	$ 95,769	$ -

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	Indigent	CUBERO EMS	Consolidated Dispatch	County Fire Protection	County Clerk Recording and Filing
REVENUES					
Property taxes	$ -	$ -	$ -	$ -	$ -
Gross receipts tax	532,074	-	833,698	162,624	-
Payment in lieu of taxes	-	-	-	-	-
State and local sources	-	3,000	-	-	-
Federal sources	-	-	-	-	-
Charges for services	-	-	280	-	-
Licenses and fees	-	-	-	-	31,098
Investment income	-	-	-	-	-
Other	-	-	171	-	-
Total revenues	532,074	3,000	834,149	162,624	31,098
EXPENDITURES					
Current					
General government	-	-	97	4,897	462
Public safety	-	2,019	-	-	4,259
Public works	-	-	-	-	27,918
Health and welfare	1,117,064	-	857,323	-	-
Capital outlay	-	-	-	-	-
Total expenditures	1,117,064	2,019	857,420	4,897	32,639
Excess (deficiency) of revenues over (under) expenditures	(584,990)	981	(23,271)	157,727	(1,541)
Other financing sources (uses)					
Transfers in	-	-	75,000	-	-
Transfers out	-	-	(75,000)	(42,000)	-
Total other financing sources (uses)	-	-	-	(42,000)	-
Change in fund balances	(584,990)	981	(23,271)	115,727	(1,541)
Fund balances, beginning of year	584,990	-	136,942	503,612	83,127
Fund balances, end of year	$ -	$ 981	$ 113,671	$ 619,339	$ 81,586

STATE OF NEW MEXICO
CIBOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	Emergency Management	Law Enforcement Protection	Reappraisal Fund	Totals
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Gross receipts tax	-	-	-	1,528,396
Payment in lieu of taxes	-	-	-	-
State and local sources	-	25,399	-	1,465,590
Federal sources	-	-	-	62,128
Charges for services	-	-	-	280
Licenses and fees	-	-	90,176	165,032
Investment income	-	-	-	-
Other	-	-	-	75,584
Total revenues	-	25,399	90,176	3,297,010
EXPENDITURES				
Current				
General government	-	-	88,190	95,085
Public safety	(972)	13,210	-	1,142,979
Public works	-	-	-	44,608
Health and welfare	-	-	-	2,048,569
Capital outlay	-	-	-	265,005
Total expenditures	(972)	13,210	88,190	3,596,246
Excess (deficiency) of revenues over (under) expenditures	972	12,189	1,986	(299,236)
Other financing sources (uses)				
Transfers in	-	-	-	222,059
Transfers out	-	-	-	(359,507)
Total other financing sources (uses)	-	-	-	(137,448)
Change in fund balances	972	12,189	1,986	(436,684)
Fund balances, beginning of year	-	320	359,868	2,584,140
Fund balances, end of year	$ 972	$ 12,509	$ 361,854	$ 2,147,456

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

STATE OF NEW MEXICO
CIBOLA COUNTY
BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUND
JUNE 30, 2019

	Capital Outlay Projects	Totals
ASSETS		
Cash and cash equivalents	$ 26,404	$ 26,404
Total assets	$ 26,404	$ 26,404
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	$ -	$ -
Interfund payables	-	-
Total liabilities	-	-
FUND BALANCES		
Restricted	26,404	26,404
Unassigned	-	-
Total fund balances	26,404	26,404
Total liabilities and fund balances	$ 26,404	$ 26,404

See Accompanying Notes.

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Capital Outlay Projects	Totals
REVENUES		
State grants and contributions	$ 322,600	$ 322,600
Other	-	-
Total revenues	322,600	322,600
EXPENDITURES		
Current		
General government	-	-
Public safety	-	-
Public works	-	-
Health and welfare	-	-
Capital outlay	318,000	318,000
Total expenditures	318,000	318,000
Excess (deficiency) of revenues over (under) expenditures	4,600	4,600
Other financing sources (uses)		
Transfers in	281,556	281,556
Transfers out	(259,752)	(259,752)
Total other financing sources (uses)	21,804	21,804
Change in fund balances	26,404	26,404
Fund balances, beginning of year	-	-
Fund balances, end of year	$ 26,404	$ 26,404

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
JUNE 30, 2019

Banking Institution	Account Type	Bank Balance	Reconciling Items	Carrying Balance
Wells Fargo Bank				
Operational	Checking *	$ 8,710,808	$ (468,083)	$ 8,242,725
Savings	Savings	233,982	-	233,982
Property tax account	Savings	392,905	-	392,905
Brokerage	Money Market	-	-	-
Subtotal Wells Fargo Bank		9,337,695	(468,083)	8,869,612
TDK Bank				
Inmate trust account	Checking *	7,376	-	7,376
Certificate of deposit	CD	1,007,846	-	1,007,846
Subtotal TDK Bank		1,015,222	-	1,015,222
U.S. Bank				
Certificate of deposit	CD	324,850	-	324,850
Certificate of deposit	CDARS	2,727,005	-	2,727,005
Subtotal U.S. Bank		3,051,855	-	3,051,855
Total cash in bank		$ 13,404,772	$ (468,083)	$ 12,936,689
Add: Petty Cash				500
Add: State Treasurer's Office LGIP Fund				780,143
Add: New Mexico Finance Authority Cash				628,294
Total				$ 14,345,626
Governmental funds cash and temporary investments				$ 13,711,364
Proprietary funds cash				241,357
Agency funds cash				392,905
Total				$ 14,345,626

* Interest bearing checking account

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

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

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2019

Security Description	CUSIP Number	Fair Market Value	Maturity Date	Name and Location of Safe Keeper
Wells Fargo Bank				
FNMA FNMS 3.000%	3138ECVE0	1,755,764	4/1/2042	Bank of New York Mellon, New York, NY
FNMA FNMS 3.500%	3138WKK20	91,307	3/1/2047	Bank of New York Mellon, New York, NY
FNMA FNMS 3.000%	31417DQS5	2,964,748	10/1/2042	Bank of New York Mellon, New York, NY
		4,811,819		
TDK Bank				
FNMA #AH9688 4.50%	3138ABXS3	103,915	4/1/2026	The Independent Banker's Bank, Irving, TX
FNMA #AI1806 4.50%	3138AFAG5	81,947	4/1/2026	The Independent Banker's Bank, Irving, TX
FNMA #AL4952 3.00%	3138AJQE5	109,646	11/1/2026	The Independent Banker's Bank, Irving, TX
FNMA #AL0846 3.50%	3138EG5G5	64,541	10/1/2026	The Independent Banker's Bank, Irving, TX
FNMA #AB4090 3.00%	31417ARL5	98,355	12/1/2026	The Independent Banker's Bank, Irving, TX
Grants and Cibola County SD #1 BQ GO 2.00%	388240GL1	255,040	10/1/2022	The Independent Banker's Bank, Irving, TX
		713,444		
U.S. Bank				
Letter of credit	525734	2,500,000	6/1/2020	Cibola County, Grants, NM
Grand total all banks		$ 8,025,263		

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

Deposit and Investment Account	Account Type	Wells Fargo Bank, NA	Wells Fargo National Bank West	Wells Fargo Bank South Central	TBK Bank	U.S. Bank	**Total**
Operating account	Checking	$ 7,425,583	$ -	$ -	$ -	$ -	**$ 7,425,583**
Repurchase agreement	Money Market Sweep	5,789,965	248,092	248,092	-	-	**6,286,149**
Operating account	Money Market	-	-	-	6,057,922	-	**6,057,922**
Certificate of deposits	Certificate of Deposit	800,000 *	-	-	800,000	1,800,000	**3,400,000**
Total amount of deposit in bank		14,015,548	248,092	248,092	6,857,922	1,800,000	**23,169,654**
FDIC insurance		(1,300,000)	(248,092)	(248,092)	(500,000)	(250,000)	**(2,546,184)**
Total uninsured public funds		$ 12,715,548	$ -	$ -	$ 6,357,922	$ 1,550,000	**$ 20,623,470**
Collateral requirement - 50% (NMSA Section 6-10-17)		$ 3,462,792	$ -	$ -	$ 3,178,961	$ 775,000	**$ 7,416,753**
Collateral requirement - 102% (NMSA Section 6-10-10)		$ 5,905,764	$ -	$ -	$ -	$ -	**$ 5,905,764**

Collateral Pledged	Maturity	CUSIP Number	Wells Fargo Bank, NA	Wells Fargo National Bank West	Wells Fargo Bank South Central	TBK Bank	U.S. Bank	**Total**
FNMA FNMS (1)	2/1/2043	3138W1H67	7,145,230	-	-	-	-	**7,145,230**
FNMA FNMS (1)	6/1/2043	3138WYCX1	96,367	-	-	-	-	**96,367**
FNMA FNMS (1)	3/1/2042	31417BHU4	607,958	-	-	-	-	**607,958**
FHLMC ARM Pool #1H26 (2)	7/1/2036	3128QLSL6	-	-	-	334,718	-	**334,718**
FHLMC GOLD Pool #V85 (2)	3/1/2049	3132LA2T8	-	-	-	1,171,855	-	**1,171,855**
GNMA2 Pool #BJ6805 (2)	11/20/2048	3617HUR21	-	-	-	1,557,504	-	**1,557,504**
Irrevocable Letter of Credit by Federal Home Loan Bank (3)	12/2/2019	528624	-	-	-	-	1,800,000	**1,800,000**
Total Pledged Collateral			7,849,556	-	-	3,064,077	1,800,000	**12,713,633**
Amount over (under) collateralized for requirement			$ (1,519,000)	$ -	$ -	$ (114,884)	$ 1,025,000	**$ (608,884)**

Location of collateral:

(1) BNY Mellon, New York, NY

(2) Federal Home Loan Bank, Dallas, TX

(3) Federal Home Loan Bank, Cincinnati, OH

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

STATE OF NEW MEXICO
CIBOLA COUNTY
TAX ROLL RECONCILIATION OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

Property taxes receivable, beginning of year	$ 2,990,699
Changes to tax roll:	
Net taxes charged to Treasurer for fiscal year	11,893,739
Adjustments:	
Increases in taxes receivable	604,078
Subtraction in 2008 taxes outstanding	(121,640)
Adjustments to tax roll	287,988
Total receivables prior to collections	15,654,864
Collections for fiscal year ended June 30, 2019	(12,485,961)
Property taxes receivable, end of year	$ 3,168,903

Property taxes receivable as of year-end, by year:	
2009	$ 129,312
2010	112,242
2011	124,084
2012	93,135
2013	106,878
2014	158,265
2015	207,173
2016	325,357
2017	912,574
2018	999,883
Total taxes receivable, net	$ 3,168,903

STATE OF NEW MEXICO
CIBOLA COUNTY
PROPERTY TAX SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

Agency	Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Distributed To-Date	Exemptions and Adjustments	County Receivable at Year End
Cibola County:							
County Operational - Residential							
2009-2017	$ 9,127,980	$ 113,502	$ 8,849,858	$ 113,502	$ 8,849,858	$ (54,362)	$ 223,760
2018	1,185,572	1,046,375	1,046,375	1,046,375	1,046,375	392	139,589
Total	10,313,552	1,159,877	9,896,233	1,159,877	9,896,233	(53,970)	363,349
County Operational Non-Residential							
2009-2017	20,774,235	302,187	19,875,455	302,187	19,875,455	$ (410,263)	488,517
2018	2,634,091	2,472,018	2,472,018	2,472,018	2,472,018	15,572	177,645
Total	23,408,326	2,774,205	22,347,473	2,774,205	22,347,473	(394,691)	666,162
Total Cibola County	33,721,878	3,934,082	32,243,706	3,934,082	32,243,706	(448,661)	1,029,511
State of New Mexico:							
State Debt - Residential							
2009-2017	1,944,073	17,983	1,872,335	17,983	1,872,335	$ (29,743)	41,995
2018	174,236	153,779	153,779	153,779	153,779	57	20,514
Total	2,118,309	171,762	2,026,114	171,762	2,026,114	(29,685)	62,510
State Debt - Non-Residential							
2009-2017	1,899,141	34,513	1,820,922	34,513	1,820,922	(28,899)	49,320
2018	302,309	283,708	283,708	283,708	283,708	1,787	20,388
Total	2,201,450	318,221	2,104,630	318,221	2,104,630	(27,112)	69,708
Cattle Indemnity							
2009-2017	154,366	1,398	142,753	1,398	142,753	(3,637)	7,976
2018	22,463	19,683	19,683	19,683	19,683	(10)	2,770
Total	176,829	21,081	162,436	21,081	162,436	(3,647)	10,746
Dairy Cattle							
2009-2017	145	-	145	-	145	-	-
2018	23	23	23	23	23	-	-
Total	168	23	168	23	168	-	-
Sheep							
2009-2017	61	2	61	2	61	-	-
2018	5	4	4	4	4	(1)	0
Total	66	6	65	6	65	(1)	0
Horse							
2009-2017	4,835	372	4,211	372	4,211	(42)	582
2018	1,023	721	721	721	721	(1)	301
Total	5,858	1,093	4,932	1,093	4,932	(42)	884
Buffalo							
2009-2017	136	-	136	-	136	-	-
2018	71	71	71	71	71	-	-
Total	207	71	207	71	207	-	-
Total State of New Mexico	4,502,887	512,257	4,298,552	512,257	4,298,552	(60,487)	143,848

STATE OF NEW MEXICO
CIBOLA COUNTY
PROPERTY TAX SCHEDULE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Agency	Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Distributed To-Date	Exemptions and Adjustments	County Receivable at Year End
Municipalities:							
City of Grants - Residential							
2009-2017	2,821,931	25,447	2,762,260	25,447	2,762,260	(10,413)	49,258
2018	323,788	291,474	291,474	291,474	291,474	451	32,765
Total	3,145,719	316,921	3,053,734	316,921	3,053,734	(9,961)	82,024
City of Grants - Non Residential							
2009-2017	4,749,701	55,293	4,429,122	55,293	4,429,122	(261,208)	59,371
2018	537,284	501,581	501,581	501,581	501,581	102	35,805
Total	5,286,985	556,874	4,930,703	556,874	4,930,703	(261,106)	95,176
Total Municipalities	8,432,704	873,795	7,984,437	873,795	7,984,437	(271,067)	177,200
School Districts:							
Grants/Cibola County Schools - Residential							
2009-2017	11,798,943	156,022	11,426,636	156,022	11,426,636	(70,454)	301,853
2018	1,522,425	1,343,532	1,343,532	1,343,532	1,343,532	512	179,405
Total	13,321,368	1,499,554	12,770,168	1,499,554	12,770,168	(69,942)	481,258
Grants/Cibola County Schools - Non Residential							
2009-2017	20,180,807	303,743	19,288,287	303,743	19,288,287	(398,041)	494,479
2018	2,650,366	2,490,145	2,490,145	2,490,145	2,490,145	15,960	176,181
Total	22,831,173	2,793,888	21,778,432	2,793,888	21,778,432	(382,081)	670,660
Total School Districts	36,152,541	4,293,442	34,548,600	4,293,442	34,548,600	(452,023)	1,151,918
Schools:							
Grants Branch of New Mexico State University - Residential							
2009-2017	1,483,748	35,682	1,441,564	35,682	1,441,564	(596)	41,588
2018	464,908	431,452	431,452	431,452	431,452	3,315	36,771
Total	1,948,656	467,134	1,873,016	467,134	1,873,016	2,719	78,359
Grants Branch of New Mexico State University - Non Residential							
2009-2017	2,179,015	41,118	2,080,081	41,118	2,080,081	(18,108)	80,826
2018	428,728	390,795	390,795	390,795	390,795	339	38,272
Total	2,607,743	431,913	2,470,876	431,913	2,470,876	(17,769)	119,098
Total Schools	4,556,399	899,047	4,343,892	899,047	4,343,892	(15,050)	197,457
Hospitals:							
Cibola General Hospital-Residential							
2009-2017	4,358,911	54,221	4,226,079	54,221	4,226,079	(25,958)	106,874
2018	544,487	480,559	480,559	480,559	480,559	180	64,108
Total	4,903,398	534,780	4,706,638	534,780	4,706,638	(25,779)	170,981

STATE OF NEW MEXICO
CIBOLA COUNTY
PROPERTY TAX SCHEDULE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Agency	Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Distributed To-Date	Exemptions and Adjustments	County Receivable at Year End
Cibola General Hospital- Non Residential							
2009-2017	7,450,952	108,381	7,128,589	108,381	7,128,589	(147,152)	175,211
2018	944,716	886,589	886,589	886,589	886,589	5,585	63,712
Total	8,395,668	994,970	8,015,178	994,970	8,015,178	(141,567)	238,923
Total Hospitals	13,299,066	1,529,750	12,721,816	1,529,750	12,721,816	(167,345)	409,905
Special Districts							
Rio San Jose Flood District-Residential							
2009-2017	24,831	22,405	22,405	22,405	22,405	3,104	5,530
2018	544,487	480,559	480,559	480,559	480,559	(61,521)	2,407
Total	277,754	24,639	268,940	24,639	268,940	(58,417)	7,937
Rio San Jose Flood District-Non-Residential							
2009-2017	518,976	5,842	494,379	5,842	494,379	(14,273)	10,324
2018	67,937	65,525	65,525	65,525	65,525	544	2,956
Total	586,913	71,367	559,904	71,367	559,904	(13,729)	13,280
Lava Soil and Water Conservation District - Residential							
2009-2017	259,464	2,586	249,032	2,586	249,032	(902)	9,530
2018	25,529	22,576	22,576	22,576	22,576	20	2,973
Total	284,993	25,162	271,608	25,162	271,608	(883)	12,502
Lava Soil and Water Conservation District - Non-Residential							
2009-2017	404,908	4,503	374,352	4,503	374,352	(8,529)	22,027
2018	38,950	36,860	36,860	36,860	36,860	1,229	3,319
Total	443,858	41,363	411,212	41,363	411,212	(7,300)	25,346
Total Special Districts	1,593,518	162,531	1,511,664	162,531	1,511,664	(80,329)	59,065
Grand Total	$ 102,258,993	$ 12,204,904	$ 97,652,667	$ 12,204,904	$ 97,652,667	$ (1,494,963)	$ 3,168,903

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF EXPENDITURES OF STATE APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2019

NM Legislative Appropriation - Capital Outlay	Original Appropriation Amount	Appropriation Period	Reversion Date	Fiscal Agent and Responsibility Reporting Entity	Expenditures to Date	Remaining Balance
Severance Tax	$ 318,000	FY2019	6/30/2020	Cibola County	$ 318,000	$ -
Cibola County	300,000	FY2020	6/30/2022	Cibola County	-	300,000
Total	$ 618,000				$ 318,000	$ 300,000

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2019

Joint Power Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total Estimated Project Amount and Amount Applicable to County	Amount Contributed by Country During Fiscal year	Audit	Fiscal Agent and Responsible Reporting Entity
Northwest New Mexico Regional Solid Waste	Cibola County, City of Grants, Village of Milan, City of Gallup, and County of McKinley	Northwest New Mexico Regional Solid Waste Authority	Provide for the disposition of solid waste by establishing modern solid waste facilities.	05/06 to Indefinite	The County is required to contribute 100% of its Environment Gross Receipts Tax.	$ -	Northwest New Mexico regional Solid waste	Northwest New Mexico Regional Solid Waste
Joint Communications center	Cibola County, City of grants, and Village of Milan	Cibola County	Establish 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.	$ -	Cibola County	Cibola County
Cibola Transit Authority	Cibola County, City of grants, and Village of Milan	Village of Milan	Established a transit system to provide transportation to residents and visitors.	09/06 to Indefinite	The County contributes 43% of operating costs.	$ -	Village of Milan	Village of Milan
Senior Citizens Program	Cibola County, City of grants, and Village of Milan	City of Grants	Establishes a service area of senior citizens.	6/81 to Indefinite	The County contributes $28,000 annually.	$ -	City of Grants	City of Grants
Mother Whiteside Memorial Library	Cibola County, City of grants, and Village of Milan	City of Grants	Provides capital and operating funds to establish a library.	6/81 to Indefinite	The County contributes $5,000 annually.	$ -	City of Grants	City of Grants
Animal Control and Shelter	Cibola County, City of Grants	City of Grants	Provide sheltering for caputres animals for the purpose of preventing nuisance, disease, and animal cruelty.	12/97 to Indefinite	The County contributes $32,500 annually.	$ -	City of Grants	City of Grants
Tax and revenue Department	Cibola County, State of New Mexico Taxation & Revenue Dept.	Cibola County Clerk's Office	Enables the County to register taxpayers with TRD and assign TRD identification numbers to taxpayers engaging in business in the County whose business obtain licenses from the County.	8/2010 to Indefinite	Free Service	$ -	Cibola County	Cibola County Clerk's Office

STATE OF NEW MEXICO
CIBOLA COUNTY
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Balance June 30, 2018	Additions	Deductions	**Balance June 30, 2019**
ASSETS				
Cash and cash equivalents	$ 576,105	$ -	$ (183,200)	**$ 392,905**
Property taxes receivable	2,018,097	8,392,117	(8,270,829)	**2,139,385**
Receivable from federal government for ICE and US Marshal's billings	-	15,986,285	(15,986,295)	**4,484,770**
Total assets	$ 2,594,202	$ 24,378,402	$ (24,440,324)	**$ 7,017,060**
LIABILITIES				
Property taxes paid in advance	$ 250,419	$ 142,486	$ -	**$ 392,905**
Due to taxing entities	2,343,783	8,066,431	(8,270,829)	**2,139,385**
Due to Core Civic for ICE and US Marshal's billings	-	15,986,295	(15,986,295)	**4,484,770**
Total liabilities	$ 2,594,202	$ 24,195,212	$ (24,257,124)	**$ 7,017,060**

COMPLIANCE SECTION

JARAMILLO ACCOUNTING GROUP
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Cibola County
Grants, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the Cibola County, New Mexico (County) as of and for the year ended June 30, 2019, and related notes to the financial statements, which collectively comprise the County's basic financial statements, and the combining and individual funds and related budgetary comparisons of the County, presented as supplemental information, and have issued our report thereon dated December 2, 2019.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County'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 2019-001, 2019-002, 2019-003, and CU2019-001 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 2019-004, 2019-005, and CU2019-002 to be significant deficiencies.

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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, CU2019-003, CU2019-004, CU2019-005, CU2019-006, CU2019-007, and CU2019-008.

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.

JAG LLC

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

STATE OF NEW MEXICO
CIBOLA COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

County Financial Statement Findings:

2013-001	Capital Assets	Repeated and modified
2013-005	Travel and Per Diem	Resolved
2013-011	Exceeded Budget Authority	Resolved
2014-001	Journal Entries	Resolved
2015-002	Bank reconciliation	Resolved
2017-001	Payroll	Resolved
2017-002	Preparation of Accounts Payable	Resolved
2017-003	Internal Control Over Cash Disbursements	Resolved
2017-004	Compliance with Procurement Code – Bids	Resolved
2017-005	Property Taxes Receivable	Repeated and modified
2017-006	GASB Statement 77 Tax Abatement Disclosures	Resolved
2017-007	Receivables/Receipts	Resolved
2018-001	Exclusion of Material Component Unit	Resolved
2018-002	Financial Close and Reporting	Repeated and modified
2018-003	IT Access – Segregation of Duties	Resolved
2018-004	Firearms Room Inventory Controls	Repeated and modified
2018-005	Stale Dated Checks	Resolved
2018-006	Agreements Executed without NM DFA	Resolved

Section 12-6-5 NMSA 1978 Findings:

2014-007	Property Tax Schedule Not Included	Resolved

Component Unit Financial Statement Findings:

CU2018-001	Financial Close and Reporting (previously labeled as “Material Audit Adjustments”)	Repeated and modified
CU2018-002	Lack of Supporting Documentation	Repeated and modified
CU2018-003	Lack of Internal Controls over Journal Entries	Resolved
CU2018-004	Lack of Internal Controls over Inventory	Resolved
CU2018-005	Lack of Internal Controls over Receivables and Revenues	Resolved
CU2018-006	Lack of Internal Controls over Cash	Resolved
CU2018-007	Lack of Internal Controls over Accounts Payable and Expenses	Resolved
CU2018-008	Lack of Internal Controls over Payroll and Self-Insurance from Service Organization	Resolved
CU2018-009	Indigent Care Schedules	Resolved
CU2018-010	Policies and Procedures	Resolved
CU2018-011	Per Diem and Mileage Act	Resolved
CU2018-012	Stale Dated Checks	Repeated and modified
CU2018-013	Credit Card Policy and Use	Resolved
CU2018-014	Capital Asset Dispositions and Year End Inventory	Repeated and modified
CU2018-015	Late Audit Report	Repeated and modified

SECTION IA – COUNTY SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
• Non-compliance material to financial statements noted?	Yes

SECTION IB – COMPONENT UNIT SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
• Non-compliance material to financial statements noted?	Yes

SECTION IIA – COUNTY FINANCIAL STATEMENT FINDINGS

2019-001 (PREVIOUSLY REPORTED AS 2013-001) CAPITAL ASSETS (REPEATED AND MODIFIED)

TYPE OF FINDING: Material Weakness, Material Non-Compliance

CONDITION

The County did not provide complete capital asset rollforward listings and depreciation schedules that agreed to the trial balance for governmental or business-type activities. The County did not reconcile their current year capital outlay with capital asset additions and it appears they were capitalizing items less than $5,000. Capital assets as presented at June 30, 2019 were identified to not be in proper existence prior to fiscal year 2019.

The County did make progress in resolving this finding by hiring a contractor to assist them during fiscal year 2019. The County requires more time to adjust the listing in order to be able to report capital assets in the financial statements accurately. It is important the County address the County's land listing separate from buildings, infrastructure items of approximately $13 million, restate beginning balances in the rollforward, identify original acquisition dates and costs, and correctly run depreciation (accumulated and current year).

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. 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. Additionally, GASB 34 provides guidance to governments on recording and tracking capital assets.

EFFECT

The County is non-compliant with Section 12-6-10, NMSA 1978, and NMAC 2.20.1.16. Since the County was unable to provide accurate schedules, the audit opinion is a qualification of opinion for both governmental and business-type capital assets.

CAUSE

The County obtained a detailed listing from a contractor; however, the assets were not classified properly and incomplete. Therefore the listing was not able to be presented in an appropriate financial statement format.

RECOMMENDATIONS

The County needs to become familiar with the asset listing software and be able to provide an accurate listing of assets, including cost depreciation and total accumulated depreciation in order to properly record and report the County's capital assets at year end. The historical acquisition dates and costs must be identified, along with remaining useful lives. The prior audited listings for land and infrastructure should be obtained and analyzed.

SECTION IIA – COUNTY FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-001 (PREVIOUSLY REPORTED AS 2013-001) CAPITAL ASSETS (REPEATED AND MODIFIED) (CONTINUED)

MANAGEMENT'S RESPONSE
Corrective Action: The County has addressed this material weaknesses. An RFP was submitted and the County purchased an asset inventory software. The Management is confident that by FY 2020 we will be complying and will understand what is needed to resolve this finding. The Management also believes that the County has the information, but was not able to export it to the auditor's satisfaction. Management believes that the information will be readily available and clearly formatted for next year.

Estimated Completion Date: June 30, 2020

Responsible Party: Procurement Agent

SECTION IIA – COUNTY FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-002 (PREVIOUSLY REPORTED AS 2017-005) PROPERTY TAXES RECEIVABLE (REPEATED AND MODIFIED)

TYPE OF FINDING: Material Weakness, Material Non-Compliance

CONDITION
The County did make progress in resolving this finding. The County has reconciled all the years back to 2012; however, due to a software conversion from Caselle to TYLER in 2012, they are unable to reconcile the years 2009, 2010, and 2011. At June 30, 2019, this is a difference of $287,989.

CRITERIA
In order to maintain "adequate accounting records" as required by 2.2.2.10 D NMSA, a monthly reconciliation of property taxes receivable is required to ensure the assessment, collection and adjustments are properly applied. 2.2.2.12 D NMSA 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 misstatements.

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 the NM State Audit Rule no less than once a year.

MANAGEMENT'S RESPONSE
Corrective Action: The Management is confident that with time and experience the administrative staff will work extremely closely with the treasurer and continue to strive for solutions with these findings.

Estimated Completion Date: June 30, 2020, with the understanding that the County may not have correct numbers until their software has all the years posted.

Responsible Party: County Treasurer, Finance Department

SECTION IIA – COUNTY FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-003 (PREVIOUSLY REPORTED AS 2018-002) FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED)

TYPE OF FINDING: Material Weakness

CONDITION

The Finance Department did not provide for the audit process all modified accrual and full accrual journal entries and did not timely provide the schedules to be audited. Additionally, we identified material journal entries during our audit procedures. There are significant areas in the accounting and financial close and reporting processes which need to be enhanced. These would assist in Finance in preventing and detecting errors, clearing findings, and creating a smoother audit process:

Designing and implementing controls over compliance and financial reporting of:

- Accrued liabilities
- Governmental and business type capital assets
- Property tax receivables and schedules (including deferred portion)
- Gross receipts tax receivable
- Agency fund cash and receivable (agency fund cash and undistributed tax line items not adjusted)
- Compensated absences
- Attending training on Governmental Accounting Standards Board Statements (GASBS) so that Finance employees could prepare the financial statements on their own, should they choose to in the future.

When auditors are catching errors and journal entries or having difficulty auditing, it is an indication that improvements are necessary in the financial close and reporting process. When management or governance cannot obtain information timely in order to make decisions, it is a sign that there are inefficiencies in the financial close and reporting process.

CRITERIA

There are several key underlying accounting standards to an organization designing and implementing an effective financial close and reporting process. Auditors are required to identify and communicate internal control weaknesses according to Statement on Auditing Standards (SAS) AU Section 325 Communication of Internal Control Related Matters Identified in an Audit, which includes:

- The auditor cannot be a part of a client’s internal control because becoming part of a client’s internal control impairs auditor independence.
- The auditor’s work is independent of the client’s internal control over financial reporting and the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; it includes controls over the presentation of the financial statements.
- Financial reporting is considered a significant process of internal control and should be performed by the County’s staff or under the supervision of County’s staff.

SECTION IIA – COUNTY FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-003 (PREVIOUSLY REPORTED AS 2018-002) FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED) (CONTINUED)

Auditing standards require the auditor to obtain the auditees' agreement to correct material misstatements in their financial statements before the financial statements are issued. This agreement is fulfilled up front in the engagement letter by getting the auditee to agree to doing this. Additionally, at the end of the audit, the auditee also fulfills this obligation when they sign the audit representation letter.

To achieve this, the auditee must provide the auditor cash basis trial balances that are free of material misstatement, all the receivables and payables (modified accrual entries) and then, at a minimum, all the correct supporting information for the full accrual statements (accrued compensated absences, pension accrual, bond debt, capital asset detail along with the accumulated depreciation and depreciation expense, property tax receivable, etc.). The auditee must fully understand how all the adjustments flow through the trial balances that link into the final product (the financial statements).

- **Cash basis.** Have a process in place to give the auditors the correct (free of material adjustments) cash basis trial balances.
- **Modified accrual basis.** Take ownership for and agree that the modified accrual basis adjustments (primarily receivables and payables) made by the auditor from the County's detail to the cash basis trial balances are materially correct. A modified accrual basis trial balance is simply the cash basis trial balance plus receivables and payables at year-end. The modified accrual basis trial balances are grouped by category and then used to create all the individual funds presented in the annual financial report.
- **Full accrual basis.** Starting with the above final modified accrual basis trial balances then take ownership for the all the adjustments from the total modified basis to the full accrual basis (the entity-wide statements at the very front of the annual financial report).

EFFECT
The County's account balances may not be reflected accurately and the County has made itself more susceptible to the possibility of financial reporting or management decision errors.

CAUSE
The County's Finance Department has not maintained consistent, trained accountants with financial reporting experience.

RECOMMENDATIONS
We recommend that the County reconcile balances monthly and run complete and accurate reports for management review and approval. The County's financial close and reporting controls should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the County's general ledger.
- Preparing PBCs in the format of the financial statement requirements.

SECTION IIA – COUNTY FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-003 (PREVIOUSLY REPORTED AS 2018-002) FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED) (CONTINUED)

- Preparing schedules and performing work in compliance with all laws, regulations, contracts, and agreements.
- Providing all cash to modified accrual basis journal entries for the fund financial statements.
- Providing cash to full accrual basis journal entries for the government-wide financial statements.
- Establishing and implementing procedures and records to initiate, authorize, record, process, correct, transfer to the general ledger, and report in the financial statements the County's transactions.
- Monitoring the non-audit services provided by the external auditor and reviewing and approving the services provided.
- Timely providing for audit schedules which are complete and accurate.
- Reviewing in detail the financial statements and related reports.

MANAGEMENT RESPONSE
Corrective Action: The County has implemented stronger internal controls with all departments.

Due date of Completion: June 30, 2020

Responsible Party: Treasurer, Finance, Management

SECTION IIA – COUNTY FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-004 WRITE-OFFS OF PROPERTY TAXES RECEIVABLE, PENALTIES, AND INTEREST

TYPE OF FINDING: Significant Deficiency

CONDITION

During the audit, we became aware of a potential fraud risk relating to unaccounted for write-offs of property taxes receivable. As part of our audit approach, we requested from the Treasurer's Office a report of overrides showing write-offs of property taxes receivable and penalties and interest on balances. Weeks later, on the day of the exit conference, we received a reconciliation of $189,605 in write-offs for fiscal year 2019 and reports, which were inaccurate.

The information was not readily available and did not appear to have a second level of review and approval. The County Treasurer's Office, with assistance from Finance, needs policies and procedures over any overrides, refunds, voids, settlements, write-offs, auction tax sales, and tax roll off amounts. These should be prepared monthly with clear segregation of duties and approvals. Fraud, errors, and/or violations of the Anti-Donation Clause of the State of New Mexico are possible.

CRITERIA

In order to maintain "adequate accounting records" as required by 2.2.2.10 D NMSA, a monthly reconciliation of property taxes is required to ensure the assessment, collection, and adjustments are properly applied.

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

CAUSE

The County did not have the proper internal control policies or procedures implemented requiring complete documentation to be maintained for any write-offs as they relate to the payment and collection of property taxes including any associated penalties and interest.

EFFECT

The County is at risk that improper write-offs of property taxes, penalties, and interest due to fraud or error would be in violation of the Anti-Donation Clause.

SECTION IIA – COUNTY FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-004 WRITE-OFFS OF PROPERTY TAXES RECEIVABLE, PENALTIES, AND INTEREST (CONTINUED)

RECOMMENDATION

We recommend an internal audit of the County's systems, controls, and history of write-offs. The County should maintain proper documentation and support for all "overrides" that are made to any property tax accounts immediately accessible. Furthermore, all write-offs of penalties and interest related to property tax accounts must contain the proper review and authorization. Internal controls should be designed and implemented immediately, along with new policies and procedures.

MANAGEMENT'S RESPONSE

Corrective Action: The Treasurer has communicated with the Finance staff and has agreed to allow the manager's office to reconcile the write-off report. Until the management and the treasurer has the correct information, the treasurer has agreed to allow management to act accordingly to address this report once finance has completed the reconciliation. Management will work closely with the treasurer to implement necessary internal controls and stronger policies and procedures starting immediately.

Estimated Completion Date: FY 2020

Responsible Party: Treasurer, Finance

SECTION IIA – COUNTY FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-005 (PREVIOUSLY REPORTED AS 2018-004) FIREARMS ROOM INVENTORY CONTROLS (REPEATED AND MODIFIED)

TYPE OF FINDING: Significant Deficiency

CONDITION
During our testing over controls over the County's inventory, we performed a walkthrough of the County Sheriff's Office arms room. We noted that firearms are tagged properly with capital asset tags, and that firearms are signed in and out with the tag number for each weapon and its serial number on a sign-out sheet, signed by the County Sheriff certifying that individual has the proper training and authorization, per written policy. It was noted that there is no formal inventory or tracking of ammunition other than a log of ammunition signed in and out, which is not sufficient to track total counts.

While certain informal controls were noted, the firearms and ammunition rooms lacked written policies and procedures for proper tracking of inventory and assets, and physical security requirements.

The county has made progress in addressing this finding in the current year, as they have created a listing of all the assets at the Sherriff's office that are owned by the County.

CRITERIA
The COSO Internal Control Integrated Framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring. With these elements in place, the County can maximize its potential for achieving its performance targets and reduce the risk of loss of resources.

EFFECT
Without all of the five elements of the COSO Internal Control Integrated Framework present, the County is exposing itself to the risk of misappropriation of assets.

CAUSE
The County has not implemented proper internal controls in order to verify that all inventory is properly safeguarded and not missing or stolen.

RECOMMENDATION
We recommend that the County implement an internal control process for firearm and ammunition inventory, including, written policies and procedures, and regular inventory counts, in order to properly safeguard County inventory. Ammunition is costly and may be difficult to re-order on short notice, making it an item of higher risk of theft. We recommend a review of these processes and tightening controls.

MANAGEMENT'S RESPONSE
Corrective Action: Management will address this finding with the administration of the Sheriff's Department and request written policies and procedures to be followed.

Due Date of Completion: June 30, 2020

Responsible Party: County Sheriff

SECTION IIB – COMPONENT UNIT FINANCIAL STATEMENT FINDINGS

CU2019-001 (PREVIOUSLY REPORTED AS 2018-002) LACK OF SUPPORTING DOCUMENTATION AND INSUFFICIENT AND INCORRECT DETAIL (REPEATED AND MODIFIED)

TYPE OF FINDING: Material Weakness

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

- The Hospital was unable to provide a list of Clinic patient accounts receivable at June 30, 2019, as the report was not run on this date. Clinic patient accounts receivable, net of allowance, make up $468,191, or 9%, of the total patient accounts receivable (net of allowance) balance of $5,082,161. We noted the Clinic patient accounts receivable, as measured at the end of each month, was fairly consistent during the fiscal year and comparable to the June 30, 2019 balance. Additionally, at the onset our of audit work, management provided a detailed Clinic patient accounts report as of September 10, 2019 as additional evidence to support the assertion that the balance at June 30, 2019 was materially correct.

- The capital asset depreciation schedule was not generated as of June 30, 2019. We were able to manually rollback the depreciation schedule from the September 30, 2019 to June 30, 2019 to ensure that capital asset accumulated depreciation was fairly stated.

- The initial patient accounts receivable allowance calculation had certain calculation errors and excluded certain Medicaid balances. After discovering these errors, we requested and received a corrected calculation resulting in an audit adjustment of $55,679.

- The chart of accounts is not sufficiently designed to aid in the financial close and reporting and monitoring processes between the Hospital and Clinic. Contractual adjustments are not divided between clinic and hospital operations. Clinic patient accounts receivable, net of allowance is reported as a single account, and does not appropriately break the allowance out into its own account.

- We were unable to tie out the net patient service revenue per the subledgers ($32,785,541) to the general ledger ($25,100,361) thus increasing the risk of misclassification of revenues and / or expenses.

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

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

SECTION IIB – COMPONENT UNIT FINANCIAL STATEMENT FINDINGS (CONTINUED)

CU2019-001 (PREVIOUSLY REPORTED AS 2018-002) LACK OF SUPPORTING DOCUMENTATION AND INSUFFICIENT AND INCORRECT DETAIL (REPEATED AND MODIFIED) (CONTINUED)

EFFECT
The Hospital's financial statements may be misstated.

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

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

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

Estimated Completion Date: January 31, 2021

Responsible Party: Chief Financial Officer

SECTION IIB – COMPONENT UNIT FINANCIAL STATEMENT FINDINGS (CONTINUED)

CU2019-002 (PREVIOUSLY REPORTED AS 2018-001) FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED)

TYPE OF FINDING: Significant Deficiency

CONDITION

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

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

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

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

CRITERIA

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

EFFECT

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

CAUSE

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

AUDITOR'S RECOMMENDATION

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

SECTION IIB – COMPONENT UNIT FINANCIAL STATEMENT FINDINGS (CONTINUED)

CU2019-002 (PREVIOUSLY REPORTED AS 2018-001) FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED) (CONTINUED)

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

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

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

Estimated Completion Date: June 30, 2020

Responsible Party: Chief Financial Officer, Board of Trustees

SECTION IIB – COMPONENT UNIT FINANCIAL STATEMENT FINDINGS (CONTINUED)

CU2019-003 (PREVIOUSLY REPORTED AS 2018-012) STALE DATED CHECKS (REPEATED AND MODIFIED)

TYPE OF FINDING: Other Non-Compliance

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

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

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

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

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

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

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

Estimated Completion Date: January 31, 2020

Responsible Party: Chief Financial Officer

SECTION IIB – COMPONENT UNIT FINANCIAL STATEMENT FINDINGS (CONTINUED)

CU2019-004 (PREVIOUSLY REPORTED AS 2018-014) CAPITAL ASSET DISPOSITIONS AND YEAR-END INVENTORY (REPEATED AND MODIFIED)

TYPE OF FINDING: Other Non-Compliance

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

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

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

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

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

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

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

Estimated Completion Date: June 30, 2020

Responsible Party: Hospital Board, Chief Financial Officer

SECTION IIB – COMPONENT UNIT FINANCIAL STATEMENT FINDINGS (CONTINUED)

CU2019-005 PROCUREMENT

TYPE OF FINDING: Material Non-Compliance

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

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

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

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

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

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

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

SECTION IIB – COMPONENT UNIT FINANCIAL STATEMENT FINDINGS (CONTINUED)

CU2019-005 PROCUREMENT (CONTINUED)

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

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

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

Estimated Completion Date: June 30, 2020

Responsible Party: Hospital Board of Directors, Chief Financial Officer

SECTION IIB – COMPONENT UNIT FINANCIAL STATEMENT FINDINGS (CONTINUED)

CU2019-006 (PREVIOUSLY REPORTED AS 2018-015) LATE AUDIT REPORT (REPEATED AND MODIFIED)

TYPE OF FINDING: Other Non-Compliance

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

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

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

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

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

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

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

Estimated Completion Date: October 15, 2020

Responsible Party: Board of Directors, Chief Financial Officer

SECTION IIB – COMPONENT UNIT FINANCIAL STATEMENT FINDINGS (CONTINUED)

CU2019-007 COLLATERALIZATION OF BANK ACCOUNTS

TYPE OF FINDING: Other Non-Compliance

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

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

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

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

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

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

Estimated Completion Date: December 31, 2019

Responsible Party: Chief Financial Officer

SECTION IIB – COMPONENT UNIT FINANCIAL STATEMENT FINDINGS (CONTINUED)

CU2019-008 ANTI-DONATION CLAUSE OF THE NEW MEXICO CONSTITUTION

TYPE OF FINDING: Non-Compliance

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

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

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

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

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

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

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

Due Date of Completion: December 31, 2021

Responsible Party: CEO

STATE OF NEW MEXICO
CIBOLA COUNTY
EXIT CONFERENCE
JUNE 30, 2019

The contents of the County's report were discussed on November 29, 2019. The following individuals were in attendance:

COUNTY:

<u>County Commissioners</u>	
Daniel J. Torrez	Commissioner
<u>County Administration</u>	
Kathy Gonzales	County Treasurer
Kate Fletcher	County Manager
Paul Ludi	Finance Director
Wendy Self	CPO Chief Procurement Officer

COMPONENT UNIT:

<u>Hospital Board of Trustees</u>
Bob Tenequer, Chairperson

<u>Hospital Administration</u>
Thomas Whelan, Chief Executive Officer
Jim Hermes, Chief Financial Officer

<u>JARAMILLO ACCOUNTING GROUP LLC (JAG)</u>
Audrey J. Jaramillo, CPA, CFE, Partner
Scott Eliason, CPA, Partner
Shawn Mortensen, CPA, Manager

Jaramillo Accounting Group LLC (JAG) 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.