

STATE OF NEW MEXICO

DE BACA COUNTY

AUDIT REPORT

For the Year Ended June 30, 2006

(with Auditor's Report Thereon)

RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

DE BACA COUNTY

AUDIT REPORT

For The Year Ended June 30, 2006

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
 DE BACA COUNTY
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STATE OF NEW MEXICO
DE BACA COUNTY
Official Roster
Year Ended June 30, 2006

County Commission

Mr. Powhatan Carter III	Chairman
Mr. Joe Steele	Vice-Chairman
Mr. Tommy Roybal	Member

Elected Officials

Ms. Laurie Pettigrew	Clerk
Mr. Randy Ballard	Treasurer
Ms. Barbara Landrum	Assessor
Mr. Mike Chavez	Sheriff
Ms. Linda Sena	Probate Judge

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor
and
Commissioners of De Baca County
De Baca County
Fort Sumner, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of De Baca County, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the County's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006. We did not audit the financial statements of the discretely presented component unit-proprietary fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit-proprietary fund, is based on the report of the other auditors. These financial statements are the responsibility of De Baca County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion and the report of other auditors, 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 De Baca County, as of June 30, 2006, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the General Fund, Road fund and Correction Fees Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of De Baca County, as of June 30, 2006 and the respective changes in financial position, thereof and the respective budgetary comparisons for the non-major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The County has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2008 on our consideration of De Baca County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the basic financial statements and the combining and individual financial statements and the budgetary comparisons of De Baca County. The accompanying financial information listed as Schedule of Budgetary Basis to GAAP Reconciliation is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, has been subjected to the auditing procedures applied in the audit of the basic combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



June 24, 2008

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
DE BACA COUNTY
Statement of Net Assets
June 30, 2006

Statement 1

	Governmental Activities	De Baca Clinic Component Unit
ASSETS		
Current Assets		
Cash	\$ 2,083,648	\$ 183,244
Board designated cash	-	300,000
Accounts receivable (net)	47,003	90,308
Due from grantor	-	66,042
Total current assets	2,130,651	639,594
Capital Assets		
Land (non-depreciable)	52,925	-
Capital assets (depreciable)	1,004,120	466,801
Total capital assets	1,057,045	466,801
Total assets	\$ 3,187,696	\$ 1,106,395
Current Liabilities		
Accounts payable	\$ 45,479	\$ 38,455
NMFA Loan (current portion)	33,469	-
Deferred revenue	7,343	63,851
Total current liabilities	86,291	102,306
Non-Current Liabilities		
NMFA Loan (non-current portion)	267,876	-
Note payable	-	33,112
Compensated absences payable	16,455	19,944
Landfill closure and post-closure costs	736,500	-
Total non-current liabilities	1,020,831	53,056
Total liabilities	1,107,122	155,362
Net Assets		
Invested in capital assets, net of related debt	755,700	369,838
Unrestricted	1,324,874	581,195
Total net assets	2,080,574	951,033
Total liabilities and net assets	\$ 3,187,696	\$ 1,106,395

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY
Statement of Activities
Year Ended June 30, 2006

Statement 2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	De Baca Clinic Component Unit
Primary government:						
Governmental activities:						
General government	\$ 354,660	\$ 166,434	\$ 565,844	\$ 3,100	\$ 380,718	\$ -
Highways and streets	373,221	258	-	164,181	(208,782)	-
Health and welfare	257,551	11,313	112,876	-	(133,362)	-
Public safety	695,562	41,053	218,180	-	(436,329)	-
Culture and recreation	-	-	-	-	-	-
Depreciation - unallocated	249,150	-	-	-	(249,150)	-
Interest on long-term obligations	6,381	-	-	-	(6,381)	-
Total primary government	\$ 1,936,525	\$ 219,058	\$ 896,900	\$ 167,281	(653,286)	-
Component Unit:						
De Baca Clinic	\$ 1,576,015	\$ 1,467,676	\$ 35,389	\$ 101,787		28,837
General Revenues:						
Property taxes					495,229	171,704
Gross receipts taxes					146,295	-
Motor vehicle taxes					322,490	-
Gas taxes					133,424	-
Interest and investment earnings					53,136	100
Other non-operating revenues					-	1,357
Total general revenues					1,150,574	173,161
Change in net assets					497,288	201,998
Net assets - beginning					1,583,286	749,034
Net assets - ending					\$ 2,080,574	\$ 951,032

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY
Balance Sheet
Governmental Funds
June 30, 2006

Statement 3

	General	Road	Correction Fees Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash on deposit	\$ 565,673	\$ 1,073,958	\$ 10,347	\$ 433,670	\$ 2,083,648
Accounts receivable	10,662	32,097	-	4,244	47,003
Total assets	<u>\$ 576,335</u>	<u>\$ 1,106,055</u>	<u>\$ 10,347</u>	<u>\$ 437,914</u>	<u>\$ 2,130,651</u>
LIABILITIES					
Accounts payable	\$ 25,995	\$ 19,484	\$ -	\$ -	\$ 45,479
Deferred revenue	-	-	-	7,343	7,343
Total liabilities	<u>25,995</u>	<u>19,484</u>	<u>-</u>	<u>7,343</u>	<u>52,822</u>
FUND BALANCE					
Unreserved:					
Undesignated reported in:					
General fund	550,340	-	-	-	550,340
Special revenue funds	-	1,086,571	10,347	430,571	1,527,489
Total fund balance	<u>550,340</u>	<u>1,086,571</u>	<u>10,347</u>	<u>430,571</u>	<u>2,077,829</u>
Total liabilities and fund balance	<u>\$ 576,335</u>	<u>\$ 1,106,055</u>	<u>\$ 10,347</u>	<u>\$ 437,914</u>	<u>\$ 2,130,651</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO

Statement 4

DE BACA COUNTY

Reconciliation of the Balance Sheet - Government Funds
to the Statement of Net Assets
June 30, 2006

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

Total fund balances - governmental funds		\$	2,077,829
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Capital assets used in governmental activities are
not financial resources and therefore are not
reported as assets in governmental funds

The cost of capital assets	3,163,119		
Accumulated depreciation	<u>(2,106,074)</u>		
			1,057,045

Long-term and certain other liabilities, including
loans payable, are not due and payable in the
current period and therefore are not reported as liabilities
in the funds. Long-term and other liabilities at year-end
consist of:

NMFA loans payable	(301,345)		
Compensated absences payable	(16,455)		
Landfill closure costs payable	<u>(736,500)</u>		
			<u>(1,054,300)</u>

Total net assets - governmental funds		\$	<u>2,080,574</u>
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The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended June 30, 2006

Statement 5

	General Fund	Road Fund	Correction Fees Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 480,985	\$ -	\$ -	\$ 14,244	\$ 495,229
Sales taxes	66,483	-	-	79,812	146,295
Motor vehicle taxes	9,621	312,869	-	-	322,490
Gas taxes	-	133,424	-	-	133,424
Charges for services	35,213	258	35,138	5,041	75,650
Fines and forfeitures	3,225	-	-	-	3,225
Licenses and permits	2,310	-	-	925	3,235
Fees	9,754	-	-	-	9,754
Rents	102,570	10,265	-	-	112,835
Local sources	54,444	-	-	26,859	81,303
State sources	487,041	164,181	-	328,556	979,778
Federal sources	-	-	-	17,459	17,459
Earnings from investments	18,812	25,831	895	7,598	53,136
Total revenues	<u>1,270,458</u>	<u>646,828</u>	<u>36,033</u>	<u>480,494</u>	<u>2,433,813</u>
EXPENDITURES					
Current:					
General government	330,532	-	-	34,307	364,839
Highways and streets	-	373,221	-	-	373,221
Public safety	280,408	-	255,005	160,149	695,562
Health & welfare	95,633	-	-	161,918	257,551
Culture and recreation	-	-	-	-	-
Capital outlay	157,238	335,908	-	24,100	517,246
Debt service:					
Principal	-	-	-	32,411	32,411
Interest	-	-	-	6,381	6,381
Total expenditures	<u>863,811</u>	<u>709,129</u>	<u>255,005</u>	<u>419,266</u>	<u>2,247,211</u>
Excess (deficiency) revenues over expenditures	406,647	(62,301)	(218,972)	61,228	186,602
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	221,566	33,660	255,226
Operating transfers (out)	(247,476)	-	-	(7,750)	(255,226)
Total other financing sources (uses)	<u>(247,476)</u>	<u>-</u>	<u>221,566</u>	<u>25,910</u>	<u>-</u>
Net change in fund balances	159,171	(62,301)	2,594	87,138	186,602
Fund balance beginning of year	391,169	1,148,872	7,753	343,433	1,891,227
Fund balance end of year	<u>\$ 550,340</u>	<u>\$ 1,086,571</u>	<u>\$ 10,347</u>	<u>\$ 430,571</u>	<u>\$ 2,077,829</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY

Statement 6

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, 2006

Net change in fund balances - total governmental funds \$ 186,602

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

Capital outlays to purchase or build capital
assets are reported in governmental funds as
expenditures. However, for governmental
activities those costs are shown in the statement
of net assets and allocated over their estimated
useful lives as annual depreciation expenses in the
statement of activities. This is the amount by which
capital outlays exceeds depreciation in the period.

Capital outlays	517,246	
Depreciation expense	<u>(249,150)</u>	
Excess of capital outlay over depreciation expense		<u>268,096</u>

In the Statement of Activities, certain operating expenses are
measured by the amount incurred during the year. In the fund
financial statements, however, expenditures are measured by
the amount of financial resources used (essentially the amount
actually paid). The (increases) decreases in the liabilities for the
year were:

Compensated absences payable 10,180

Repayment of loans payable principal is an expenditure
in the governmental funds, but it reduces long-term
liabilities in the statement of net assets and does not
affect the Statement of Activities 32,410

Change in net assets of governmental activities \$ 497,288

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY
General Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 427,000	\$ 427,000	\$ 480,985	\$ 53,985
Sales taxes	51,000	51,000	62,657	11,657
Motor vehicle taxes	7,600	7,600	8,890	1,290
Charges for services	24,450	24,450	35,213	10,763
Fines and forfeitures	2,500	2,500	3,225	725
Licenses and permits	2,200	2,200	2,310	110
Fees	5,410	5,410	9,754	4,344
Rents	12,200	12,200	102,570	90,370
Local sources	42,000	42,000	49,444	7,444
State sources	325,000	325,000	487,041	162,041
Federal sources	147,165	147,165	-	(147,165)
Earnings from investments	9,500	9,500	18,812	9,312
	<u>\$ 1,056,025</u>	<u>\$ 1,056,025</u>	<u>\$ 1,260,901</u>	<u>\$ 204,876</u>
EXPENDITURES				
General government	\$ 721,046	\$ 721,046	\$ 487,026	\$ 234,020
Public safety	280,441	280,441	280,408	33
Health and welfare	86,250	95,633	95,633	-
Culture and recreation	-	-	-	-
	<u>\$ 1,087,737</u>	<u>\$ 1,097,120</u>	<u>\$ 863,067</u>	<u>\$ 234,053</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(247,476)	(247,476)	(247,476)	-
	<u>\$ (247,476)</u>	<u>\$ (247,476)</u>	<u>\$ (247,476)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 279,188</u>	<u>\$ 288,571</u>		

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Special Revenue Fund - Road Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 2,500	\$ 2,500	\$ 10,523	\$ 8,023
Local sources	1,300	1,300	-	(1,300)
State sources	320,557	320,557	164,181	(156,376)
State shares taxes	333,000	333,000	426,742	93,742
Earnings from investments	15,000	15,000	25,831	10,831
Total revenues	<u>\$ 672,357</u>	<u>\$ 672,357</u>	<u>\$ 627,277</u>	<u>\$ (45,080)</u>
EXPENDITURES				
Highways and streets	\$ 846,116	\$ 846,116	\$ 715,174	\$ 130,942
Total expenditures	<u>\$ 846,116</u>	<u>\$ 846,116</u>	<u>\$ 715,174</u>	<u>\$ 130,942</u>
BUDGETED CASH BALANCE	<u>\$ 173,759</u>	<u>\$ 173,759</u>		

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Special Revenue Fund - Correction Fees Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 18,000	\$ 18,000	\$ 35,138	\$ 17,138
Earnings from investments	-	-	895	895
Total revenues	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 36,033</u>	<u>\$ 18,033</u>
EXPENDITURES				
Public safety	\$ 248,138	\$ 248,138	\$ 255,005	\$ (6,867)
Total expenditures	<u>\$ 248,138</u>	<u>\$ 248,138</u>	<u>\$ 255,005</u>	<u>\$ (6,867)</u>
OTHER FINANCING SOURCES				
Transfer in	\$ 221,566	\$ 221,566	\$ 221,566	-
Total other financing sources	<u>\$ 221,566</u>	<u>\$ 221,566</u>	<u>\$ 221,566</u>	<u>-</u>
BUDGETED CASH BALANCE	<u>\$ 8,572</u>	<u>\$ 8,572</u>		

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Fiduciary Funds
 Statement of Fiduciary Assets and Liabilities - Agency Funds
 June 30, 2006

	Agency Fund
ASSETS	
Cash and temporary investments	\$ 492
Taxes receivable	71,363
Total assets	\$ 71,855
LIABILITIES	
Due to other governments	\$ 71,363
Taxes paid in advance	492
Total liabilities	\$ 71,855

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY
Notes to Financial Statements
Year Ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

De Baca County was created by Section 4-30-1, New Mexico State Statutes Annotated, 1978 Compilation. The powers of the County as a body politic and corporate are exercised by a three-member Board of Commissioners who are elected, staggering positions expire each election. At each general election in the State of New Mexico a County Assessor, County Clerk, County Sheriff and County Treasurer are elected. The County assesses, collects and distributes property taxes; records property and legal documents; provides law enforcement services and maintains County roads.

The County operates under a statutory county form of government and provides the following services as authorized by its charter; public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administration.

The accounting policies of De Baca County conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The financial statements of De Baca County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Governmental Accounting Standards Board Statement (GASBS) 14, "The Financial Reporting Entity," effective for periods beginning after December 15, 1992, established standards for defining and reporting on the financial reporting entity. GASBS 14 supersedes previous standards issued by the national Council on Governmental Accounting. The requirements of GASBS 14 apply at all levels to all state and local governments.

Notes to Financial Statements (Continued)

GASBS 14 defines the financial reporting entity as consisting of primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government." A primary government is any state government or general purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government.

In evaluating how to define the County, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and Government Accounting Standards Board (GASB) Statement 14.

The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of a governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the County and is generally available to citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of fiscal dependence, regardless of whether the government is able to exercise oversight responsibilities. In determining fiscal independence or dependence, a government entity is considered fiscally independent if it has the authority to do all three of the following:

Notes to Financial Statements (Continued)

- (a) Determine its budget without another government having the authority to approve and modify that budget
- (b) Levy taxes or set rates or changes without approval by another government, and
- (c) Issue bonded debt without approval by another government.

Based upon the application of these criteria, the following is a brief review of each component unit addressed in defining the governments reporting entity.

De Baca Family Practice Clinic

De Baca Family Practice Clinic (the "Clinic") located in Fort Sumner, New Mexico is a not-for-profit community health center. The Clinic provides comprehensive and coordinated primary and ancillary medical services to all persons regardless of ability to pay, primarily for residents of De Baca County. The Clinic was incorporated in 2001 and is considered a component unit of De Baca County.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the County. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not currently employ indirect cost allocation systems. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes are presented as general revenues.

Notes to Financial Statements (Continued)

C. Measurement Focus, Basis of Accounting, and Fund Financial Statements

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Property taxes, franchise taxes, licenses, and interest are 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgements, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Notes to Financial Statements (Continued)

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds and each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major Governmental Funds:

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

Road Fund - To account for funds used to maintain roads for which the County has responsibility. Financing is provided by motor vehicles fees and gasoline taxes flowing through from the state. Expenditures are restricted to the construction and maintenance of County roads. Authorized sections 7-1-6.26 and 27, 67-3-28.2, NMSA, 1978.

Correction Fees Fund - Authorized by Section 33.3.25, NMSA, 1978 Compilation, to be used for the maintenance and operation of the County Jail, including training, construction thereof, cost of housing County prisoners, and/or as matching funds for federal grants as these funds relate to jails.

The County reports the following Fiduciary Fund types:

Agency Funds - These funds account for monies held on behalf of school districts, special districts, municipalities and the State of New Mexico that use the County as a depository; property taxes collected on behalf of other governments.

The County reports the following Proprietary Fund types:

Enterprise Fund - Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

D. Budgetary Data

1. Budget Policy

The County follows these procedures in establishing the budgetary data reflected in the financial statements.

Notes to Financial Statements (Continued)

- a. The County administrator submits a proposed operating budget for the fiscal year commencing July 1, prior to June 30. The operating budget includes proposed expenditures and the means of financing them. A budget is proposed for the General and Special Revenue Funds.
- b. Public hearings are conducted to obtain taxpayer comments. The budgets are then submitted to the Department of Finance and Administration for review, adjustment and approval.
- c. Prior to June 30, the budget is legally enacted through passage of a resolution. The County Commission is authorized to transfer budgeted amounts between department within any fund. Department of Finance and Administration, Local Government Division must approve any revisions that alter the total expenditures of any fund.
- d. Budgets for all funds are adopted on a regulatory prescribed cash basis. The level of budgetary control is by fund total. Budgetary information is presented as amended, the amendments being adopted in a legally prescribed manner.
- e. Expenditures for each budget may not legally exceed the appropriation for fund. Appropriations lapse at year-end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.
- f. The County did not adopt the budget for the Clinic. The budgetary comparison for the Clinic appears in the Clinic's separate audit report.

2. Encumbrances

The County does not utilize encumbrance accounting.

E. Property Taxes

Articles 35 through 38, Chapter 7, New Mexico Statutes annotated, 1978 is the Property Tax Code. The code provides for valuation, administration and enforcement of property taxes. The Department of Finance and Administration sets tax rates for the governmental units sharing in the tax.

Notes to Financial Statements (Continued)

The Constitution of the State of New Mexico provides the following maximum tax rates and restrictions concerning the use of tax proceeds.

Taxes levied upon tangible property shall be in proportion of the value thereof; the taxes shall be equal and uniform upon subjects of taxation of the same class. Different methods may be provided by law to determine value of different kinds of property, but the percentage of value against which tax rates are assessed shall not exceed thirty-three and one-third percent.

Taxes levied upon real or personal property for state revenue shall not exceed four mills annually on each dollar of the assessed valuation thereof except for the support of the educational, penal, and charitable institutions of the state, payment of the state debt and interest thereon; and the total annual tax levy upon such property for all state purposes exclusive of necessary levies for the state debt shall not exceed ten mills; provided, however, that taxes levied upon real or personal tangible property for all purposes, except special levies on specific classes of property and except necessary levies for public debt, shall not exceed twenty mills annually on each dollar of the assessed valuation thereof, but laws may be passed authorizing additional taxes to be levied outside of such limitations when approved by at least a majority of the qualified electors of the taxing district who paid a property tax therein during the preceding year voting on such proposition.

Property taxes are payable November 10th and April 10th, and are delinquent if not paid within thirty days after the date on which they are due.

The County is permitted by the State Property Tax Code to levy taxes up to \$11.50 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amount for the payment of principal and interest on long-term debt.

F. Assets, Liabilities and Equity

1. Deposits and investments

The County's cash and investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of one year or less from the date of acquisition. State statutes (Public Monies Act 6-10-1 through 6-10-63 NMSA 1978) authorize the County to invest in

Notes to Financial Statements (Continued)

(1) bond or negotiable securities of the United States, the state or any county, municipality or school district which 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 five years last preceding; or (2) securities that are issued by the United States government or by its agencies or instrumentality and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government. The County may also invest in repurchase agreements and in the State Treasurer's Investment Pool. Sections 6-10-16 and 6-10-17 NMSA 1978, requires that the deposit of public money be secured by securities of the United States, its agencies or instrumentality or by securities of the State of New Mexico, its agencies instrumentality, counties, municipalities or other subdivisions or by securities that are guaranteed by the United States or the State of New Mexico equal to one-half of the amount of public money on deposit.

2. Receivables and payables

Transactions between funds that are representatives of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". All property tax and intergovernmental receivables are deemed fully collectible and no allowance for uncollectibles is recorded.

G. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Sick leave is lost if the employee leaves the County.

H. Inventory

Purchase for supplies are recorded as expenditures and are not recorded as assets on the balance sheet.

Notes to Financial Statements (Continued)

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental type activities 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 (amount not rounded) and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets are not included as part of the governmental capital assets reported in the government wide statements as the County was determined to be in Phase 3 of the implementation of GASB Statement No. 34 and not required to retroactively report major general infrastructure assets. Donated capital assets are recorded at their estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	33
Building improvements	33
Furniture	5
Equipment	7
Vehicles	5
Heavy equipment	10

The County does not capitalize computer software or software developed for internal use (if applicable), unless it exceeds the \$5,000 threshold.

Notes to Financial Statements (Continued)

2. DEPOSITORY COLLATERAL

The following is the Cash on Deposit at each financial institution.

Citizens Bank of Clovis	Savings	\$ 157,936
Citizens Bank of Clovis	Checking	1,315,407
Citizens Bank of Clovis	Checking	50
Citizens Bank of Clovis	Checking	-0-
Citizens Bank of Clovis	Checking	132,190
Citizens Bank of Clovis	Certificate of Deposit	500,000
Total		<u>\$2,105,583</u>
Total amount on deposit		\$2,105,583
Outstanding checks		(78,269)
Cash on hand		300
Deposit in transit		56,526
Total per financial statements		<u>\$2,084,140</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$1,905,583 of the County's bank balance of \$2,105,583 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ -
B. Uninsured and collateralized by the pledging bank's trust department but not in the County's name	<u>1,905,583</u>
Total	<u>\$1,905,583</u>

At June 30, 2006, the carrying amount of the County's deposits was \$2,084,140 and the bank balance was \$2,105,583. Of this balance, \$200,000 was covered by federal depository insurance leaving \$1,905,583 exposed to custodial credit risk. Collateral with a fair market value of \$1,959,089 secured the balance which was held by the pledging financial institutions trust department or agent, but not in the governments name. The remaining \$0 is comprised of amounts in excess of those required to be collateralized under State law.

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 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. The collateral pledged is shown as follows:

<u>Texas Independent Bank</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
Dallas, Texas		
GNMA #36202EC98	04-20-20	\$ 1,595,326
GNMA #36225C5J1	03-20-34	363,763
		<u>\$ 1,959,089</u>

Notes to Financial Statements (Continued)

3. RECEIVABLES

Receivables at June 30, consist of the following:

	<u>Governmental Activities</u>
Gross receipts taxes	\$ 9,175
Gasoline taxes	32,828
Intergovernmental	<u>5,000</u>
	<u>\$ 47,003</u>

All amounts are considered collectible.

4. TAX ROLL RECONCILIATION

Uncollected taxes, beginning of year	\$ 81,778
Plus:	
Taxes assessed current year (net of adjustments)	1,327,299
Less:	
Taxes collected	(1,337,534)
1995 Taxes written off	<u>(180)</u>
Uncollected taxes, end of year	<u>\$ 71,363</u>
Undistributed taxes, beginning of year	\$ 526
Taxes collected	1,337,534
Less:	
Undistributed taxes, end of year	<u>(492)</u>
Tax distribution	<u>\$ 1,337,568</u>

Property taxes receivable by years:

1996	\$ 1,995
1997	(728)
1998	(705)
1999	3,605
2000	(3,367)
2001	1
2002	614
2003	2,365
2004	48,822
2005	<u>18,761</u>

Total taxes receivable **\$ 71,363**

5. DUE FROM GRANTOR

The amount shown as due from grantor represents federal, state and local expenditures in excess of revenues. Most federal, state or local projects earn revenue as expenditures are incurred and are subsequently reimbursed by the grantor.

Notes to Financial Statements (Continued)

6. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2006, the following changes occurred in the liabilities reported in the Statement of Net Assets:

	Balance <u>6-30-2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-2006</u>	Due Within <u>One Year</u>
NMFA Loans	\$ 333,756	\$ -	\$ 32,411	\$ 301,345	\$ 33,469
Compensated absences	26,635	3,000	13,180	16,455	-
Landfill closure	<u>736,500</u>	<u>-</u>	<u>-</u>	<u>736,500</u>	<u>-</u>
Total	<u>\$1,096,891</u>	<u>\$ 3,000</u>	<u>\$ 45,591</u>	<u>\$1,054,300</u>	<u>\$ 33,469</u>

The General and Road Funds normally pay for all compensated absences.

The County entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the County to pay a principal amount \$118,000 and interest for the purpose of defraying the cost of a fire station in Lake Sumner Fire District. The yearly payments are to be redirected from the County's share of the State Fire Fund revenue to the New Mexico Finance Authority. The interest rate is 6.161% plus 0.25% administrative fee. The maturity date is February 1, 2016. The NMFA Loan is liquidated through the Fire District No. 1 Fund.

<u>Due in Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 6,000	\$ 4,918	\$ 10,918
2008	6,000	4,515	10,515
2009	6,000	4,112	10,112
2010	7,000	3,677	10,677
2011	7,000	3,207	10,207
2012-2016	<u>44,000</u>	<u>7,820</u>	<u>51,820</u>
Total	<u>\$ 76,000</u>	<u>\$ 28,249</u>	<u>\$104,249</u>

The County entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the County to pay a principal amount of \$31,000 and interest for the purpose of defraying the cost of a Flatbed Tanker for use in the Lake Sumner Fire District. The yearly payments are to be redirected from the County's share of the State Fire Fund revenue to the New Mexico Finance Authority. The interest rate is 5.326% plus .77% administrative fee. The maturity date is February 1, 2007. The NMFA Loan is liquidated through the Fire District Fund.

Notes to Financial Statements (Continued)

<u>Due in Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 4,000	\$ 255	\$ 4,265
Total	<u>\$ 4,000</u>	<u>\$ 255</u>	<u>\$ 4,265</u>

The County entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the County to pay a principal amount \$183,994 and interest for the purpose of defraying the cost of construction and acquisition of a main fire station for the Valley Fire District. The yearly payments are to be redirected from the County's share of the State Fire Fund revenue to the New Mexico Finance Authority. The interest rate is 0.00% plus 0.25% administrative fee. The maturity date is May 1, 2014. The NMFA Loan is liquidated through the Fire District Fund.

<u>Due in Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 18,284	\$ 369	\$ 18,653
2008	18,330	323	18,653
2009	18,376	277	18,653
2010	18,422	231	18,653
2011	18,468	185	18,653
2012-2014	<u>55,682</u>	<u>279</u>	<u>55,961</u>
Total	<u>\$ 147,562</u>	<u>\$ 1,664</u>	<u>\$149,226</u>

The County entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the County to pay a principal amount \$103,202 and interest for the purpose of defraying the cost of remodeling the Detention Facility located in the County Courthouse. The monthly payments are to be redirected from the State of New Mexico Taxation and Revenue Department's distribution of County Gross Receipts Taxes to the New Mexico Finance Authority. (One quarter of the first one-eighth increment of County Gross Receipts Tax imposed by the County pursuant to Section 7-20E-9 and the County's Gross Receipts Tax Ordinance adopted on September 13, 1983.) The interest rate is 0.00% plus 0.25% administrative fee. The maturity date is May 1, 2020. The NMFA Loan is liquidated through the County Reserve Fund.

<u>Due in Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 5,185	\$ 184	\$ 5,369
2008	5,198	172	5,370
2009	5,211	159	5,370
2010	5,224	145	5,369
2011	5,237	132	5,369
2012-2020	<u>47,728</u>	<u>597</u>	<u>48,325</u>
Total	<u>\$ 73,783</u>	<u>\$ 1,389</u>	<u>\$ 75,172</u>

Notes to Financial Statements (Continued)

B. Operating Leases

De Baca County is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. The following is a schedule of lease payments of equipment used by the County. The operating leases are liquidated through the Road Fund.

<u>Year Ending</u>	<u>Heavy Equipment</u>
2007	\$ 42,400
2008	<u>30,500</u>
Total	<u>\$ 72,900</u>

C. Short-Term Liabilities

The County did not have any short-term liabilities during the year.

7. BUDGET TO GAAP RECONCILIATION

	<u>General Fund</u>	<u>Road Fund</u>		
Revenues per modified accrual basis	\$1,270,458	\$646,828		
Receivables	(9,557)	(19,551)		
Due from other funds	<u>-</u>	<u>-</u>		
Revenues per budgetary basis	<u>\$1,260,901</u>	<u>\$627,277</u>		
Expenditures per modified accrual basis	\$ 863,811	\$709,129		
Accounts payable	<u>(744)</u>	<u>6,045</u>		
Expenditures per budgetary basis	<u>\$ 863,067</u>	<u>\$715,174</u>		
	<u>Correction Fees Fund</u>	<u>Non-Major Special Revenue</u>	<u>Non-Major Capital Projects</u>	
Revenues per modified accrual basis	\$ 36,033	\$ 477,394	\$ 3,100	
Receivables	-	3,417	-	
Deferred revenue/Due from grantor	<u>-</u>	<u>7,343</u>	<u>-</u>	
Revenues per budgetary basis	<u>\$ 36,033</u>	<u>\$ 488,154</u>	<u>\$ 3,100</u>	
Expenditures per modified accrual basis	\$ 255,005	\$ 416,166	\$ 3,100	
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>	
Expenditures per budgetary basis	<u>\$ 255,005</u>	<u>\$ 416,166</u>	<u>\$ 3,100</u>	

The individual fund detail for the non-major special revenue fund is located in the supplementary section fo the audit report.

Notes to Financial Statements (Continued)

8. TRANSFERS

The composition of interfund transfers for Governmental Activities during the year ended June 30, 2006 are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>			
	<u>Road Fund</u>	<u>Correction Fees Fund</u>	<u>Non-Major Governmental</u>	<u>Total</u>
General Fund	\$ (221,566)	\$ -	\$ 221,566	\$ -
General Fund	(25,910)	-	25,910	-
Total Transfers In/Out	<u>\$ (247,476)</u>	<u>\$ -</u>	<u>\$ 221,566</u>	<u>\$ 25,910</u>

All transfers were moved from unrestricted general fund revenues to finance various programs that the County must account for in other funds in accordance with budgetary authorizations.

9. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2006, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	<u>Balance 6-30-2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-2006</u>
Governmental Activities Capital Assets				
Land	\$ 52,925	\$ -	\$ -	\$ 52,925
Total assets not depreciated	<u>52,925</u>	<u>-</u>	<u>-</u>	<u>52,925</u>
Land improvements	-	7,238	-	7,238
Buildings	1,665,036	28,100	-	1,693,136
Building improvements	-	-	-	-
Furniture/Equipment	804,483	263,000	-	1,067,483
Infrastructure	<u>123,429</u>	<u>218,908</u>	<u>-</u>	<u>342,337</u>
Total assets depreciated	<u>2,592,948</u>	<u>517,246</u>	<u>-</u>	<u>3,110,194</u>
Less accumulated depreciation				
Land improvements	-	1,034	-	1,034
Buildings	1,408,690	17,361	-	1,426,051
Building improvement	-	-	-	-
Furniture/Equipment	444,494	224,121	-	668,615
Infrastructure	<u>3,740</u>	<u>6,634</u>	<u>-</u>	<u>10,374</u>
Total accumulated depreciation	<u>1,856,924</u>	<u>249,150</u>	<u>-</u>	<u>2,106,074</u>
Total capital assets being depreciated, net	<u>736,024</u>	<u>268,096</u>	<u>-</u>	<u>1,004,120</u>
Governmental activity capital assets, net	<u>\$ 788,949</u>	<u>\$ 268,096</u>	<u>\$ -</u>	<u>\$1,057,045</u>

Notes to Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$ 249,150</u>
Total depreciation expense	<u>\$ 249,150</u>

10. RISK MANAGEMENT

The County is exposed to various risk of loss related to torts, theft, damage or destruction of assets, errors and omissions, injury to employees, and natural disasters. For these risks of loss the County belongs to a public entity risk pool currently operated as a common risk management and insurance program for counties. (New Mexico County Insurance Authority). Amounts of settlements have not exceeded insurance coverage in the past three years.

A surety bond as required by Section 12-6-7 NMSA 1978 Compilation and State Auditor Rule 2.2.2 NMAC covers the officials and certain employees of the County.

11. RETIREMENT PLAN

Plan Description: The County has employees and elected officials who participate in a defined benefit contributory retirement plan through the Public Employees Retirement Act (PERA) of the State of New Mexico. The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustment to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy: De Baca County coverage requires them to contribute 9.15% of regular employee's gross wages and 10.00% of police employee's gross wages. Regular employees are required to contribute 9.15% of their gross wages and police employees are required to contribute 7.0% of their gross wages. The contribution requirements of plan members and De Baca County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The De Baca County contribution to PERA for the years ending June 2006, 2005 and 2004 were \$49,884, \$53,640, and \$50,395, respectively.

12. RETIREE HEALTH CARE

The County has elected not to participate in the Retiree Health Care Act.

Notes to Financial Statements (Continued)

13. INDUSTRIAL REVENUE BONDS

In a prior year the County issued industrial revenue bonds pursuant to the County Industrial Revenue Bond Act, Section 4-59-1 through 4-59-16, NMSA, 1978, as amended. As defined in the statute, the bonds and interest coupons, if any, issued under the authority of the county Industrial Revenue Bond Act will never constitute an indebtedness of the County. These bonds were issued to finance the acquisition, construction and equipping of a wind farm for the purpose of generating electricity.

14. LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and Federal laws and regulations require that the County place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year.

The landfill is operated on property owned by the Village of Fort Sumner. The County and the Village are accumulating funds, through the imposition of a gross receipts tax, to fund the closure and post-closure care costs. The monies accumulated by the County and Village are \$37,084 and \$45,960, respectively, as of June 30, 2006.

The landfill is to be closed in the near future, based on the requirements of the New Mexico Environment Department. The estimated liability for the landfill closure and post-closure care costs is \$736,500 as of June 30, 2006, which is based on total usage of the landfill. The estimated total current cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfills were acquired as of June 30, 2006. However, post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

15. BUDGET VIOLATIONS

The County had budget overruns in the Correction Fees Fund for \$6,867, the Law Enforcement Protection Fund for \$14,608, the Valley Fire Fund for \$34,492, the Canteen Fund for \$21 and the Ambulance Fund for \$7,439.

Notes to Financial Statements (Continued)

16. AGENCY FUND

The Agency Fund is to account for taxes and other monies collected by the County on behalf of the local School District and Municipality within the County and the State of New Mexico.

	<u>Balances</u> <u>6-30-05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6-30-06</u>
ASSETS				
Cash on deposit	\$ 526	\$ -	\$ 34	\$ 492
Taxes receivable	<u>81,778</u>	<u>1,327,299</u>	<u>1,337,714</u>	<u>71,363</u>
Total assets	<u>\$ 82,304</u>	<u>\$1,327,299</u>	<u>\$1,337,748</u>	<u>\$ 71,855</u>
LIABILITIES				
Deposits held for others				
General	\$ -	\$ 368,198	\$ 368,198	\$ -
Hospital	-	132,056	132,056	-
Irrigation Districts	-	348,695	348,695	-
Treasurer-Taxes Paid in Advance	526	-	34	492
Municipalities	-	15,565	15,565	-
State of New Mexico	-	91,174	91,174	-
School Districts	-	371,611	371,611	-
Uncollected taxes	<u>81,778</u>	<u>-</u>	<u>10,415</u>	<u>71,363</u>
Total liabilities	<u>\$ 82,304</u>	<u>\$1,327,299</u>	<u>\$1,337,748</u>	<u>\$ 71,855</u>

17. COMPONENT UNIT

The DeBaca Family Practice Clinic is a component unit of the County. The Clinic issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to DeBaca Family Practice Clinic, PO Box 349, Fort Sumner, New Mexico 88119.

NON-MAJOR FUNDS

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Governmental Funds
 Combining Balance Sheet - By Fund Type
 June 30, 2006

	Special Revenue Funds	Capital Projects Funds	Totals
ASSETS			
Cash on deposit	\$ 433,670	\$ -	\$ 433,670
Accounts receivable	<u>4,244</u>	<u>-</u>	<u>4,244</u>
Total assets	<u>\$ 437,914</u>	<u>\$ -</u>	<u>\$ 437,914</u>
LIABILITIES			
Deferred revenue	\$ <u>7,343</u>	\$ <u>-</u>	\$ <u>7,343</u>
Total liabilities	<u>7,343</u>	<u>-</u>	<u>7,343</u>
FUND BALANCE			
Unreserved:			
Designated for subsequent year's expenditures	<u>430,571</u>	<u>-</u>	<u>430,571</u>
Total fund balance	<u>430,571</u>	<u>-</u>	<u>430,571</u>
Total liabilities and fund balanc	<u>\$ 437,914</u>	<u>\$ -</u>	<u>\$ 437,914</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Governmental Funds
 Combined Statement of Revenues, Expenditures and Changes in
 Fund Balances - By Fund Type
 Year Ended June 30, 2005

	Special Revenue Funds
REVENUES	
Taxes	\$ 11,689
Charges for services	5,860
Fines and forfeitures	-
Local sources	10,928
State sources	259,151
Federal sources	144,203
State shared taxes	50,025
Earnings from investments	4,765
Total revenues	486,621
EXPENDITURES	
Current:	
General government	45,710
Public safety	76,050
Health and welfare	252,251
Culture and recreation	-
Capital outlay	99,990
Debt service:	
Principal	32,352
Interest	6,967
Total expenditures	513,320
Excess (deficiency) revenues over expenditures	(26,699)
Other financing sources (uses)	
Transfers in	100,365
Transfers out	(107,452)
Total other financing sources (uses)	(7,087)
Net change in fund balance	(33,786)
Fund balance beginning of year	377,221
Fund balance end of year	\$ 343,435

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY
Special Revenue Funds
Combined Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Governmental Fund Types - Non-Major
Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 9,500	\$ 9,500	\$ 14,244	\$ 4,744
Charges for services	1,800	1,800	5,041	3,241
Fines and forfeitures	-	-	925	925
Local sources	400	400	15,106	14,706
State sources	302,097	321,845	344,557	22,712
Federal sources	6,500	20,658	21,702	1,044
State shared taxes	41,500	41,500	78,981	37,481
Earnings from investments	-	-	7,598	7,598
Total revenues	<u>\$ 361,797</u>	<u>\$ 395,703</u>	<u>\$ 488,154</u>	<u>\$ 92,451</u>
EXPENDITURES				
General government	\$ 66,927	\$ 66,927	\$ 54,677	\$ 12,250
Public safety	146,099	166,368	199,571	(33,203)
Health and welfare	192,950	250,165	161,918	88,247
Culture and recreation	-	-	-	-
Total expenditures	<u>\$ 405,976</u>	<u>\$ 483,460</u>	<u>\$ 416,166</u>	<u>\$ 67,294</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	\$ 25,910	\$ 33,660	\$ 33,660	\$ -
Transfer out	-	(7,750)	(7,750)	-
Total other financing sources (uses)	<u>\$ 25,910</u>	<u>\$ 25,910</u>	<u>\$ 25,910</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 18,269</u>	<u>\$ 61,847</u>		

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Combined Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Capital Projects Funds
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 449,375	\$ 3,100	\$ (446,275)
Total revenues	<u>\$ -</u>	<u>\$ 449,375</u>	<u>\$ 3,100</u>	<u>\$ (446,275)</u>
EXPENDITURES				
Capital outlay	\$ -	\$ 449,375	\$ 3,100	\$ 446,275
Total expenditures	<u>\$ -</u>	<u>\$ 449,375</u>	<u>\$ 3,100</u>	<u>\$ 446,275</u>

The notes to the financial statements are an integral part of the financial statements.

**NON-MAJOR
SPECIAL REVENUE FUNDS**

FARM AND RANGE FUND - To account for the operations of farm and range activities, including soil and water conservation, predatory animal and insect control. Financing is provided from distributions made under the Taylor Grazing Act. Authority is Section 6-11-6, NMSA 1978.

AMBULANCE FUND - To account for 1/4% County fire protection exise tax imposed by the ordinance of the Board of County Commissioners of De Baca County under authority of Section 7-20A-3, NMSA 1978, the proceeds of which are dedicated solely to the provision of ambulance services, imposed before 1986.

FIRE DISTRICT FUNDS - To account for the operations and maintenance for the two fire districts. Financing is provided by an allotment from the State Fire Marshall under NMSA 59A-53-1, NMSA 1978.

LAKE SUMNER EMERGENCY MEDICAL SERVICES FUND - To account for a grant from the State of New Mexico to be used for the acquisition of emergency medical services to County residents. Sources of funds are the State of New Mexico Health Department Emergency Medical Services Bureau. Authority is Section 24-10A-1 through 10, NMSA 1978.

RECORDING AND EQUIPMENT FUND - To account for monies collected by the County Clerk's office for each instrument recorded and when the instrument is photocopied, the County Clerk may charge, in addition to any other fees authorized by law, and equipment recording fee. The equipment recording fee revenues are to be expended only to rent, purchase, lease or lease-purchase equipment associated with recording, filing, maintaining or reproducing documents in the County Clerk's office and for staff training on office procedures and equipment. Authority is the Absentee-Early Voting Act (Section 14-8-12.2, NMSA 1978).

REAPPRAISAL FUND - To account for the operations of a fund to help with reappraisal of County property to insure valuation reflects current fair market value. Financing is provided by retainage of 1% of tax collections. Authority is Section 7-38-38.1, NMSA 1978.

LANDFILL GRANT FUND - To account for funds received from an environmental grant to purchase equipment and help with costs at the De Baca County landfill. Funds are authorized by the State Legislature and the State Environmental Department.

Non-Major Special Revenue Funds - continued

CIVIL DEFENSE FUND - To account for the monitoring of funds received from the State of New Mexico to keep the public informed of impending disaster.

JAG (JUSTICE ASSISTANCE GRANT) FUND - To account for monies received from the US Department of Justice to help defray the cost of non-certified employees and supplies.

DARE FUND - Authorized by Section 31-20-6, NMSA 1978 to account for contributions collected from law violators. These contributions are made as directed by Magistrate Judge.

LAW ENFORCEMENT PROTECTION FUND - To account for a grant from the State of New Mexico Correction Department through the Law Enforcement Protection Act. The funding is to be used for law enforcement improvements. Authority is 29-13-1, NMSA 1978.

CANTEEN FUND - To account for telephone commissions to be used for the benefit of prisoners (usually purchase of cable television). Authorized by County resolution.

ENHANCED 911 FUND - To account for monies authorized by legislative appropriation to provide enhanced 911 service to County residents. Authority is NMSA 6-1-6.

SHERIFFS FORFEITURE FUND - To account for monies seized by the Sheriffs Department.

TRAFFIC SAFETY GRANT - Authorized by County resolution to accept funds from the New Mexico State Highway Department for overtime reimbursement in the enforcement of safety belts, speed control and DWI patrols.

HEALTH GRANT - To account for a grant from the New Mexico Department of Health - Public Health Division.

COUNTY INDIGENT FUND - To account for 1/8% County gross receipts tax, authorized to be imposed under the County Gross Receipts Tax Act (Section 7-20E-18, NMSA 1978), the proceeds to be used for indigent care for residents of the County, imposed in 1990-91 fiscal year.

COUNTY RESERVE FUND - To account for 1/8% County gross receipts tax, authorized to be imposed under the County Gross Receipts Tax Act (Sections 7-20E-1 through 7-20E-25, NMSA 1978), the proceeds of which will be expended for maintenance of the County Courthouse, imposed before 1986.

Non-Major Special Revenue Funds - continued

COUNTY ENVIRONMENTAL FUND - To account for monies received from 1/4 of a 1/8% County gross receipts tax, imposed under the County Gross Receipts Tax Act (Sections 7-20-1 through 7-20-9, NMSA 1978), to be used for the acquisition, construction, operation and maintenance of solid waste facilities, wastewater facilities or sewer systems, imposed in 1990-91 fiscal year. Also, to establish financial assurance for future closure and post closure costs, to offset professional services needed to meet State compliance in landfill management and to obtain necessary testing services and equipment to help with the costs of the closure of the local landfill.

HOSPITAL FUND - To account for monies received from prior patients and medicare reimbursements to be used for the upkeep of the clinic building. Authorized by County Resolution.

STATE OF NEW MEXICO
DE BACA COUNTY
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2006

	Farm and Range Fund	Ambulance Fund	Valley Fire Fund	Lake Sumner Fire Fund	EMS Fund	Recording and Equipment Fund
ASSETS						
Cash on deposit	\$ 2,218	\$ 3,894	\$ 40,413	\$ 42,301	\$ 13,903	\$ 8,042
Accounts receivable	-	1,308	-	-	-	-
Total assets	<u>\$ 2,218</u>	<u>\$ 5,202</u>	<u>\$ 40,413</u>	<u>\$ 42,301</u>	<u>\$ 13,903</u>	<u>\$ 8,042</u>
LIABILITIES						
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-
FUND BALANCES						
Unreserved:						
Undesignated for subsequent year's expenditures	2,218	5,202	40,413	42,301	13,903	8,042
Total liabilities and fund balance	<u>\$ 2,218</u>	<u>\$ 5,202</u>	<u>\$ 40,413</u>	<u>\$ 42,301</u>	<u>\$ 13,903</u>	<u>\$ 8,042</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2006

	Reappraisal Fund	Landfill Grant Fund	Civil Defense Fund	JAG Fund	DARE Fund
ASSETS					
Cash on deposit	\$ 9,349	\$ 8,797	\$ 4,198	\$ 7,343	\$ 933
Accounts receivable	-	-	-	-	-
Total assets	\$ 9,349	\$ 8,797	\$ 4,198	\$ 7,343	\$ 933
LIABILITIES					
Deferred revenue	\$ -	\$ -	\$ -	\$ 7,343	\$ -
Total liabilities	-	-	-	7,343	-
FUND BALANCES					
Unreserved:					
Undesignated for subsequent year's expenditures	9,349	8,797	4,198	-	933
Total liabilities and fund balance	\$ 9,349	\$ 8,797	\$ 4,198	\$ 7,343	\$ 933

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2006

	Law Enforcement Protection Fund	Canteen Fund	Enhanced 911 Grant Fund	Sheriffs Forfeiture Fund	Traffic Safety Fund
ASSETS					
Cash on deposit	\$ 1,677	\$ 3,291	\$ 783	\$ 1,016	\$ 2,856
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ 1,677</u>	<u>\$ 3,291</u>	<u>\$ 783</u>	<u>\$ 1,016</u>	<u>\$ 2,856</u>
LIABILITIES					
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-
FUND BALANCES					
Unreserved:					
Undesignated for subsequent year's expenditures	1,677	3,291	783	1,016	2,856
Total liabilities and fund balance	<u>\$ 1,677</u>	<u>\$ 3,291</u>	<u>\$ 783</u>	<u>\$ 1,016</u>	<u>\$ 2,856</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2006

	Health Grant Fund	County Indigent Fund	County Reserve Fund	County Environmental Fund	Hospital Fund	Total
ASSETS						
Cash on deposit	\$ 49,916	\$ 23,372	\$ 40,748	\$ 36,430	\$ 132,190	\$ 433,670
Accounts receivable	-	2,184	98	654	-	4,244
Total assets	<u>\$ 49,916</u>	<u>\$ 25,556</u>	<u>\$ 40,846</u>	<u>\$ 37,084</u>	<u>\$ 132,190</u>	<u>\$ 437,914</u>
LIABILITIES						
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,343
Total liabilities	-	-	-	-	-	7,343
FUND BALANCES						
Unreserved:						
Undesignated for subsequent year's expenditures	<u>49,916</u>	<u>25,556</u>	<u>40,846</u>	<u>37,084</u>	<u>132,190</u>	<u>430,571</u>
Total liabilities and fund balance	<u>\$ 49,916</u>	<u>\$ 25,556</u>	<u>\$ 40,846</u>	<u>\$ 37,084</u>	<u>\$ 132,190</u>	<u>\$ 437,914</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Year Ended June 30, 2006

Statement B-2
 Page 1 of 4

	Farm and Range Fund	Ambulance Fund	Valley Fire Fund	Lake Sumner Fire Fund	EMS Fund	Recording and Equipment Fund
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	2,172
Fines and forfeitures	-	-	-	-	-	-
Local sources	-	-	914	-	-	-
State sources	-	-	137,141	56,428	3,097	-
Federal sources	8,444	-	-	-	-	-
State shared taxes	-	20,653	-	-	-	-
Earnings from investments	273	129	1,018	815	320	165
Total revenues	<u>8,717</u>	<u>20,782</u>	<u>139,073</u>	<u>57,243</u>	<u>3,417</u>	<u>2,337</u>
EXPENDITURES						
General government	-	-	-	-	-	752
Public safety	-	-	111,713	44,320	220	-
Health and welfare	27,500	17,439	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total expenditures	<u>27,500</u>	<u>17,439</u>	<u>111,713</u>	<u>44,320</u>	<u>220</u>	<u>752</u>
Excess (deficiency) of revenues over expenditures	<u>(18,783)</u>	<u>3,343</u>	<u>27,360</u>	<u>12,923</u>	<u>3,197</u>	<u>1,585</u>
Other financing sources (uses):						
Operating transfers in	19,910	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>19,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,127	3,343	27,360	12,923	3,197	1,585
Fund balance, beginning of year	1,091	1,859	13,053	29,378	10,706	6,457
Fund balance, end of year	<u>\$ 2,218</u>	<u>\$ 5,202</u>	<u>\$ 40,413</u>	<u>\$ 42,301</u>	<u>\$ 13,903</u>	<u>\$ 8,042</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2006

Statement B-2
Page 2 of 4

	Reappraisal Fund	Landfill Grant Fund	Civil Defense Fund	JAG Fund	DARE Fund
REVENUES					
Taxes	\$ 14,244	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	925
Local sources	-	-	-	-	-
State sources	-	12,800	-	-	-
Federal sources	-	-	-	5,915	-
State shared taxes	-	-	-	-	-
Earnings from investments	-	-	-	-	8
Total revenues	<u>14,244</u>	<u>12,800</u>	<u>-</u>	<u>5,915</u>	<u>933</u>
EXPENDITURES					
General government	15,302	-	4,049	-	-
Public safety	-	-	-	5,915	-
Health and welfare	-	25,354	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>15,302</u>	<u>25,354</u>	<u>4,049</u>	<u>5,915</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,058)</u>	<u>(12,554)</u>	<u>(4,049)</u>	<u>-</u>	<u>933</u>
Other financing sources (uses):					
Operating transfers in	-	7,750	6,000	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>7,750</u>	<u>6,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(1,058)</u>	<u>(4,804)</u>	<u>1,951</u>	<u>-</u>	<u>933</u>
Fund balance, beginning of year	<u>10,407</u>	<u>13,601</u>	<u>2,247</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,349</u>	<u>\$ 8,797</u>	<u>\$ 4,198</u>	<u>\$ -</u>	<u>\$ 933</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2006

Statement B-2
Page 3 of 4

	Law Enforcement Protection Fund	Canteen Fund	Enhanced 911 Grant Fund	Sheriffs Forfeiture Fund	Traffic Safety Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Local sources	-	1,801	-	-	-
State sources	20,600	-	-	-	-
Federal sources	-	-	-	-	-
State shared taxes	-	-	-	-	-
Earnings from investments	372	51	-	86	-
Total revenues	<u>20,972</u>	<u>1,852</u>	<u>-</u>	<u>86</u>	<u>-</u>
EXPENDITURES					
General government	-	421	-	-	-
Public safety	35,208	-	-	2,195	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>35,208</u>	<u>421</u>	<u>-</u>	<u>2,195</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(14,236)</u>	<u>1,431</u>	<u>-</u>	<u>(2,109)</u>	<u>-</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(14,236)	1,431	-	(2,109)	-
Fund balance, beginning of year	15,913	1,860	783	3,125	2,856
Fund balance, end of year	<u>\$ 1,677</u>	<u>\$ 3,291</u>	<u>\$ 783</u>	<u>\$ 1,016</u>	<u>\$ 2,856</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
DE BACA COUNTY
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2006

Statement B-2
Page 4 of 4

	Health Grant Fund	County Indigent Fund	County Reserve Fund	County Environmental Fund	Hospital Fund	Total
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,244
Charges for services	-	-	-	-	2,869	5,041
Fines and forfeitures	-	-	-	-	-	925
Local sources	-	-	6,893	11,753	5,498	26,859
State sources	82,825	-	15,665	-	-	328,556
Federal sources	-	-	-	-	-	14,359
State shared taxes	-	29,267	19,564	10,328	-	79,812
Earnings from investments	-	319	2,021	998	1,023	7,598
Total revenues	<u>82,825</u>	<u>29,586</u>	<u>44,143</u>	<u>23,079</u>	<u>9,390</u>	<u>477,394</u>
EXPENDITURES						
General government	-	-	34,153	-	-	54,677
Public safety	-	-	-	-	-	199,571
Health and welfare	61,999	7,268	-	22,358	-	161,918
Culture and recreation	-	-	-	-	-	-
Total expenditures	<u>61,999</u>	<u>7,268</u>	<u>34,153</u>	<u>22,358</u>	<u>-</u>	<u>416,166</u>
Excess (deficiency) of revenues over expenditures	<u>20,826</u>	<u>22,318</u>	<u>9,990</u>	<u>721</u>	<u>9,390</u>	<u>61,228</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	33,660
Operating transfers out	-	-	-	(7,750)	-	(7,750)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,750)</u>	<u>-</u>	<u>25,910</u>
Net change in fund balance	20,826	22,318	9,990	(7,029)	9,390	87,138
Fund balance, beginning of year	<u>29,090</u>	<u>3,238</u>	<u>30,856</u>	<u>44,113</u>	<u>122,800</u>	<u>343,433</u>
Fund balance, end of year	<u>\$ 49,916</u>	<u>\$ 25,556</u>	<u>\$ 40,846</u>	<u>\$ 37,084</u>	<u>\$ 132,190</u>	<u>\$ 430,571</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Farm & Range Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 6,500	\$ 6,500	\$ 8,444	\$ 1,944
Earnings from investments	-	-	273	273
Total revenues	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ 8,717</u>	<u>\$ 2,217</u>
EXPENDITURES				
Health and welfare	\$ 27,500	\$ 27,500	\$ 27,500	-
Total expenditures	<u>\$ 27,500</u>	<u>\$ 27,500</u>	<u>\$ 27,500</u>	<u>\$ -</u>
OTHER FINANCING SOURCES				
Transfer In	\$ 19,910	\$ 19,910	\$ 19,910	-
Total other financing sources	<u>\$ 19,910</u>	<u>\$ 19,910</u>	<u>\$ 19,910</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 1,090</u>	<u>\$ 1,090</u>		

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Ambulance Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State shared taxes	\$ 10,000	\$ 10,000	\$ 20,414	\$ 10,414
Earnings from investments	<u>-</u>	<u>-</u>	<u>129</u>	<u>129</u>
Total revenues	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 20,543</u>	<u>\$ 10,543</u>
EXPENDITURES				
Health and welfare	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 17,439</u>	<u>\$ (7,439)</u>
Total expenditures	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 17,439</u>	<u>\$ (7,439)</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Valley Fire Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ 914	\$ 914
State sources	71,110	77,221	137,141	59,920
Earnings from investments	<u>-</u>	<u>-</u>	<u>1,018</u>	<u>1,018</u>
Total revenues	<u>\$ 71,110</u>	<u>\$ 77,221</u>	<u>\$ 139,073</u>	<u>\$ 61,852</u>
EXPENDITURES				
Public safety	<u>\$ 71,110</u>	<u>\$ 77,221</u>	<u>\$ 111,713</u>	<u>\$ (34,492)</u>
Total expenditures	<u>\$ 71,110</u>	<u>\$ 77,221</u>	<u>\$ 111,713</u>	<u>\$ (34,492)</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non- Major Special Revenue Fund - Lake Sumner Fire Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 45,345	\$ 45,345	\$ 56,428	\$ 11,083
Earnings from investments	-	-	815	815
Total revenues	<u>\$ 45,345</u>	<u>\$ 45,345</u>	<u>\$ 57,243</u>	<u>\$ 11,898</u>
EXPENDITURES				
Public safety	\$ 45,345	\$ 45,345	\$ 44,320	\$ 1,025
Total expenditures	<u>\$ 45,345</u>	<u>\$ 45,345</u>	<u>\$ 44,320</u>	<u>\$ 1,025</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - EMS Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 3,097	\$ 3,097	\$ 3,097	\$ -
Earnings from investments	-	-	320	320
Total revenues	<u>\$ 3,097</u>	<u>\$ 3,097</u>	<u>\$ 3,417</u>	<u>\$ 320</u>
EXPENDITURES				
Public safety	\$ 3,097	\$ 3,097	\$ 220	\$ 2,877
Total expenditures	<u>\$ 3,097</u>	<u>\$ 3,097</u>	<u>\$ 220</u>	<u>\$ 2,877</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Recording and Equipment Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 1,800	\$ 1,800	\$ 2,172	\$ 372
Earnings from investments	-	-	165	165
Total revenues	<u>\$ 1,800</u>	<u>\$ 1,800</u>	<u>\$ 2,337</u>	<u>\$ 537</u>
EXPENDITURES				
General government	\$ 1,800	\$ 1,800	\$ 752	\$ 1,048
Total expenditures	<u>\$ 1,800</u>	<u>\$ 1,800</u>	<u>\$ 752</u>	<u>\$ 1,048</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Reappraisal Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 9,500	\$ 9,500	\$ 14,244	\$ 4,744
Total revenues	<u>\$ 9,500</u>	<u>\$ 9,500</u>	<u>\$ 14,244</u>	<u>\$ 4,744</u>
EXPENDITURES				
General government	\$ 19,949	\$ 19,949	\$ 15,302	\$ 4,647
Total expenditures	<u>\$ 19,949</u>	<u>\$ 19,949</u>	<u>\$ 15,302</u>	<u>\$ 4,647</u>
BUDGETED CASH BALANCE	<u>\$ 10,449</u>	<u>\$ 10,449</u>		

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Landfill Grant Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 78,480	\$ 78,480	\$ 12,800	\$ (65,680)
Total revenues	<u>\$ 78,480</u>	<u>\$ 78,480</u>	<u>\$ 12,800</u>	<u>\$ (65,680)</u>
EXPENDITURES				
Health and welfare	\$ 78,480	\$ 86,230	\$ 25,354	\$ 60,876
Total expenditures	<u>\$ 78,480</u>	<u>\$ 86,230</u>	<u>\$ 25,354</u>	<u>\$ 60,876</u>
OTHER FINANCING SOURCES				
Transfer In	\$ -	\$ 7,750	\$ 7,750	\$ -
Total other financing sources	<u>\$ -</u>	<u>\$ 7,750</u>	<u>\$ 7,750</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Civil Defense Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
General government	\$ 6,000	\$ 6,000	\$ 4,049	\$ 1,951
Total expenditures	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 4,049</u>	<u>\$ 1,951</u>
OTHER FINANCING SOURCES				
Transfer In	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Total other financing sources	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - JAG Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 14,158	\$ 13,258	\$ (900)
Total revenues	<u>\$ -</u>	<u>\$ 14,158</u>	<u>\$ 13,258</u>	<u>\$ (900)</u>
EXPENDITURES				
Public safety	\$ -	\$ 14,158	\$ 5,915	\$ 8,243
Total expenditures	<u>\$ -</u>	<u>\$ 14,158</u>	<u>\$ 5,915</u>	<u>\$ 8,243</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - DARE Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 925	\$ 925
Earnings from investments	-	-	8	8
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 933</u>	<u>\$ 933</u>
EXPENDITURES				
Public safety	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Law Enforcement Protection Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 20,600	\$ 20,600	\$ 20,600	\$ -
Earnings from investments	<u>-</u>	<u>-</u>	<u>372</u>	<u>372</u>
Total revenues	<u>\$ 20,600</u>	<u>\$ 20,600</u>	<u>\$ 20,972</u>	<u>\$ 372</u>
EXPENDITURES				
Public safety	\$ 20,600	\$ 20,600	\$ 35,208	\$ (14,608)
Total expenditures	<u>\$ 20,600</u>	<u>\$ 20,600</u>	<u>\$ 35,208</u>	<u>\$ (14,608)</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Canteen Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 400	\$ 400	\$ 1,801	\$ 1,401
Earnings from investments	-	-	51	51
Total revenues	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 1,852</u>	<u>\$ 1,452</u>
EXPENDITURES				
General government	\$ 400	\$ 400	\$ 421	\$ (21)
Total expenditures	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 421</u>	<u>\$ (21)</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Enhanced 911 Grant Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
General government	\$ 783	\$ 783	\$ -	\$ 783
Total expenditures	<u>\$ 783</u>	<u>\$ 783</u>	<u>\$ -</u>	<u>\$ 783</u>
BUDGETED CASH BALANCE	<u>\$ 783</u>	<u>\$ 783</u>		

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Sheriffs Forfeiture Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ -	\$ -	\$ 86	\$ 86
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ 86</u>
EXPENDITURES				
Public safety	\$ 3,091	\$ 3,091	\$ 2,195	\$ 896
Total expenditures	<u>\$ 3,091</u>	<u>\$ 3,091</u>	<u>\$ 2,195</u>	<u>\$ 896</u>
BUDGETED CASH BALANCE	<u>\$ 3,091</u>	<u>\$ 3,091</u>		

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Traffic Safety Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 2,856	\$ 2,856	\$ -	\$ 2,856
Total expenditures	<u>\$ 2,856</u>	<u>\$ 2,856</u>	<u>\$ -</u>	<u>\$ 2,856</u>
BUDGETED CASH BALANCE	<u>\$ 2,856</u>	<u>\$ 2,856</u>		

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Health Grant Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 52,970	\$ 66,607	\$ 87,073	\$ 20,466
Total revenues	<u>\$ 52,970</u>	<u>\$ 66,607</u>	<u>\$ 87,073</u>	<u>\$ 20,466</u>
EXPENDITURES				
Health and welfare	\$ 52,970	\$ 66,607	\$ 61,999	\$ 4,608
Total expenditures	<u>\$ 52,970</u>	<u>\$ 66,607</u>	<u>\$ 61,999</u>	<u>\$ 4,608</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - County Indigent Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State shared taxes	\$ 19,000	\$ 19,000	\$ 28,531	\$ 9,531
Earnings from investments	-	-	319	319
Total revenues	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ 28,850</u>	<u>\$ 9,850</u>
EXPENDITURES				
Health and welfare	\$ 19,000	\$ 19,000	\$ 7,268	\$ 11,732
Total expenditures	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ 7,268</u>	<u>\$ 11,732</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - County Reserve Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ 6,893	\$ 6,893
State sources	30,495	30,495	15,665	(14,830)
State shared taxes	7,500	7,500	19,828	12,328
Earnings from investments	-	-	2,021	2,021
Total revenues	<u>\$ 37,995</u>	<u>\$ 37,995</u>	<u>\$ 44,407</u>	<u>\$ 6,412</u>
EXPENDITURES				
General government	\$ 37,995	\$ 37,995	\$ 34,153	\$ 3,842
Total expenditures	<u>\$ 37,995</u>	<u>\$ 37,995</u>	<u>\$ 34,153</u>	<u>\$ 3,842</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - County Environmental Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State source	\$ -	\$ -	\$ 11,753	\$ 11,753
State shared taxes	5,000	5,000	10,208	5,208
Earnings from investments	-	-	998	998
Total revenues	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 22,959</u>	<u>\$ 17,959</u>
EXPENDITURES				
Health and welfare	\$ 5,000	\$ 40,828	\$ 22,358	\$ 18,470
Total expenditures	<u>\$ 5,000</u>	<u>\$ 40,828</u>	<u>\$ 22,358</u>	<u>\$ 18,470</u>
OTHER FINANCING USES				
Transfers Out	\$ -	\$ (7,750)	\$ (7,750)	\$ -
Total other financing uses	<u>\$ -</u>	<u>\$ (7,750)</u>	<u>\$ (7,750)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 43,578</u>		

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Special Revenue Fund - Hospital Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ -	\$ -	\$ 2,869	\$ 2,869
Local sources	-	-	5,498	5,498
Earnings from investments	-	-	1,023	1,023
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,390</u>	<u>\$ 9,390</u>
EXPENDITURES				
Health and welfare	\$ -	\$ -	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of the financial statements.

NON-MAJOR CAPITAL PROJECTS FUNDS

CDBG Fund - To account for the monies received from a Community Development Block Grant to construct a Daycare Center for the community. Authority is Title I of the Housing and Community Development Act and 1974 (Public Law 93-383).

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Capital Projects Fund
 Combining Balance Sheet
 June 30, 2006

	CDGB Fund
ASSETS	
Cash on deposit	\$ -
Accounts receivable	-
Total assets	\$ -
 FUND BALANCES	
Unreserved:	
Designated for subsequent year's expenditures	\$ -
Total fund balance	\$ -

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Capital Projects Fund
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Year Ended June 30, 2006

Statement C-2

	CDBG Fund
REVENUES	
Federal sources	\$ 3,100
Total revenues	3,100
EXPENDITURES	
Capital projects	3,100
Total expenditures	3,100
Excess (deficiency) of revenues over expenditures	-
Other financing sources (uses):	
Operating transfers in	-
Operating transfers out	-
Total other financing sources (uses)	-
Net change in fund balance	-
Fund balance, beginning of year	-
Fund balance, end of year	\$ -

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Non-Major Capital Projects Fund - Special Appropriation Project Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 449,375	\$ 3,100	\$ (446,275)
Total revenues	<u>\$ -</u>	<u>\$ 449,375</u>	<u>\$ 3,100</u>	<u>\$ (446,275)</u>
EXPENDITURES				
Capital outlay	\$ -	\$ 449,375	\$ 3,100	\$ 446,275
Total expenditures	<u>\$ -</u>	<u>\$ 449,375</u>	<u>\$ 3,100</u>	<u>\$ 446,275</u>

The notes to the financial statements are an integral part of the financial statements.

PROPRIETARY FUND

DeBaca Family Practice (the "Clinic") located in Fort Sumner, New Mexico is a not-for-profit community health center. The Clinic provides comprehensive and coordinated primary and ancillary medical services to all persons regardless of ability to pay, primarily for residents of DeBaca County.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Component Unit
 DeBaca County Clinic
 Statement of Net Assets
 June 30, 2006

Statement D-1

	<u>Enterprise Fund</u>
ASSETS	
Current Assets	
Cash	\$ 183,244
Board designated cash	300,000
Accounts receivable, net:	
Accounts	90,308
Intergovernmental	<u>66,042</u>
Total current assets	<u>639,594</u>
Restricted Assets	
Cash	<u>-</u>
Total restricted assets	<u>-</u>
Capital Assets	
Leasehold improvements	213,003
Medical equipment	332,395
Office equipment	46,593
Maintenance equipment	13,188
Allowance for depreciation	<u>(138,378)</u>
Total capital assets (net of accumulated depreciation)	<u>466,801</u>
Total assets	<u>\$ 1,106,395</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 19,687
Accrued expenses	18,768
Note payable	<u>63,851</u>
Total current liabilities	<u>102,306</u>
Non-Current Liabilities	
Compensated absences payable	19,944
Note payable	<u>33,112</u>
Total non-current liabilities	<u>53,056</u>
Total liabilities	<u>155,362</u>
Net Assets	
Invested in net assets net of related debt	369,838
Unrestricted	<u>581,195</u>
Total net assets	<u>951,033</u>
Total liabilities and net assets	<u>\$ 1,106,395</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Component Unit
 DeBaca County Clinic
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Year Ended June 30, 2006

	Enterprise Fund
OPERATING REVENUES	
Net patient service revenue	\$ 677,893
Operating agreements	<u>789,783</u>
Total operating revenue	<u>1,467,676</u>
OPERATING EXPENSES	
Routine services	812,335
Special services	152,896
Household and property	132,532
Administrative and general	406,915
Depreciation	<u>71,337</u>
Total operating expenses	<u>1,576,015</u>
Operating income (loss)	<u>(108,339)</u>
NON-OPERATING REVENUE (EXPENSE)	
Property taxes	171,704
Interest income	100
Interest expense	(2,809)
Other non-operating revenue	<u>39,555</u>
Total Non-Operating Revenue (Expense)	<u>208,550</u>
Excess of revenues over expenses before capital grants	100,211
Capital grants	<u>101,787</u>
Increase in net assets	201,998
Total net assets, beginning of year	<u>749,034</u>
Total net assets, end of year	<u>\$ 951,032</u>

The notes to the financial statements are an integral part of the financial statements.

STATE OF NEW MEXICO
 DE BACA COUNTY
 Component Unit
 DeBaca County Clinic
 Statement of Cash Flows
 For the Year Ended June 30, 2006

Statement D-3

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from and on behalf of patients	\$ 655,588
Receipts from grantors	702,013
Payments to suppliers and contractors	(487,728)
Payments to employees	(977,815)
Other receipts and payments	<u>(32,651)</u>
Net cash provided by operating activities	<u>(140,593)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Receipts from property taxes	171,704
Non capital grants and contributions	<u>35,389</u>
Net cash provided (used) by noncapital and related financing activities	<u>207,093</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Proceeds from capital grants	63,933
Purchase of capital assets	(154,969)
Principal paid on debt	(30,782)
Interest paid on debt	<u>(2,809)</u>
Net cash provided (used) by capital financing activities	<u>(124,627)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	<u>100</u>
Net cash provided by investing activities	<u>100</u>
Net increase (decrease) in cash	(58,027)
Cash, beginning of year	<u>541,271</u>
Cash, end of year	<u><u>\$ 483,244</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (108,339)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	71,337
Allowance for uncollectible accounts	42,021
Changes in assets and liabilities:	
(Increase) decrease in receivables	(53,368)
Increase (decrease) in accounts payable	1,835
Increase (decrease) in accrued expenses	7,708
Increase (decrease) in deferred revenue	<u>(101,787)</u>
Net cash provided (used) by operating activities	<u><u>\$ (140,593)</u></u>

The notes to the financial statements are an integral part of the financial statements.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 DE BACA COUNTY
 Schedule of Budgetary Basis
 To GAAP Basis Reconciliation
 Non-Major Funds
 Year Ended June 30, 2006

	Farm & Range Fund	Ambulance Fund	Valley Fire Fund	Lake Sumner Fire Fund	EMS Fund	Recording & Equipment Fund	Reappraisal Fund	Landfill Grant Fund
Revenues per modified								
accrual basis	\$ 8,717	\$ 20,782	\$ 139,073	\$ 57,243	\$ 3,417	\$ 2,337	\$ 14,244	\$ 12,800
Receivables	-	(239)	-	-	-	-	-	-
Due from grantor	-	-	-	-	-	-	-	-
Revenues per budgetary basis	<u>\$ 8,717</u>	<u>\$ 20,543</u>	<u>\$ 139,073</u>	<u>\$ 57,243</u>	<u>\$ 3,417</u>	<u>\$ 2,337</u>	<u>\$ 14,244</u>	<u>\$ 12,800</u>
Expenditures per modified								
accrual basis	\$ 27,500	\$ 17,439	\$ 111,713	\$ 44,320	\$ 220	\$ 752	\$ 15,302	\$ 25,354
Accounts payable	-	-	-	-	-	-	-	-
Expenditures per budgetary basis	<u>\$ 27,500</u>	<u>\$ 17,439</u>	<u>\$ 111,713</u>	<u>\$ 44,320</u>	<u>\$ 220</u>	<u>\$ 752</u>	<u>\$ 15,302</u>	<u>\$ 25,354</u>

STATE OF NEW MEXICO
 DE BACA COUNTY
 Schedule of Budgetary Basis
 To GAAP Basis Reconciliation
 Non-Major Funds
 Year Ended June 30, 2006

	Civil Defense Fund	JAG Fund	DARE Fund	Law Enforcement Protection Fund	Canteen Fund	Enhanced 911 Grant Fund	Sheriffs Forfeiture Fund
Revenues per modified accrual basis	\$ -	\$ 5,915	\$ 933	\$ 20,972	\$ 1,852	\$ -	\$ 86
Receivables	-	-	-	-	-	-	-
Due from grantor	-	7,343	-	-	-	-	-
Revenues per budgetary basis	<u>\$ -</u>	<u>\$ 13,258</u>	<u>\$ 933</u>	<u>\$ 20,972</u>	<u>\$ 1,852</u>	<u>\$ -</u>	<u>\$ 86</u>
Expenditures per modified accrual basis	\$ 4,049	\$ 5,915	\$ -	\$ 35,208	\$ 421	\$ -	\$ 2,195
Accounts payable	-	-	-	-	-	-	-
Expenditures per budgetary basis	<u>\$ 4,049</u>	<u>\$ 5,915</u>	<u>\$ -</u>	<u>\$ 35,208</u>	<u>\$ 421</u>	<u>\$ -</u>	<u>\$ 2,195</u>

STATE OF NEW MEXICO
 DE BACA COUNTY
 Schedule of Budgetary Basis
 To GAAP Basis Reconciliation
 Non-Major Funds
 Year Ended June 30, 2006

	Traffic Safety Fund	Health Grant Fund	County Indigent Fund	County Reserve Fund	County Environmental Fund	Hospital Fund	Total Non-Major Special Revenue Fund
Revenues per modified							
accrual basis	\$ -	\$ 82,825	\$ 29,586	\$ 44,143	\$ 23,079	\$ 9,390	\$ 477,394
Receivables	-	4,248	(736)	264	(120)	-	3,417
Due from grantor	-	-	-	-	-	-	7,343
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,343</u>
Revenues per budgetary basis	<u>\$ -</u>	<u>\$ 87,073</u>	<u>\$ 28,850</u>	<u>\$ 44,407</u>	<u>\$ 22,959</u>	<u>\$ 9,390</u>	<u>\$ 488,154</u>
Expenditures per modified							
accrual basis	\$ -	\$ 61,999	\$ 7,268	\$ 34,153	\$ 22,358	\$ -	\$ 416,166
Accounts payable	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures per budgetary basis	<u>\$ -</u>	<u>\$ 61,999</u>	<u>\$ 7,268</u>	<u>\$ 34,153</u>	<u>\$ 22,358</u>	<u>\$ -</u>	<u>\$ 416,166</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Mr. Hector H. Balderas
New Mexico State Auditor
and
Commissioners of De Baca County
De Baca County
Fort Sumner, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the General, Road and Correction Fees Fund and the aggregate remaining fund information of De Baca County as of and for the year ended June 30, 2006, and have issued our report thereon dated June 24, 2008. We also have audited the financial statements of each of the County's non-major governmental funds and budgetary comparisons for the non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other auditors audited the financial statements of the component unit proprietary fund, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we and the other auditors noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters

coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Responses as Comments 03-01, 04-01, 04-02, 04-03, 04-08, 04-09, 04-11, 04-12, 04-13, 04-16, 04-17, 04-18, 05-01, 05-02, 06-01, 06-02, 06-03 and 06-05. Reportable condition for component unit as comment 05-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following items to be material weaknesses: 04-17 and 04-18.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether De Baca County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our or the other auditors audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. They are listed in the accompanying Schedule of Findings and Responses as Comments 03-01, 04-11, 04-13, 04-14, 04-16, 04-17, 04-18, 04-19, 05-02, 06-01, 06-02, 06-03 and 06-04. Component Unit comment item 05-01.

This report is intended solely for the information and use of the Commissioners, management, the New Mexico State Legislature and its committees, the Office of the State Auditor and the Department of Finance and Administration - Local Government Division and is not intended to be and should not be used by anyone other than these specified parties.

 2008

June 24, 2008

SCHEDULE OF FINDINGS AND RESPONSES

Prior Year Audit Findings

1. Property Tax Ten Year History - 03-01 - Repeated.
2. Incorrect Cash Balances -04-01 - Repeated.
3. Joint Powers Agreement - 04-02 - Repeated.
4. Refunds/Reimbursements - 04-03 - Repeated.
5. Checks Written Out of Sequence - 04-05 - Resolved.
6. Prompt Depositing - 04-06 - Resolved.
7. Department of Labor Reports - 04-07 - Resolved.
8. Personnel Policy - 04-08 - Repeated.
9. Accrued Leave Policy - 04-09 - Repeated.
10. Disbursements - 04-11 - Repeated.
11. Investment Policy - 04-12 - Repeated.
12. Budget Overruns - 04-13 - Repeated.
13. Hospital Fund - 04-14 - Repeated.
14. Transfers - 04-15 - Resolved.
15. Depreciation Policy - 04-16 - Repeated.
16. Depreciation of Capital Assets - 04-17 - Repeated.
17. Capital Assets - 04-18 - Repeated.
18. Late Audit Report - 04-19 - Repeated.
19. Canteen Fund - 05-01 - Repeated.
20. Transfers - 05-02 - Repeated.

Current Year Audit Findings

1. Grant Balances - 06-01
2. CDBG Grant Unrecorded - 06-02
3. JAG Grant - 06-03
4. New Mexico Solid Waste Violations - 06-04
5. CDBG Day Care Project Bank Account - 06-05

COMPONENT UNIT AUDIT FINDINGS:

Prior Year

1. Budget Variances - 05-01 - Repeated

Current Year

1. Budget Variances - 05-01

Property Tax (Ten Year) History
(03-01)

CONDITION	The County could not provide a ten year history of tax collections.
CRITERIA	The State Auditors Office Rule 2.2.2.12D requires a schedule of the ten year history of tax collections by entity. Also, per GASB 33 the financial statements must be reported on a full accrual basis.
CAUSE	The County has not taken the time to try and retrieve/compile this information.
EFFECT	An historical view of past tax collections and the ability to compare past years with current collections is not available. Also, the financial statements are not reported on a full accrual basis per GASB 33.
RECOMMENDATION	The County should allocate the time and money to prepare this schedule.
RESPONSE	Steps are being taken to get the necessary knowledge to prepare this schedule.

Incorrect Cash Balances

(04-01)

CONDITION	The County Clerks Office is not preparing reports that include the outstanding checks written by the Clerks Office. Cash balances being used are the County Treasurers balances. The County Treasurer does not know which or how much is outstanding each month. Therefore, the Treasurers reports are overstating cash on hand each month.
CRITERIA	Cash at the end of the month should include all outstanding checks. This provides the reader with an accurate cash balance.
CAUSE	The two departments are using two different software programs. Neither department is bridging the gap by creating a reconciliation to include these outstanding checks.
EFFECT	Cash is being overstated. Also, because these warrants are not included in expenditures, expenditures are being understated. Since expenditures are understated budget adjustments are not being made correctly to cover actual disbursements.
RECOMMENDATION	The County Clerks Office should prepare a schedule to deduct these checks so that cash and expenditures are recorded at actual.
RESPONSE	The Clerks office prints checks and then sends checks to the Treasurers office for signatures. The Treasurers office makes copies of all printed checks to keep on file to use for reconciling bank statements. The Clerks office is considering purchasing software that will enable the reconciling process to run smoother.

Joint Powers Agreement
(04-02)

CONDITION	The County claims that there is a Joint Powers Agreement with the Village of Fort Sumner to jointly close the landfill. Currently, neither agency could provide a signed copy.
CRITERIA	A current signed copy of any and all joint powers agreements should be kept on file with management of the County.
CAUSE	There are several new members of management at the County. Because of this many documents created prior to their employment could not be obtained.
EFFECT	It is unclear at this point which agency will be responsible for paying and closing the landfill.
RECOMMENDATION	The County should obtain a complete signed copy of the Joint Powers Agreement as soon as possible.
RESPONSE	There is no JPA with regards to the landfill. The landfill does not belong to the County. This agreement was made via a handshake years ago.

Refunds/Reimbursements

(04-03)

CONDITION	The Treasurers Office is using the refunds/reimbursements revenue code to receipt monies that include Special Appropriation Projects, Special Grants from the Federal government and other monies not easily identifiable.
CRITERIA	The Refunds/Reimbursements revenue line item is for actual refunds as created by the Department of Finance and Administration. This code should not be used for revenues that are to be reported in other revenue line item codes such as State Sources for Special Appropriation Projects or Federal Sources for grants received from Federal Agencies.
CAUSE	Management of the Treasurers Office are not seeking clear documentation of the source of these monies to ensure they are properly posted.
EFFECT	The Refunds/Reimbursements revenue code is overstated while other revenue codes are understated.
RECOMMENDATION	Management of the Treasurers Office should obtain clear documentation for all receipts so as to properly record these receipts in the proper revenue code.
RESPONSE	Steps have been taken to educate employees in the Treasurers office to define refunds and adequate documentation.

Personnel Policy

(04-08)

CONDITION	The current personnel policy being used was approved in 1995. Based on changes in payroll regulations this appears to be outdated.
CRITERIA	Personnel Policies should be updated periodically to ensure it complies with all current payroll/labor standards and regulations.
CAUSE	Management of the County did not ensure that this policy was updated to reflect current standards and regulations.
EFFECT	Personnel Policies of the County may be inadequate to comply with the always changing payroll/labor standards and regulations.
RECOMMENDATION	Management of the County should update this policy and provide it to the Board for approval as soon as possible.
RESPONSE	An updated personnel policy has been submitted to the Commissioners for formal approval.

Accrued Leave Policy

(04-09)

CONDITION	The accrued leave policy has no provision to state that employees that have excess leave at calendar year end can be paid for that leave, because it cannot be carried forward. However, the Board is allowing this practice.
CRITERIA	Management of the County and its Board members should follow its own approved written policies. If these policies are unclear they should be clarified and re-approved by the Board.
CAUSE	The accrued leave policy being used by the County is not clear on how payments can and should be made to employees.
EFFECT	Accrued leave payments to employees could be made incorrectly.
RECOMMENDATION	Management should update this policy and have it approved by the Board as soon as possible.
RESPONSE	The accrued leave policy will be updated and approved by the Board.

Disbursements

(04-11)

CONDITION There were 22 disbursements (totaling \$230,947) out of 54 disbursement checks chosen (totaling \$482,630) that had one or more of the following deficiencies in their supporting documentation.

1. No purchase order attached.
2. Purchase order dated after invoice.
3. No signature of receipts of goods/services,
4. No signature identifying authorization to pay invoice.
5. No evidence of verification of charges, extensions, footings or recalculations,
6. No invoice attached. (Items total \$1,560)
7. Sales tax paid incorrectly (not required to be paid on items).

CRITERIA The County is not complying with Procurement Code Section 13-1-158 NMSA 1978.

Also, according to sound accounting practices the following items must be present before disbursements can be made.

1. A signed, dated purchase order is created and approved.
2. Evidence that the item/service was obtained should be attached, this includes an invoice and signature of receipt.
3. Evidence of extensions, recalculations, footings and charges verified on invoice or packing slip.
4. Evidence that sales taxes charged were not required and/or paid.

CAUSE Prior management of the County were unaware of this sound accounting practice or Code Section 13-1-158.

EFFECT Proper accounting practices were not followed and Code Section 13-1-158 was violated.

RECOMMENDATION Current disbursements personnel should be trained in this area to insure sound accounting practices are followed.

RESPONSE Current personnel are being trained continually in this area to insure that sound accounting practices are followed.

Investment Policy

(04-12)

CONDITION	There was no clear approved investment policy available for the fiscal year ending 2006.
CRITERIA	An approved investment policy should be available to ensure investments are received and posted correctly.
CAUSE	Prior management of the County were not aware of the this need to ensure investments were reported, posted, calculated correctly.
EFFECT	Investment income received may not be posted to the correct fund, or calculated correctly (based on the investment policy guidelines).
RECOMMENDATION	The County has passed Resolution #2006-12 and #2006-14 concerning what types of investment can be obtained. However, which funds and how much each fund will receive from the income on these investments is still not determined and approved by the Board. This should be created and approved by the Board as soon as possible.
RESPONSE	A resolution that directed how investment income should be divided was passed in 2007.

Budget Overruns

(04-13)

CONDITION	The County had budget overruns in the Correction Fees Fund for \$6,867, the Canteen Fund for \$21, the Law Enforcement Protection Fund for \$14,608, the Valley Fire Fund for \$34,492 and the Ambulance fund for \$7,439.
CRITERIA	According to Sections 6-6-6 through 6-6-11 NMSA 1978 Compilation "prohibits local governments from making expenditures in excess of the approved budget".
CAUSE	Budget adjustment requests were not prepared and approved by DFA.
EFFECT	Sections 6-6-6 through 6-6-11 NMSA 1978 Compilation was violated.
RECOMMENDATION	The County should ensure that all budget adjustment requests are prepared and approved in a timely manner so that DFA regulations are followed.
RESPONSE	All budget adjustment requests are being prepared and approved in a timely manner and DFA regulations are being followed by the Clerks office.

Hospital Fund
(04-14)

CONDITION	The hospital bank account: <ol style="list-style-type: none">1. Is not recorded on the books of the County,2. contains funds which are being spent without authorization,3. is not controlled by County employees, and4. The authorized check signors are representatives of the Clinic, not the County.
CRITERIA	The hospital bank account belongs to the County and should be controlled and accounted for in a manner that reflects the ownership by the County.
CAUSE	The County has not obtained proper control over the hospital fund.
EFFECT	The lack of proper control of the hospital bank account has resulted in unauthorized disbursements and could continue to do so in the future.
RECOMMENDATION	The County should record the hospital fund on the books of the County, should spend no amounts from the fund without proper authorization, should control the bank account, and should establish County board members as check signors.
RESPONSE	The County hospital checkbook is in the Treasurers office. No disbursements are made without proper approval by the Board of County Commissioners. A hospital fund has been created to keep track of hospital monies.

Depreciation Policy

(04-16)

CONDITION	The County has not approved a depreciation policy so depreciation can be charged to capital assets.
CRITERIA	The County needs a depreciation policy so capital assets can be depreciated correctly. This is due to the implementation of GASB 34.
CAUSE	The Board of Commissioners have not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The Board should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	The Board will approve the depreciation policy and management will implement the policy as soon as possible.

Depreciation of Capital Assets

(04-17)

CONDITION	The County has not successfully managed to depreciate their capital assets.
CRITERIA	In accordance with GASB 34 all fixed assets must be depreciated in accordance with the entity's policy approved by the Board.
CAUSE	The department involved can only provide estimates of depreciation to be charged due to the lack of a depreciation policy.
EFFECT	The financial statements could be misstated.
RECOMMENDATION	The County needs to approve a depreciation policy so Management can accurately implement that policy.
RESPONSE	Currently attempting to obtain or compile a list of capital assets and develop a depreciation schedule.

Capital Assets

(04-18)

CONDITION	A complete capital asset listing including current year additions and deletions was not available when the audit process began.
CRITERIA	A complete capital asset listing including current year additions and deletions should be maintained at all times. This is to comply with 1 NMAC 1.2.1.8 and 12-6-10 NMSA 1978.
CAUSE	An employee has not been designated to complete a listing each year and ensure it is complete before the audit process begins.
EFFECT	The capital asset records could be overstated/understated.
RECOMMENDATION	The County should continue to reconcile all capital assets to the prior years audit reports and bring it current.
RESPONSE	The County is currently trying to compile a list of current assets.

Late Audit Report
(04-19)

CONDITION	The audit report for the county was not timely submitted to the State Auditor by the required due date. The audit report was submitted to the State Auditors Office on July 9, 2008.
CRITERIA	All audit reports should be submitted to the State Auditors Office by the required due date according to the State Auditors Rule 2.2.2 9 A(1){c}.
CAUSE	The audit report for the fiscal year ending 2005 was not submitted to the State Auditors Office until May 29, 2007. This then caused the 2006 audit report to be submitted late.
EFFECT	State Auditor Rule 2.2.2 9 A(1){c} was not adhered to.
RECOMMENDATION	The County is working diligently to become current with all of their audit reports.
RESPONSE	The current Clerks office is working hard to ensure that all audit reports are submitted timely.

Canteen Fund
(05-01)

CONDITION	The jail in the County keeps funds on behalf of the prisoners housed there. These funds however are not recorded and provided to management for review and to ensure the cash is safeguarded.
CRITERIA	All funds, even those kept merely in a trust capacity must be accounted for and reported to management.
CAUSE	Employees in this department were unaware of this requirement.
EFFECT	Assets (cash) may not be safeguarded.
RECOMMENDATION	The department is compiling some type of report for their purposes, however, it should be copied and provided to the Treasurer/Clerks Office to ensure these assets are safeguarded.
RESPONSE	The Corrections Department is submitting a monthly report and copies of the bank statment to the Treasurers Office.

Transfers

(05-02)

CONDITION	The County is including receipts and disbursements in the transfers reported to the oversight agency, DFA.
CRITERIA	Transfers should be made as excess revenues provided to another fund for use.
CAUSE	The Treasurers office is including other items in their transfers.
EFFECT	Transfers are overstated/understated depending on each fund.
RECOMMENDATION	All transfers should be limited to those amounts approved to be transferred.
RESPONSE	Currently, only transfers defined by resolution are included for reporting to DFA to provide accuracy.

Grant Balances
(06-01)

CONDITION	The County did not ensure that a Beautification Grant was approved and the monies received in the amount of \$1,300. The County spent these monies without a revenue resource.
CRITERIA	All grants should be approved and management should periodically review these grants to ensure the full amount is received.
CAUSE	The employee in charge of this grant resigned and the management of this grant was not reassigned to another employee.
EFFECT	State sources of \$1,300 was not received. The County spent \$1,300 without a revenue resource.
RECOMMENDATION	All grants should be monitored periodically to ensure all monies are received and spent correctly.
RESPONSE	This finding was incurred due to the person in charge of the grant. The current grant coordinator is being properly trained and ensures that all monies are being spent correctly.

CDBG Grant
(06-02)

CONDITION	The County received a CDBG Grant to construct a Daycare Center. The revenues and expenditures of this grant were never recorded on the County's books of record or reported on the New Mexico Department of Finance and Administrations quarterly reports.
CRITERIA	According to GASB 34 ¶12(e) the County must "Measure and report all assets (both financial and capital), liabilities, revenues and expenses using the economic resources measurement focus". So the County must record all revenues and expenditures of all grants, funds, projects, etc.
CAUSE	Management upon receiving the grant misunderstood advice on how to track this grant provided by the New Mexico Department of Finance and Administration.
EFFECT	Revenues and expenditures were understated on the County's financial statements and quarterly reports.
RECOMMENDATION	Management needs to be trained and advised correctly on how to report, record and track all monies received and spent.
RESPONSE	This project has been completed. The bank account has been closed. The project was monitored by DFA throughout and audited by DFA upon closing.

JAG Grant
(06-03)

CONDITION	The County received a Justice Assistance Grant during the year, however, the County kept no documents providing approval, how the grant is to be spent or why this grant was obtained.
CRITERIA	The County should keep all relevant information concerning grants for six years after termination of the grant according to 1.15.4.208 C and D NMAC.
CAUSE	The department in charge of this grant did not keep any of these documents on hand in the County offices.
EFFECT	The County could possibly lose this grant in the future, or the expenditure could be disallowed and the County would have to repay this amount to the granting agency.
RECOMMENDATION	The County Board should approve a policy and distribute it to all departments to ensure they are aware of this requirement and that it be followed.
RESPONSE	The County is working on a policy.

New Mexico Solid Waste Violations

(06-04)

CONDITION	The County received an inspection notice from the State of New Mexico, Environmental Department, Solid Waste Bureau with unfavorable results. The two items discussed were 1) failure to remove bulky waste in a timely manner, and 2) failure to obtain driver signatures on waste screening inspection forms.
CRITERIA	According to New Mexico Solid Waste Management regulations Section 4041 and Section 401.B.5 all solid waste owners must 1) if bulky wastes are accepted, separate storage areas shall be provided, and the bulky wastes shall be removed in a timely manner, and 2) a written record of all inspection signed by the inspector and the commercial hauler shall be maintained.
CAUSE	Management of the County Landfill did not ensure these regulations were followed.
EFFECT	New Mexico Solid Waste Management Regulations were not followed.
RECOMMENDATION	Management of the landfill need to implement policies/procedures to ensure these regulations are followed.
RESPONSE	Management has instructed employees at the landfill on how to follow proper procedures to ensure these violations do not continue.

CDBG Day Care Project Bank Account
(06-05)

CONDITION	The bank account opened for the CDBG Day Care Project was never reconciled for the fiscal year 2006.
CRITERIA	All bank accounts should be reconciled monthly upon receiving the bank statement. This is to comply with 6-6-3 NMSA 1978.
CAUSE	Management was not reconciling this account at all.
EFFECT	County assets are not being properly safeguarded.
RECOMMENDATION	Management needs to start reconciling this bank account immediately.
RESPONSE	The project has been completed. The bank account has been closed. The project was monitored and audited by DFA prior to completion.

COMPONENT UNIT AUDIT FINDINGS

Component Unit Comment

Budget Variances

(06-01)

CONDITION	The Clinic exceeded budgeted amounts in several expenditure categories which caused the Clinic to exceed budgetary authority at the line and fund level.
CRITERIA	Periodic review of budgeted to actual expenditures is needed to ensure that accounting and fiscal policies and limitations are met.
CAUSE	A comparison of the budget to actual expenditures near the end of the fiscal year did not occur to determine if any budget adjustments were necessary.
EFFECT	Without periodic budget to actual expenditure review, expenses may be exceeding the amount authorized by the Board of Directors or significant expense misclassifications may be overlooked.
RECOMMENDATION	We recommend the budget be compared to actual expenditures on at least a quarterly basis to ensure fiscal and grant compliance.
RESPONSE	We concur. The Board of Directors approved additional capital outlay expenditures however the budget was not adjusted to reflect the decision. This caused the Clinic to exceed budgeted expenditures in total. Other expenditures were within the budgetary guidelines until year end audit adjustments were entered into the accounting records. More diligence will be made to ensure actual expenditures will stay within budgetary authority.

FINANCIAL STATEMENT PREPARATION

The combined financial statements of De Baca County as of, and for the year ended, June 30, 2006 were prepared by Rice & Associates, CPA, with the aid of responsible County personnel. Official and responsible personnel agree that the presentations are made with their knowledge and agreement.

EXIT CONFERENCE

An exit conference was held at the County on June 24, 2008, to discuss the current audit report and auditors' comments. In attendance were Mr. Joe Steele, Commissioner, Mr. Randy Ballard, County Treasurer, Ms. Laurie Pettigrew, County Clerk, Mr. John Nuttall, County Manager and Ms. Pamela A. Rice, CPA, Contract Auditor.