

STATE OF NEW MEXICO

HARDING COUNTY

AUDIT REPORT

For the Year Ended June 30, 2006

(with Auditor's Report Thereon)

RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

HARDING COUNTY

AUDIT REPORT

For The Year Ended June 30, 2006

(with Auditor's Report Thereon)

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

County Commission

Mr. Michael Lewis	Chairman
Mr. Robert Casados	Vice-Chairman
Mr. Jerry Porterfield	Member

Elected Officials

Ms. Maria Atencio	Clerk
Ms. Elizabeth Martinez	Deputy Clerk
Ms. Diana Anderson	Treasurer
Ms. Tonja Hazen Martinez	Assessor
Mr. Herman Martinez	Sheriff
Mr. Raymond Gutierrez	Undersheriff
Ms. Myra Sande	Emergency Manager
Ms. Carrie Archuleta	Probate Judge

Other Officials

Ms. Barbara Shaw	Commission Secretary
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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 Balderas
New Mexico State Auditor and
the Board of Commissioners
Harding County
Mosquero, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harding 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 and budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006. These financial statements are the responsibility of Harding 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, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harding County as of June 30, 2006, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the General, Road, Fire District No. 2, Solid Waste Funds 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 of the non-major governmental fund of Harding county as of June 30, 2006, and the respective changes in financial position and the budgetary comparisons for the Building Restoration ADA Fund, the Capital Improvement Fund, Special Appropriation Project Fund and the Economic Development Program Fund and the non-major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2008 on our consideration of Harding 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 read in conjunction with this report in assessing the results of our audit.

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 part of, the basic financial statements.

Our audit was performed for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of Harding County. The accompanying Schedule of Changes in Assets and Liabilities 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rice & Associates, LLP

July 10, 2008

FINANCIAL STATEMENTS

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

Statement 1

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 1,001,987
Accounts receivable	26,185
Due from grantor	55,829
Total current assets	1,084,001
Capital Assets	
Land	33,034
Buildings	1,936,207
Building improvements	116,235
Furniture and machines	1,192,718
Equipment	693,776
Infrastructure	801,492
Total capital assets	4,773,462
Less accumulated depreciation	(1,562,284)
Total capital assets (net of accumulated depreciation)	3,211,178
Total assets	4,295,179
LIABILITIES AND NET ASSETS	
Current Liabilities	
Cash overdraft	25,140
Accounts payable	16,178
Deferred revenue	8,147
NMFA Loan	13,171
Total current liabilities	62,636
Non-Current Liabilities	
NMFA Loan	42,538
Compensated absences payable	15,564
Total non-current liabilities	58,102
Total liabilities	120,738
NET ASSETS	
Invested in capital assets, net of related debt	3,155,469
Restricted for capital outlay	298,008
Unrestricted	720,964
Total net assets	\$ 4,174,441

See accompanying notes to financial statements.

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

Statement 2

<u>Functions/Programs</u>	Expenses	<u>Program Revenues</u>			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 844,738	\$ 17,162	\$ 132,074	\$ 546,541	\$ (148,961)
Highways and streets	-	-	65,325	260,195	325,520
Health and welfare	181,619	7,455	176,395	-	2,231
Public safety	430,871	9,476	248,213	-	(173,182)
Culture and recreation	2,140	-	2,140	-	-
Depreciation - unallocated	203,542	-	-	-	(203,542)
Interest on long-term obligations	2,563	-	-	-	(2,563)
Total governmental activities	<u>\$ 1,665,473</u>	<u>\$ 34,093</u>	<u>\$ 624,147</u>	<u>\$ 806,736</u>	<u>(200,497)</u>
General Revenues:					
Property taxes					179,483
Gross receipts taxes					21,486
Oil and gas taxes					123,618
Motor vehicle taxes					195,325
Gas taxes					91,707
Environmental gross receipts taxes					11,902
State aid not restricted to special purpose					
General					450,000
Federal aid not restricted to special purpose					
General					69,274
Unrestricted investment earnings					23,391
Total general revenues					<u>1,166,186</u>
Change in net assets					965,689
Net assets - beginning					3,208,752
Net assets - ending					<u>\$ 4,174,441</u>

See accompanying notes to financial statements.

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

Statement 3

	General Fund	Road Fund	Fire District No. 2 Fund	Solid Waste Fund	Building Restoration ADA Fund	Capital Improvement Fund	Special Appropriation Project Fund	Economic Development Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS										
Cash on deposit	\$ 301,635	\$ 58,689	\$ 79,826	\$ 163,293	\$ 88,348	\$ 176,693	\$ -	\$ 10,087	\$ 123,416	\$ 1,001,987
Accounts receivable	8,891	14,336	-	1,511	-	-	-	-	1,447	26,185
Due from grantor	-	-	-	-	-	-	-	22,880	32,949	55,829
Due from other funds	3,200	-	-	-	-	-	-	-	-	3,200
Total assets	\$ 313,726	\$ 73,025	\$ 79,826	\$ 164,804	\$ 88,348	\$ 176,693	\$ -	\$ 32,967	\$ 157,812	\$ 1,087,201
LIABILITIES										
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,140	\$ 25,140
Accounts payable	7,307	8,871	-	-	-	-	-	-	-	16,178
Deferred revenue	-	-	-	-	-	-	-	-	8,147	8,147
Due to other funds	-	-	-	-	-	-	-	-	3,200	3,200
Total liabilities	7,307	8,871	-	-	-	-	-	-	36,487	52,665
FUND BALANCE										
Unreserved:										
Designated for subsequent years expenditures	-	-	-	-	88,348	176,683	-	32,967	-	298,008
Undesignated reported in:										
General fund	306,419	-	-	-	-	-	-	-	-	306,419
Special revenue funds	-	64,154	79,826	164,804	-	-	-	-	121,325	430,109
Capital project funds	-	-	-	-	-	-	-	-	-	-
Total fund balance	306,419	64,154	79,826	164,804	88,348	176,683	-	32,967	121,325	1,034,536
Total liabilities and fund balances	\$ 313,726	\$ 73,025	\$ 79,826	\$ 164,804	\$ 88,348	\$ 176,693	\$ -	\$ 32,967	\$ 157,812	\$ 1,087,201

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Reconciliation of the Balance Sheet - Government Funds
to the Statement of Net Assets
June 30, 2006

Statement 4

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

Total fund balances - governmental funds		\$ 1,034,536
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	4,773,462	
Accumulated depreciation	<u>(1,562,284)</u>	
		<u>3,211,178</u>
Long-term and certain other liabilities, including bonds 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 Loan	(55,709)	
Compensated absences	<u>(15,564)</u>	
		<u>(71,273)</u>
Net assets of governmental activities		<u>\$ 4,174,441</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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	Fire District No. 2 Fund	Solid Waste Fund	Building Restoration ADA Fund	Capital Improvement Fund	Special Appropriation Project Fund	Economic Development Program Fund	Other Governmental Funds	Total Governmental Funds
REVENUES										
Property taxes	\$ 175,009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,474	\$ 179,483
Sales taxes	16,250	-	-	-	-	-	-	-	5,236	21,486
Motor vehicle taxes	4,046	191,279	-	-	-	-	-	-	-	195,325
Oil and gas taxes	123,618	-	-	-	-	-	-	-	-	123,618
Gas taxes	1,757	89,950	-	-	-	-	-	-	-	91,707
Environmental gross receipts taxes	-	-	-	11,902	-	-	-	-	-	11,902
Charges for services	650	-	-	-	-	-	-	-	10,382	11,032
Fees	4,254	-	-	-	-	-	-	-	-	4,254
Fines and forfeitures	-	-	-	-	-	-	-	-	8,225	8,225
Rents	10,582	-	-	-	-	-	-	-	-	10,582
Local sources	47,484	6,077	-	-	-	-	-	43,100	6,524	103,185
State sources	453,200	260,195	59,164	-	-	-	163,687	375,204	336,737	1,648,187
Federal sources	69,274	59,248	-	-	-	-	-	-	70,263	198,785
Earnings from investments	20,951	2,440	-	-	-	-	-	-	-	23,391
Total revenues	927,075	609,189	59,164	11,902	-	-	163,687	418,304	441,841	2,631,162
EXPENDITURES										
Current:										
General government	664,323	-	-	-	-	-	-	-	45,023	709,346
Highways and streets	-	274,809	-	-	-	-	-	-	-	274,809
Public safety	100,934	-	116,835	-	-	-	-	-	213,102	430,871
Health & welfare	-	-	-	-	-	-	-	-	181,619	181,619
Culture and recreation	-	-	-	-	-	-	-	-	2,140	2,140
Capital outlay	-	312,107	-	-	-	-	171,014	385,337	7,650	876,108
Debt service:										
Principal	-	-	-	-	-	-	-	-	12,706	12,706
Interest	-	-	-	-	-	-	-	-	2,563	2,563
Total expenditures	765,257	586,916	116,835	-	-	-	171,014	385,337	464,803	2,490,162
Excess (deficiency) revenues over expenditures	161,818	22,273	(57,671)	11,902	-	-	(7,327)	32,967	(22,962)	141,000
OTHER FINANCING SOURCES (USES)										
Operating transfers in	7,457	-	-	-	12,167	79,838	7,327	-	67,700	174,489
Operating transfers (out)	(137,457)	(12,167)	-	-	(17,408)	-	-	-	(7,457)	(174,489)
Total other financing sources (uses)	(130,000)	(12,167)	-	-	(5,241)	79,838	7,327	-	60,243	-
Net change in fund balances	31,818	10,106	(57,671)	11,902	(5,241)	79,838	-	32,967	37,281	141,000
Fund balance beginning of year	274,601	54,048	137,497	152,902	93,589	96,855	-	-	84,044	893,536
Fund balance end of year	\$ 306,419	\$ 64,154	\$ 79,826	\$ 164,804	\$ 88,348	\$ 176,693	\$ -	\$ 32,967	\$ 121,325	\$ 1,034,536

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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 \$ 141,000

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	1,010,532	
Depreciation expense	<u>(203,542)</u>	
		<u>806,990</u>

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

Compensated absences		4,993
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Repayment of notes 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

		<u>12,706</u>
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Change in net assets of governmental activities		<u>\$ 965,689</u>
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See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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	\$ 190,366	\$ 190,366	\$ 175,009	\$ (15,357)
Sales taxes	19,170	19,170	16,250	(2,920)
Motor vehicle taxes	3,000	3,000	4,046	1,046
Oil and gas taxes	90,201	90,201	154,381	64,180
Gas taxes	3,000	3,000	1,757	(1,243)
Charges for services	700	700	650	(50)
Fees	4,090	4,090	4,254	164
Rents	9,900	9,900	10,582	682
Local sources	35,063	35,063	47,484	12,421
State sources	465,000	465,000	453,200	(11,800)
Federal sources	69,274	69,274	69,274	-
Earnings from investments	13,000	13,000	20,951	7,951
	<u>\$ 902,764</u>	<u>\$ 902,764</u>	<u>\$ 957,838</u>	<u>\$ 55,074</u>
EXPENDITURES				
General government	\$ 727,809	\$ 727,809	\$ 679,307	\$ 48,502
Public safety	103,971	103,971	100,934	3,037
Culture and recreation	-	-	-	-
	<u>\$ 831,780</u>	<u>\$ 831,780</u>	<u>\$ 780,241</u>	<u>\$ 51,539</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 7,457	\$ 7,457	\$ 7,457	\$ -
Transfers out	(137,457)	(137,457)	(137,457)	-
	<u>\$ (130,000)</u>	<u>\$ (130,000)</u>	<u>\$ (130,000)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 59,016</u>	<u>\$ 59,016</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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				
Motor vehicle taxes	\$ 165,000	\$ 165,000	\$ 198,975	\$ 33,975
Gas taxes	82,000	82,000	89,950	7,950
Local sources	-	-	6,077	6,077
State sources	341,195	341,195	260,195	(81,000)
Federal sources	55,914	55,914	59,248	3,334
Earnings on investments	2,000	2,000	2,440	440
Total revenues	<u>\$ 646,109</u>	<u>\$ 646,109</u>	<u>\$ 616,885</u>	<u>\$ (29,224)</u>
EXPENDITURES				
Highways and streets	\$ 629,583	\$ 629,583	\$ 591,680	\$ 37,903
Total expenditures	<u>\$ 629,583</u>	<u>\$ 629,583</u>	<u>\$ 591,680</u>	<u>\$ 37,903</u>
Other financing uses				
Transfer out	\$ (12,167)	\$ (12,167)	\$ (12,167)	\$ -
Total other financing uses	<u>\$ (12,167)</u>	<u>\$ (12,167)</u>	<u>\$ (12,167)</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Special Revenue Fund - Fire District No. 2 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	\$ 45,402	\$ 45,402	\$ 59,164	\$ 13,762
Total revenues	<u>\$ 45,402</u>	<u>\$ 45,402</u>	<u>\$ 59,164</u>	<u>\$ 13,762</u>
EXPENDITURES				
Public safety	\$ 182,899	\$ 182,899	\$ 116,835	\$ 66,064
Total expenditures	<u>\$ 182,899</u>	<u>\$ 182,899</u>	<u>\$ 116,835</u>	<u>\$ 66,064</u>
BUDGETED CASH BALANCE	<u>\$ 137,497</u>	<u>\$ 137,497</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Special Revenue Fund - Solid Waste 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 sources	\$ 14,945	\$ 14,945	\$ 11,333	\$ (3,612)
Total revenues	<u>\$ 14,945</u>	<u>\$ 14,945</u>	<u>\$ 11,333</u>	<u>\$ (3,612)</u>
EXPENDITURES				
Health and welfare	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Total expenditures	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>
BUDGETED CASH BALANCE	<u>\$ 85,055</u>	<u>\$ 85,055</u>		

See accompanying notes to financial statements.

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

	<u>Agency Funds</u>
ASSETS	
Cash and temporary investments	\$ 175,358
Taxes receivable	<u>175,133</u>
Total assets	<u>\$ 350,491</u>
LIABILITIES	
Due to other governments (cash)	\$ 175,358
Due to other governments (receivables)	<u>175,133</u>
Total liabilities	<u>\$ 350,491</u>

See accompanying notes to financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Harding 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 Harding 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 Harding 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 on this criteria, the County has no component units. Additionally the County is not a component unit of any other reporting entity as defined by GASB 14.

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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. 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.

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.

Notes to Financial Statements (Continued)

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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 30 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.

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.

Notes to Financial Statements (Continued)

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 - Special Revenue Fund - To account for funds used to maintain roads for which the County has responsibility. Financing is provided by motor vehicles fees flowing through the state. Expenditures are restricted to the construction and maintenance of County roads. Authority is Sections 64-55A-40 through 43 NMSA 1978.

Fire District No. 2 Fund - Special Revenue Fund - 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.

Solid Waste Fund - Special Revenue Fund - To account for resources received from the County's share of environmental gross receipts taxes (1/8th) and a special (1/16th) infrastructure gross receipts tax so the County may pay for the management and disposal of solid waste in future years. Also, a grant from the New Mexico Environment Department, Construction Programs Bureau to purchase a refuse truck. The County at this time does not provide solid waste services. Authority is NMSA 7-19D-10 and 7-2DE-17.

Building Restoration ADA Fund - Capital Projects Fund - To account for a permanent cash transfer from the General Fund to bring the County Courthouse into ADA compliance.

Capital Improvements Fund - Capital Projects Fund - To account for a permanent cash transfer from the General Fund for various capital improvement purposes.

Special Appropriation Project Fund - Capital Projects Fund - To account for resources received from the New Mexico State Legislature, Special Appropriations Project, Laws of 2003, Chapter 385 & 429 to be used for improvements to the Harding County Courthouse and Community Center. Also, resources received from the New Mexico State Legislature, Special Appropriations Project, Laws Of 2004, Chapter 126 to purchase and install heating, ventilation and air conditions on both floors of the County Courthouse.

Economic Development Program Fund - Capital Projects Fund - To account for Special Appropriations from the State Legislature Laws 2005, Chapter 45/192 to purchase and install or plan, design, construct, equip and furnish a building to serve as an Economic and Community Development Multi Purpose Facility in Harding County. Also, for a Special Appropriation from the State Legislature Laws 2004, Chapter 126 to plan, design, construct and equip a metal fabrication shop. Also, to plan, design, construct and purchase land for a building to house the economic development offices.

Notes to Financial Statements (Continued)

The County also reports the following fund types:

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

D. Budgetary Data

1. Budget Policy

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

- 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.

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.

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

(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 and sick 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.

Notes to Financial Statements (Continued)

H. Inventory

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

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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, are included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at 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	40
Building improvements	40
Furniture/Machines	5-30
Equipment	5-30
Infrastructure	10

The County does not capitalize computer software or software developed for internal use (if applicable).

J. Net Assets

The governmental activities and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associates with capital assets less outstanding capital asset related debt.

Restricted net assets - This category reflects the portion of net assets that have third party limitation on their use.

Unrestricted net assets - This category reflects net assets of the Village not restricted for any project or other purposes.

2. DEPOSITORY COLLATERAL

New Mexico statutes provide that deposits of public monies in financial institutions must be secured by pledged collateral in an aggregate value equal to one-half of the amount of the public monies deposited after deducting the amount of Federal Deposit Insurance Corporation insurance coverage (for each financial institution).

Notes to Financial Statements (Continued)

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

Wells Fargo Bank	Checking	Harding County	\$ 465,718
Wells Fargo Bank	Certificate of Deposit	Harding County	100,000
National Bank in Las Vegas	Checking	Harding County	526
Farmers & Stockmans Bank	Certificate of Deposit	Harding County	100,000
Farmers & Stockmans Bank	Certificate of Deposit	Harding County	69,431
Farmers & Stockmans Bank	Certificate of Deposit	Harding County	39,791
Farmers & Stockmans Bank	Certificate of Deposit	Harding County	56,032
State Treasurers Investment Pool	Investments	Harding County	<u>458,880</u>
Total amount on deposit			<u>\$1,290,378</u>
Total amount on deposit			\$1,290,378
Plus petty cash			150
Plus deposit in transit			109
Less outstanding checks			(138,431)
Rounding			<u>(1)</u>
Total per financial statements			<u>\$1,152,205</u>

The following schedule details the public money held by financial institutions and pledged collateral held by the County as follows:

	<u>Wells Fargo Bank</u>	<u>National Bank</u>	<u>Farmers & Stockmans</u>
Cash on deposit at June 30	\$ 565,718	\$ 526	\$ 265,254
Less F.D.I.C. (Category 1)	<u>(200,000)</u>	<u>(526)</u>	<u>(100,000)</u>
Uninsured funds	365,718	-	165,254
Funds needing collateralization at 50%	182,859	-	82,627
Pledged collateral at June 30 (Category 2)	<u>(165,759)</u>	<u>-</u>	<u>194,329</u>
Excess of pledged collateral	<u>\$ (17,100)</u>	<u>\$ -</u>	<u>\$ 111,702</u>

At June 30, 2006, the carrying amount of the County's bank balance was \$1,290,378. Of this balances \$100,000 was covered by federal depository insurance and \$360,088 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions trust department or agent, but not in the governments name.

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, \$ of the County's bank balance of \$1,290,378 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 17,100
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the County's name	<u>331,013</u>
Total	<u>\$ 348,113</u>

Notes to Financial Statements (Continued)

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 cooperative 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:

Wells Fargo Bank

Wells Fargo Bank in Minnesota

FNCL CUSIP #31409CV51	05/01/36	\$165,759
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Farmers & Stockmans Bank

Federal Reserve Bank

FHLB CUSIP #3133MTQB7	11/15/07	\$194,329
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The credit risk for the balances above for the New Mexico State Treasurers Investment Pool cannot be determined. The risk would be determined at the State Treasurers Investment Pool level. The accounts of the State Treasurers Investment Pool are monitored by the State Treasurers Office and the State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

The investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The Local Government Investment Pool does not have unit shares. Per Section 6-10-10. 1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. Participation in the local government investment pool is voluntary.

Notes to Financial Statements (Continued)

3. BUDGET TO GAAP RECONCILIATION

	<u>General Fund</u>	<u>Road Fund</u>	<u>Fire District No. 2 Fund</u>
Revenues per modified accrual basis	\$927,075	\$609,189	\$ 59,164
Receivables	30,763	7,696	-
Deferred revenue/Due from grantor	<u>-</u>	<u>-</u>	<u>-</u>
Revenues per budgetary basis	<u>\$957,838</u>	<u>\$616,885</u>	<u>\$ 59,164</u>
Expenditures per modified accrual basis	\$765,257	\$586,916	\$ 116,835
Accounts payable	<u>14,984</u>	<u>4,764</u>	<u>-</u>
Expenditures per budgetary basis	<u>\$780,241</u>	<u>\$591,680</u>	<u>\$ 116,835</u>
	<u>Solid Waste Fund</u>	<u>Building Restoration Fund</u>	<u>Capital Improvement Fund</u>
Revenues per modified accrual basis	\$ 11,902	\$ -	\$ -
Receivables	(569)	-	-
Deferred revenue/Due from grantor	<u>-</u>	<u>-</u>	<u>-</u>
Revenues per budgetary basis	<u>\$ 11,333</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures per modified accrual basis	\$ -	\$ -	\$ -
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures per budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Special Appropriation Project Fund</u>	<u>Economic Development Program Fund</u>	
Revenues per modified accrual basis	\$ 163,687	\$ 418,304	
Receivables	-	-	
Deferred revenue/Due from grantor	<u>3,046</u>	<u>(10,912)</u>	
Revenues per budgetary basis	<u>\$ 166,733</u>	<u>\$ 407,392</u>	
Expenditures per modified accrual basis	\$ 171,014	\$ 385,337	
Accounts payable	<u>-</u>	<u>-</u>	
Expenditures per budgetary basis	<u>\$ 171,014</u>	<u>\$ 385,337</u>	

Notes to Financial Statements (Continued)

	<u>Non-Major Special Revenue</u>	<u>Non-Major Capital Projects</u>
Revenues per modified accrual basis	\$434,191	\$ 7,650
Receivables	(1,272)	(7,650)
Deferred revenue/Due from grantor	<u>9,425</u>	<u>-</u>
Revenues per budgetary basis	<u>\$442,344</u>	<u>\$ -</u>
Expenditures per modified accrual basis	\$457,153	\$ 7,650
Accounts payable	<u>-</u>	<u>-</u>
Expenditures per budgetary basis	<u>\$457,153</u>	<u>\$ 7,650</u>

4. RECEIVABLES

Receivables at June 30, consist of the following:

	<u>Governmental Activities</u>
Gas taxes	\$ 7,984
Gross receipt taxes	2,045
Environmental Gross Receipts Taxes	1,511
Oil & gas taxes	-
MVD taxes	14,645
Intergovernmental	<u>55,829</u>
	<u>\$ 82,014</u>

All amounts are considered collectible.

5. TAX ROLL RECONCILIATION

Uncollected taxes, beginning of year	\$ 125,515
Plus:	
Taxes assessed current year (net of adjustments)	529,521
Less:	
Taxes collected	(479,848)
Adjustments to prior years	<u>(55)</u>
Uncollected taxes, end of year	<u>\$ 175,133</u>
Undistributed taxes, beginning of year	\$ 123,454
Taxes collected	479,848
Adjustments	(6,133)
Less:	
Undistributed taxes, end of year	<u>(175,358)</u>
Tax distribution	<u>\$ 421,811</u>

Notes to Financial Statements (Continued)

Property taxes receivable by years:	
1996	\$ 1,828
1997	1,952
1998	36
1999	207
2000	969
2001	1,325
2002	38,380
2003	1,763
2004	68,129
2005	<u>60,546</u>
Total taxes receivable	<u>\$ 175,135</u>

6. 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.

7. 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: The County of Harding 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 Harding County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Harding County contribution to PERA for the years ending June 2006, 2005 and 2004 were \$47,940, \$47,847, and \$50,230 respectively.

Notes to Financial Statements (Continued)

8. RETIREE HEALTH CARE

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

9. CASH OVERDRAFTS

The cash overdrafts shown in some projects in the Special Revenue Fund and Capital Projects Fund represent expenditures made by the County which will be reimbursed by the grantor. Receivables from grantor are presented to off-set these overdrafts.

10. 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.

11. 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 District-Wide 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 Loan	\$ 68,415	\$ -	\$ 12,706	\$ 55,709	\$ 13,171
Compensated absences	<u>20,557</u>	<u>669</u>	<u>5,662</u>	<u>15,564</u>	<u>-</u>
Total	<u>\$ 88,972</u>	<u>\$ 669</u>	<u>\$ 18,368</u>	<u>\$ 71,273</u>	<u>\$ 13,171</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 \$23,078 and interest for the purpose of defraying the cost of fire protection equipment. 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 3.50% to 5.08% plus 0.25% administrative fee. The maturity date is May 1, 2010. The NMFA Loan is liquidated through the Fire District No. 1 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	\$ 13,171	\$ 2,028	\$ 15,199
2008	13,659	1,611	15,270
2009	14,171	1,100	15,271
2010	<u>14,708</u>	<u>563</u>	<u>15,271</u>
Total	<u>\$ 55,709</u>	<u>\$ 5,302</u>	<u>\$ 61,011</u>

B. Operating Leases

Harding 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 for each type of equipment used by the County. The operating leases are liquidated through the Road Fund.

<u>Year Ending</u>	<u>Graders</u>	<u>Totals</u>
2007	\$ 54,900	\$ 54,900
2008	<u>368,062</u>	<u>368,062</u>
Total	<u>\$422,962</u>	<u>\$422,962</u>

12. TRANSFERS

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

\$ 6,000	From the General Fund to the Rural Addressing Fund for operating expenses
11,700	From the General Fund to the Jail Fund for operating expenses
7,327	From the Building Restoration Fund to the General Fund for Special Appropriation for operating expenses
50,000	From the Building Restoration Fund to the General Fund for Jail Fund operating expenses
6,516	From the Fire Protection No. 1 Fund to the General Fund for equipment payment
79,838	From the General Fund to the Capital Improvement Fund for operating expenses
941	From the Land Use Fund to the General Fund to close out the fund
<u>12,167</u>	From the Road Fund to the Building Restoration Fund for operating expenses
<u>\$174,489</u>	

Notes to Financial Statements (Continued)

13. 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</u> <u>6-30-2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-2006</u>
Governmental Activities				
Capital Assets				
Land	\$ 33,034	\$ -	\$ -	\$ 33,034
Total assets not depreciated	<u>33,034</u>	<u>-</u>	<u>-</u>	<u>33,034</u>
Buildings	1,304,573	631,634	-	1,936,207
Building improvements	116,235	-	-	116,235
Furniture/Machines	1,192,718	-	-	1,192,718
Equipment	635,985	57,791	-	693,776
Infrastructure	<u>480,385</u>	<u>321,107</u>	<u>-</u>	<u>801,492</u>
Total assets depreciated	<u>3,729,896</u>	<u>1,010,532</u>	<u>-</u>	<u>4,740,428</u>
Less accumulated depreciation				
Buildings	138,053	34,850	-	172,903
Building improvements	13,404	2,426	-	15,830
Furniture/Machines	899,094	71,578	-	970,672
Equipment	296,180	51,468	-	337,648
Infrastructure	<u>12,010</u>	<u>43,221</u>	<u>-</u>	<u>55,231</u>
Total accumulated depreciation	<u>1,358,741</u>	<u>203,543</u>	<u>-</u>	<u>1,562,284</u>
Total capital assets being depreciated, net	<u>2,371,155</u>	<u>806,989</u>	<u>-</u>	<u>3,178,144</u>
Governmental activity capital assets, net	<u>\$2,404,189</u>	<u>\$ 806,989</u>	<u>\$ -</u>	<u>\$3,211,178</u>

Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$ 203,543</u>
Total depreciation expense	<u>\$ 203,543</u>

14. INTERFUND RECEIVABLES/PAYABLES

As of June 30, 2006 the amount shown as due to the General Fund was comprised of \$3,200 of administrative fees earned but not yet transferred from the County Health Fund per the County Health Grant.

OTHER MAJOR FUNDS BUDGETS

STATE OF NEW MEXICO
HARDING COUNTY
Capital Project Fund - Building Restoration ADA Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 12,167	\$ 12,167	\$ 12,167	\$ -
Transfers out	<u>-</u>	<u>(17,408)</u>	<u>(17,408)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 12,167</u>	<u>\$ (5,241)</u>	<u>\$ (5,241)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 5,241</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Capital Project Fund - Capital Improvements 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				
Capital outlay	\$ 176,693	\$ 176,693	\$ -	\$ 176,693
Total revenues	<u>\$ 176,693</u>	<u>\$ 176,693</u>	<u>\$ -</u>	<u>\$ 176,693</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	\$ 79,838	\$ 79,838	\$ 79,838	\$ -
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 79,838</u>	<u>\$ 79,838</u>	<u>\$ 79,838</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 96,855</u>	<u>\$ 96,855</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Capital Project 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				
State sources	\$ 163,687	\$ 163,687	\$ 166,733	\$ 3,046
Total revenues	<u>\$ 163,687</u>	<u>\$ 163,687</u>	<u>\$ 166,733</u>	<u>\$ 3,046</u>
EXPENDITURES				
Capital outlay	\$ 163,687	\$ 171,014	\$ 171,014	\$ -
Total expenditures	<u>\$ 163,687</u>	<u>\$ 171,014</u>	<u>\$ 171,014</u>	<u>\$ -</u>
OTHER FINANCING SOURCES				
Transfer In	\$ -	\$ 7,327	\$ 7,327	\$ -
Total other financing sources	<u>\$ -</u>	<u>\$ 7,327</u>	<u>\$ 7,327</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Capital Project Fund - Economic Development Program 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	\$ -	\$ -	\$ 43,100	\$ 43,100
State sources	<u>260,708</u>	<u>390,210</u>	<u>365,012</u>	<u>(25,198)</u>
Total revenues	<u>\$ 260,708</u>	<u>\$ 390,210</u>	<u>\$ 408,112</u>	<u>\$ 17,902</u>
EXPENDITURES				
Capital outlay	<u>\$ 260,708</u>	<u>\$ 390,210</u>	<u>\$ 385,337</u>	<u>\$ 4,873</u>
Total expenditures	<u>\$ 260,708</u>	<u>\$ 390,210</u>	<u>\$ 385,337</u>	<u>\$ 4,873</u>

See accompanying notes to financial statements.

NON-MAJOR FUNDS

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

	Special Revenue Funds	Capital Project Funds	Total
ASSETS			
Cash on deposit	\$ 131,066	\$ (7,650)	\$ 123,416
Accounts receivable	1,447	-	1,447
Due from grantor	25,299	7,650	32,949
Due from other funds	-	-	-
Total assets	\$ 157,812	\$ -	\$ 157,812
LIABILITIES			
Cash overdraft	\$ 25,140	\$ -	\$ 25,140
Deferred revenue	8,147	-	8,147
Due to other funds	3,200	-	3,200
Total liabilities	36,487	-	36,487
FUND BALANCE			
Unreserved:			
Designated for subsequent year's expenditures	121,325	-	121,325
Total fund balance	121,325	-	121,325
Total liabilities and fund balance	\$ 157,812	\$ -	\$ 157,812

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - By Fund Type
Year Ended June 30, 2006

	Special Revenue Funds	Capital Project Funds	Total
REVENUES			
Taxes	\$ 4,474	\$ -	\$ 4,474
Charges for services	10,382	-	10,382
Fines and forfeitures	8,225	-	8,225
Local sources	6,524	-	6,524
State sources	329,087	7,650	336,737
Federal sources	70,263	-	70,263
State shared taxes	<u>5,236</u>	<u>-</u>	<u>5,236</u>
Total revenues	<u>434,191</u>	<u>7,650</u>	<u>441,841</u>
EXPENDITURES			
Current:			
General government	45,023	-	45,023
Public safety	228,371	-	228,371
Health and welfare	181,619	-	181,619
Culture and recreation	2,140	-	2,140
Capital outlay	<u>-</u>	<u>7,650</u>	<u>7,650</u>
Total expenditures	<u>457,153</u>	<u>7,650</u>	<u>464,803</u>
Excess (deficiency) revenues over expenditures	(22,962)	-	(22,962)
Other financing sources (uses)			
Transfers in	67,700	-	67,700
Transfers out	<u>(7,457)</u>	<u>-</u>	<u>(7,457)</u>
Total other financing sources (uses)	<u>60,243</u>	<u>-</u>	<u>60,243</u>
Net change in fund balance	37,281	-	37,281
Fund balance beginning of year	<u>84,044</u>	<u>-</u>	<u>84,044</u>
Fund balance end of year	<u>\$ 121,325</u>	<u>\$ -</u>	<u>\$ 121,325</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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

Statement A-3

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 4,988	\$ 4,988	\$ 4,474	\$ (514)
Charges for services	13,000	13,650	10,382	(3,268)
Fines and forfeitures	7,400	7,400	8,225	825
Local sources	6,490	6,804	6,524	(280)
State sources	292,938	335,499	337,098	1,599
Federal sources	131,468	133,366	71,677	(61,689)
State shared taxes	7,745	7,745	3,964	(3,781)
Total revenues	\$ 464,029	\$ 509,452	\$ 442,344	\$ (67,108)
EXPENDITURES				
General government	\$ 141,039	\$ 141,039	\$ 45,023	\$ 96,016
Public safety	286,242	286,272	228,371	57,901
Health and welfare	138,874	184,297	181,619	2,678
Culture and recreation	2,200	2,200	2,140	60
Total expenditures	\$ 568,355	\$ 613,808	\$ 457,153	\$ 156,655
OTHER FINANCING SOURCES (USES)				
Transfer in	\$ 67,700	\$ 67,700	\$ 67,700	\$ -
Transfer out	(7,457)	(7,457)	(7,457)	-
Total other financing sources (uses)	\$ 60,243	\$ 60,243	\$ 60,243	\$ -
BUDGETED CASH BALANCE	\$ 58,733	\$ 58,733		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Capital Projects 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				
State sources	\$ -	\$ 100,000	\$ -	\$ (100,000)
Total revenues	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>
EXPENDITURES				
Capital outlay	\$ -	\$ 100,000	\$ 7,650	\$ 92,350
Total expenditures	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 7,650</u>	<u>\$ 92,350</u>

See accompanying notes to financial statements.

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.

LAND USE FUND - To account for monies received from the sale of books that provide an economic social profile and history of the County. Authority is NMSA 6-1-6.

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.

EMERGENCY MEDICAL SERVICES FUND (EMS No. 1 and No. 2) - 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, an 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.

EMT FUND - To account for a Special Infrastructure gross receipts tax (1/16th) to be used for stipends for Certified Emergency Medical Technicians (EMT's) and ambulance drivers within Harding County. Authority is NMSA 6-1-6.

DWI GRANT FUND - To account for a grant from the State of New Mexico for D.W.I. detection, screening, treatment, law enforcement and prevention pursuant to Chapter 65, New Mexico Laws of 1993. Authority is Section 11-6A-1 through 11-6A-6, NMSA 1978.

Special Revenue Funds - continued

DWI PROGRAM FUND - To account for a grant from the State of New Mexico to be used for prevention, education, treatment and screening. Authority is Section 11-6A-1 NMSA (1978).

DWI USERS FUND - To account for Screening/Assessment Fees (determined on a sliding scale) to be used for DWI functions not funded by the DWI Grant. Authority is NMSA 1978 6-1-6.

BEAUTIFICATION GRANT FUND - To account for resources from the State of New Mexico, New Mexico Department of Tourism for the "New Mexico Litter Control and Beautification Act" to eliminate litter from the State to the maximum practical extent through a State coordinated plan of education, control, prevention and elimination. Authority is Sections 67-16-1 to 67-16-14, NMSA 1978.

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.

JAIL DETENTION FUND - To account for funds received from the General Fund and from citations issued within the County for housing County prisoners. Authority is NMSA 1978 33-3-25 and 34-14-11.

EMERGENCY MANAGEMENT FUND - To account for resources received from the Federal Emergency Management Agency through the State of New Mexico Department of Public Safety, Emergency Management Bureau and General Fund matching monies to help implement the "All Hazards Emergency Operations Plan" adopted by the County. Authority is NMSA 1978 6-1-6.

RURAL ADDRESSING FUND - To account for resources provided by the General Fund to be used to mark rural addresses for use by emergency personnel. Authority is NMSA 6-1-6.

MCCUNE FUND- To account for resources received from the McCune Charitable Foundation for the purpose of purchasing a replacement repeater and peripheral equipment, as well as replacing old radios in the first response emergency units.

AIRPORT PLANNING PROGRAM FUND - To account for funds received from the Federal Aviation Administration, Department of Transportation, to be used for planning an integrated airport system in a specific area. This plan is to determine the best site for an airport to be built within the County. Authority is Public Law 103-272.

Special Revenue Funds - continued

SENIOR PROGRAM FUND - To account for the operations of the senior citizen centers funded by Eastern New Mexico Area Agency on Aging, congregate and charges for deliveries, and the County's contributions. Resources are received by a grant from Area Agency on Aging from the Older Americans Act, Title III-B, IIIC-1, IIIC-2 and IIID, monies and monies appropriated in Chapter 12, 1996 Laws of New Mexico (HB2). Also, to account for funds received from the U.S. Department of Agriculture through the Eastern New Mexico area Agency on Aging to be used solely for the purchase of United States Agricultural commodities and other foods produced in the United States for use in the food operations at the Senior Centers. Authority is the Older Americans Act, House Bill 2 and the U.S. Department of Agriculture.

COUNTY HEALTH PROGRAM - To account for resources received from the New Mexico Department of Health to obtain a Health Coordinator to implement an overall comprehensive plan that will encourage a family, school and community partnership to promote healthy behavior and identify health issues of importance to County citizens.

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

	Farm and Range Fund	Land Use Fund	Fire District No. 1 Fund	EMS No. 1 Fund	EMS No. 2 Fund
ASSETS					
Cash on deposit	\$ 524	\$ -	\$ 36,598	\$ 6,055	\$ 2,449
Accounts receivable	-	-	-	-	-
Due from grantor	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 524</u>	<u>\$ -</u>	<u>\$ 36,598</u>	<u>\$ 6,055</u>	<u>\$ 2,449</u>
LIABILITIES					
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Unreserved:					
Designated for subsequent year's expenditures	<u>524</u>	<u>-</u>	<u>36,598</u>	<u>6,055</u>	<u>2,449</u>
Total liabilities and fund balance	<u>\$ 524</u>	<u>\$ -</u>	<u>\$ 36,598</u>	<u>\$ 6,055</u>	<u>\$ 2,449</u>

See accompanying notes to financial statements.

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

	Recording and Equipment Fund	Reappraisal Fund	EMT Fund	DWI Grant Fund	DWI Program Fund
ASSETS					
Cash on deposit	\$ 32,620	\$ 9,631	\$ 7,300	\$ -	\$ 47
Accounts receivable	-	-	295	-	-
Due from grantor	-	-	-	13,373	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 32,620</u>	<u>\$ 9,631</u>	<u>\$ 7,595</u>	<u>\$ 13,373</u>	<u>\$ 47</u>
LIABILITIES					
Cash overdraft	\$ -	\$ -	\$ -	\$ 13,373	\$ -
Deferred revenue	-	-	-	-	47
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,373</u>	<u>47</u>
FUND BALANCES					
Unreserved:					
Designated for subsequent year's expenditures	<u>32,620</u>	<u>9,631</u>	<u>7,595</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 32,620</u>	<u>\$ 9,631</u>	<u>\$ 7,595</u>	<u>\$ 13,373</u>	<u>\$ 47</u>

See accompanying notes to financial statements.

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

	DWI Users Fund	Beautification Grant Fund	Law Enforcement Protection Fund	Jail Detention Fund	Emergency Management Fund
ASSETS					
Cash on deposit	\$ 6,104	\$ -	\$ 1,251	\$ 16,683	\$ -
Accounts receivable	-	-	-	1,152	-
Due from grantor	-	2,140	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 6,104	\$ 2,140	\$ 1,251	\$ 17,835	\$ -
LIABILITIES					
Cash overdraft	\$ -	\$ 2,140	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	2,140	-	-	-
FUND BALANCES					
Unreserved:					
Designated for subsequent year's expenditures	6,104	-	1,251	17,835	-
Total liabilities and fund balance	\$ 6,104	\$ 2,140	\$ 1,251	\$ 17,835	\$ -

See accompanying notes to financial statements.

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

	Rural Addressing Fund	McCune Fund	Airport Planning Fund	Senior Program Fund	County Health Program Fund	Total
ASSETS						
Cash on deposit	\$ 504	\$ 8,000	\$ -	\$ -	\$ 3,300	\$ 131,066
Accounts receivable	-	-	-	-	-	1,447
Due from grantor	-	-	2,256	7,530	-	25,299
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 504</u>	<u>\$ 8,000</u>	<u>\$ 2,256</u>	<u>\$ 7,530</u>	<u>\$ 3,300</u>	<u>\$ 157,812</u>
LIABILITIES						
Cash overdraft	\$ -	\$ -	\$ 2,256	\$ 7,371	\$ -	\$ 25,140
Deferred revenue	-	8,000	-	-	100	8,147
Due to other funds	-	-	-	-	3,200	3,200
Total liabilities	<u>-</u>	<u>8,000</u>	<u>2,256</u>	<u>7,371</u>	<u>3,300</u>	<u>36,487</u>
FUND BALANCES						
Unreserved:						
Designated for subsequent year's expenditures	504	-	-	159	-	121,325
Total liabilities and fund balance	<u>\$ 504</u>	<u>\$ 8,000</u>	<u>\$ 2,256</u>	<u>\$ 7,530</u>	<u>\$ 3,300</u>	<u>\$ 157,812</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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	Land Use Fund	Fire District No. 1 Fund	EMS No. 1 Fund	EMS No. 2 Fund	Recording and Equipment Fund
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	1,676
Fines and forfeitures	-	-	-	-	-	-
Local sources	-	-	65	-	-	-
State sources	-	-	78,221	8,308	5,327	-
Federal sources	20	-	-	-	-	-
State shared taxes	-	-	-	-	-	-
Total revenues	<u>20</u>	<u>-</u>	<u>78,286</u>	<u>8,308</u>	<u>5,327</u>	<u>1,676</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	36,072	2,397	7,356	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>36,072</u>	<u>2,397</u>	<u>7,356</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>20</u>	<u>-</u>	<u>42,214</u>	<u>5,911</u>	<u>(2,029)</u>	<u>1,676</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	(941)	(6,516)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(941)</u>	<u>(6,516)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	20	(941)	35,698	5,911	(2,029)	1,676
Fund balance, beginning of year	<u>504</u>	<u>941</u>	<u>900</u>	<u>144</u>	<u>4,478</u>	<u>30,944</u>
Fund balance, end of year	<u>\$ 524</u>	<u>\$ -</u>	<u>\$ 36,598</u>	<u>\$ 6,055</u>	<u>\$ 2,449</u>	<u>\$ 32,620</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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	EMT Fund	DWI Grant Fund	DWI Program Fund	DWI Users Fund
REVENUES					
Taxes	\$ 4,474	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	1,251
Fines and forfeitures	-	-	-	-	-
Local sources	2,332	-	-	-	3,838
State sources	-	-	35,000	37,690	-
Federal sources	-	-	-	-	-
State shared taxes	-	1,851	-	-	-
Total revenues	<u>6,806</u>	<u>1,851</u>	<u>35,000</u>	<u>37,690</u>	<u>5,089</u>
EXPENDITURES					
General government	5,865	-	-	-	-
Public safety	-	400	35,000	37,690	4,370
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>5,865</u>	<u>400</u>	<u>35,000</u>	<u>37,690</u>	<u>4,370</u>
Excess (deficiency) of revenues over expenditures	<u>941</u>	<u>1,451</u>	<u>-</u>	<u>-</u>	<u>719</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	941	1,451	-	-	719
Fund balance, beginning of year	<u>8,690</u>	<u>6,144</u>	<u>-</u>	<u>-</u>	<u>5,385</u>
Fund balance, end of year	<u>\$ 9,631</u>	<u>\$ 7,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,104</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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

	Beautification Grant Fund	Law Enforcement Protection Fund	Jail Detention Fund	Emergency Management Fund	Rural Addressing Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	8,225	-	-
Local sources	-	-	-	-	-
State sources	2,140	20,600	-	-	-
Federal sources	-	-	-	-	-
State shared taxes	-	-	3,385	-	-
Total revenues	<u>2,140</u>	<u>20,600</u>	<u>11,610</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
General government	-	-	-	-	-
Public safety	-	37,196	61,376	-	6,514
Health and welfare	-	-	-	-	-
Culture and recreation	2,140	-	-	-	-
Total expenditures	<u>2,140</u>	<u>37,196</u>	<u>61,376</u>	<u>-</u>	<u>6,514</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(16,596)</u>	<u>(49,766)</u>	<u>-</u>	<u>(6,514)</u>
Other financing sources (uses):					
Operating transfers in	-	-	61,700	-	6,000
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>61,700</u>	<u>-</u>	<u>6,000</u>
Net change in fund balance	-	(16,596)	11,934	-	(514)
Fund balance, beginning of year	<u>-</u>	<u>17,847</u>	<u>5,901</u>	<u>-</u>	<u>1,018</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 1,251</u>	<u>\$ 17,835</u>	<u>\$ -</u>	<u>\$ 504</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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

	McCune Fund	Airport Planning Fund	Senior Program Fund	County Health Program Fund	Total
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 4,474
Charges for services	-	-	7,455	-	10,382
Fines and forfeitures	-	-	-	-	8,225
Local sources	-	-	289	-	6,524
State sources	-	-	105,524	36,277	329,087
Federal sources	-	39,158	31,085	-	70,263
State shared taxes	-	-	-	-	5,236
Total revenues	<u>-</u>	<u>39,158</u>	<u>144,353</u>	<u>36,277</u>	<u>434,191</u>
EXPENDITURES					
General government	-	39,158	-	-	45,023
Public safety	-	-	-	-	228,371
Health and welfare	-	-	144,219	37,400	181,619
Culture and recreation	-	-	-	-	2,140
Total expenditures	<u>-</u>	<u>39,158</u>	<u>144,219</u>	<u>37,400</u>	<u>457,153</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>134</u>	<u>(1,123)</u>	<u>(22,962)</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	67,700
Operating transfers out	-	-	-	-	(7,457)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,243</u>
Net change in fund balance	-	-	134	(1,123)	37,281
Fund balance, beginning of year	-	-	25	1,123	84,044
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159</u>	<u>\$ -</u>	<u>\$ 121,325</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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	\$ 17	\$ 17	\$ 20	\$ 3
Total revenues	<u>\$ 17</u>	<u>\$ 17</u>	<u>\$ 20</u>	<u>\$ 3</u>
EXPENDITURES				
Health and welfare	\$ 521	\$ 521	\$ -	\$ 521
Total expenditures	<u>\$ 521</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ 521</u>
BUDGETED CASH BALANCE	<u>\$ 504</u>	<u>\$ 504</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - Land Use 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	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
General government	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (941)	\$ (941)	\$ (941)	\$ -
Total other financing sources (uses)	<u>\$ (941)</u>	<u>\$ (941)</u>	<u>\$ (941)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 941</u>	<u>\$ 941</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - Fire District No. 1 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	\$ -	\$ -	\$ 65	\$ 65
State sources	<u>71,110</u>	<u>71,110</u>	<u>78,221</u>	<u>7,111</u>
Total revenues	<u>\$ 71,110</u>	<u>\$ 71,110</u>	<u>\$ 78,286</u>	<u>\$ 7,176</u>
EXPENDITURES				
Public safety	<u>\$ 65,495</u>	<u>\$ 65,495</u>	<u>\$ 36,072</u>	<u>\$ 29,423</u>
Total expenditures	<u>\$ 65,495</u>	<u>\$ 65,495</u>	<u>\$ 36,072</u>	<u>\$ 29,423</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (6,516)</u>	<u>\$ (6,516)</u>	<u>\$ (6,516)</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ (6,516)</u>	<u>\$ (6,516)</u>	<u>\$ (6,516)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 901</u>	<u>\$ 901</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non- Major Special Revenue Fund - EMS No. 1 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	\$ 8,308	\$ 8,308	\$ 8,308	\$ -
Total revenues	<u>\$ 8,308</u>	<u>\$ 8,308</u>	<u>\$ 8,308</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 8,452	\$ 8,452	\$ 2,397	\$ 6,055
Total expenditures	<u>\$ 8,452</u>	<u>\$ 8,452</u>	<u>\$ 2,397</u>	<u>\$ 6,055</u>
BUDGETED CASH BALANCE	<u>\$ 144</u>	<u>\$ 144</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - EMS No. 2 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	\$ 5,327	\$ 5,327	\$ 5,327	\$ -
Total revenues	<u>\$ 5,327</u>	<u>\$ 5,327</u>	<u>\$ 5,327</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 9,806	\$ 9,806	\$ 7,356	\$ 2,450
Total expenditures	<u>\$ 9,806</u>	<u>\$ 9,806</u>	<u>\$ 7,356</u>	<u>\$ 2,450</u>
BUDGETED CASH BALANCE	<u>\$ 4,479</u>	<u>\$ 4,479</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 4,200	\$ 4,200	\$ 1,676	\$ (2,524)
Total revenues	<u>\$ 4,200</u>	<u>\$ 4,200</u>	<u>\$ 1,676</u>	<u>\$ (2,524)</u>
EXPENDITURES				
General government	\$ 18,000	\$ 18,000	\$ -	\$ 18,000
Total expenditures	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ 18,000</u>
BUDGETED CASH BALANCE	<u>\$ 13,800</u>	<u>\$ 13,800</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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	\$ 4,988	\$ 4,988	\$ 4,474	\$ (514)
Local sources	<u>3,490</u>	<u>3,490</u>	<u>2,332</u>	<u>(1,158)</u>
Total revenues	<u>\$ 8,478</u>	<u>\$ 8,478</u>	<u>\$ 6,806</u>	<u>\$ (1,672)</u>
EXPENDITURES				
General government	\$ 17,168	\$ 17,168	\$ 5,865	\$ 11,303
Total expenditures	<u>\$ 17,168</u>	<u>\$ 17,168</u>	<u>\$ 5,865</u>	<u>\$ 11,303</u>
BUDGETED CASH BALANCE	<u>\$ 8,690</u>	<u>\$ 8,690</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - EMT 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	\$ 2,745	\$ 2,745	\$ 1,731	\$ (1,014)
Total revenues	<u>\$ 2,745</u>	<u>\$ 2,745</u>	<u>\$ 1,731</u>	<u>\$ (1,014)</u>
EXPENDITURES				
Public safety	\$ 5,000	\$ 5,000	\$ 400	\$ 4,600
Total expenditures	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 400</u>	<u>\$ 4,600</u>
BUDGETED CASH BALANCE	<u>\$ 2,255</u>	<u>\$ 2,255</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - DWI Grant
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	\$ 35,000	\$ 35,000	\$ 34,458	\$ (542)
Total revenues	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 34,458</u>	<u>\$ (542)</u>
EXPENDITURES				
Public safety	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Total expenditures	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - DWI Program 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	\$ 37,750	\$ 37,750	\$ 37,690	\$ (60)
Total revenues	<u>\$ 37,750</u>	<u>\$ 37,750</u>	<u>\$ 37,690</u>	<u>\$ (60)</u>
EXPENDITURES				
Public safety	\$ 37,750	\$ 37,750	\$ 37,690	\$ 60
Total expenditures	<u>\$ 37,750</u>	<u>\$ 37,750</u>	<u>\$ 37,690</u>	<u>\$ 60</u>

See accompanying notes to financial statements.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for services	\$ 2,050	\$ 2,050	\$ 1,251	\$ (799)
Local sources	<u>3,000</u>	<u>3,000</u>	<u>3,838</u>	<u>838</u>
Total revenues	<u>\$ 5,050</u>	<u>\$ 5,050</u>	<u>\$ 5,089</u>	<u>\$ 39</u>
EXPENDITURES				
Public safety	<u>\$ 5,705</u>	<u>\$ 5,705</u>	<u>\$ 4,370</u>	<u>\$ 1,335</u>
Total expenditures	<u>\$ 5,705</u>	<u>\$ 5,705</u>	<u>\$ 4,370</u>	<u>\$ 1,335</u>
BUDGETED CASH BALANCE	<u>\$ 655</u>	<u>\$ 655</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - Beautification 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	\$ 2,200	\$ 2,200	\$ 2,939	\$ 739
Total revenues	<u>\$ 2,200</u>	<u>\$ 2,200</u>	<u>\$ 2,939</u>	<u>\$ 739</u>
EXPENDITURES				
Culture and recreation	\$ 2,200	\$ 2,200	\$ 2,140	\$ 60
Total expenditures	<u>\$ 2,200</u>	<u>\$ 2,200</u>	<u>\$ 2,140</u>	<u>\$ 60</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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	\$ -
Total revenues	<u>\$ 20,600</u>	<u>\$ 20,600</u>	<u>\$ 20,600</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 38,447	\$ 38,447	\$ 37,196	\$ 1,251
Total expenditures	<u>\$ 38,447</u>	<u>\$ 38,447</u>	<u>\$ 37,196</u>	<u>\$ 1,251</u>
BUDGETED CASH BALANCE	<u>\$ 17,847</u>	<u>\$ 17,847</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - Jail Detention 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	\$ 7,400	\$ 7,400	\$ 8,225	\$ 825
State shared sources	<u>5,000</u>	<u>5,000</u>	<u>2,233</u>	<u>(2,767)</u>
Total revenues	<u>\$ 12,400</u>	<u>\$ 12,400</u>	<u>\$ 10,458</u>	<u>\$ (1,942)</u>
EXPENDITURES				
Public safety	\$ 74,100	\$ 74,100	\$ 61,376	\$ 12,724
Total expenditures	<u>\$ 74,100</u>	<u>\$ 74,100</u>	<u>\$ 61,376</u>	<u>\$ 12,724</u>
OTHER FINANCING SOURCES				
Transfers in	\$ 61,700	\$ 61,700	\$ 61,700	\$ -
Total other financing sources	<u>\$ 61,700</u>	<u>\$ 61,700</u>	<u>\$ 61,700</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - Emergency Management 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	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - Rural Addressing 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	\$ 6,517	\$ 6,517	\$ 6,514	\$ 3
Total expenditures	<u>\$ 6,517</u>	<u>\$ 6,517</u>	<u>\$ 6,514</u>	<u>\$ 3</u>
OTHER FINANCING SOURCES				
Transfers in	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 517</u>	<u>\$ 517</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - McCune 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	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
General government	\$ 8,000	\$ 8,000	\$ -	\$ 8,000
Total expenditures	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 8,000</u>
BUDGETED CASH BALANCE	<u>\$ 8,000</u>	<u>\$ 8,000</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - Airport Planning 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	\$ 871	\$ 871	\$ 1,137	\$ 266
Federal sources	<u>97,000</u>	<u>97,000</u>	<u>39,999</u>	<u>(57,001)</u>
Total revenues	<u>\$ 97,871</u>	<u>\$ 97,871</u>	<u>\$ 41,136</u>	<u>\$ (56,735)</u>
EXPENDITURES				
General government	<u>\$ 97,871</u>	<u>\$ 97,871</u>	<u>\$ 39,158</u>	<u>\$ 58,713</u>
Total expenditures	<u>\$ 97,871</u>	<u>\$ 97,871</u>	<u>\$ 39,158</u>	<u>\$ 58,713</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - Senior Program 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	\$ 6,750	\$ 7,400	\$ 7,455	\$ 55
Local sources	-	314	289	(25)
State sources	85,650	115,211	112,041	(3,170)
Federal sources	<u>34,451</u>	<u>36,349</u>	<u>31,658</u>	<u>(4,691)</u>
Total revenues	<u>\$ 126,851</u>	<u>\$ 159,274</u>	<u>\$ 151,443</u>	<u>\$ (7,831)</u>
EXPENDITURES				
Health and welfare	\$ 112,231	\$ 144,654	\$ 144,219	\$ 435
Total expenditures	<u>\$ 112,231</u>	<u>\$ 144,654</u>	<u>\$ 144,219</u>	<u>\$ 435</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY
Non-Major Special Revenue Fund - County Health Program 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	\$ 26,122	\$ 39,122	\$ 36,377	\$ (2,745)
Total revenues	<u>\$ 26,122</u>	<u>\$ 39,122</u>	<u>\$ 36,377</u>	<u>\$ (2,745)</u>
EXPENDITURES				
Health and welfare	\$ 26,122	\$ 39,122	\$ 37,400	\$ 1,722
Total expenditures	<u>\$ 26,122</u>	<u>\$ 39,122</u>	<u>\$ 37,400</u>	<u>\$ 1,722</u>

See accompanying notes to financial statements.

CAPITAL PROJECTS FUND

SPECIAL APPROPRIATION PROJECT FUND (ROAD UPGRADE) - To account for resources received from the New Mexico State Legislature, Special Appropriations Project, Laws of 2005, Severance Tax Bond, Chapter 347, Section 20, Subsection 22 to be used for the planning , design, construction, improvement and upgrading of roads in Harding County.

ECONOMIC DEVELOPMENT PROGRAM - To account for special Appropriations from the State Legislature (Laws 2004, Chapter 126) to plan, design, construct and equip a metal fabrication shop. Also, to plan, design, construct and purchase land for a building to house the economic development offices.

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

	Special Appropriation Project Fund <hr/>
ASSETS	
Cash on deposit	\$ (7,650)
Due from grantor	<u>7,650</u>
Total assets	<u><u>\$ -</u></u>
 FUND BALANCES	
Unreserved:	
Designated for subsequent year's expenditures	<u>-</u>
Total fund balance	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

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

Statement C-2

	Special Appropriation Project Fund
	Fund
REVENUES	
State sources	\$ 7,650
Total revenues	7,650
EXPENDITURES	
Capital projects	7,650
Total expenditures	7,650
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	\$ -

See accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING 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				
State sources	\$ -	\$ 100,000	\$ -	\$ (100,000)
Total revenues	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>
EXPENDITURES				
Capital outlay	\$ -	\$ 100,000	\$ 7,650	\$ 92,350
Total expenditures	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 7,650</u>	<u>\$ 92,350</u>

See accompanying notes to financial statements.

SUPPLEMENTARY INFORMATION

AGENCY FUND

COUNTY TAX COLLECTIONS - To account for taxes and other monies collected by the County on behalf of the School Districts and Municipalities within the County and the State of New Mexico.

STATE OF NEW MEXICO
HARDING COUNTY
Schedule of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2006

	Balances <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2006</u>
ASSETS				
Cash on deposit	\$ 123,454	\$ 479,848	\$ 427,944	\$ 175,358
Total assets	<u>\$ 123,454</u>	<u>\$ 479,848</u>	<u>\$ 427,944</u>	<u>\$ 175,358</u>
LIABILITIES				
Deposits held for others				
Predator Control	\$ -	\$ 18,411	\$ 18,000	\$ 411
Mesa Soil Conservation	12	1,896	1,872	36
Treasurer-Taxes Paid in Suspense	112,748	58,639	6,134	165,253
Treasurer-Overpayment of Taxes	356	462	696	122
Treasurer-Taxes Paid in Advance	385	41	-	426
Municipalities	53	3,184	3,202	35
State of New Mexico	(2)	62,682	62,330	350
School Districts	<u>9,902</u>	<u>334,533</u>	<u>335,710</u>	<u>8,725</u>
Total liabilities	<u>\$ 123,454</u>	<u>\$ 479,848</u>	<u>\$ 427,944</u>	<u>\$ 175,358</u>

See accompanying notes to financial statements.

Rice and Associates, C.P.A.

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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 Balderas
State Auditor and
the Board of Commissioners
Harding County
Mosquero, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harding County, as of and for the year ended June 30, 2006, and have issued our report thereon dated July 10, 2008. We also have audited the financial statements of each of the County's non-major governmental funds and budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006. 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.

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 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. The reportable conditions are described as comments: Tax Roll Reconciliation and Property Tax Schedule (02-02), Depreciation Policy (04-02), Depreciation and Property Tax Schedule (04-03), Bank Account for Fire Donations (06-01), Outstanding Check List

(06-02), Bank Account Reconciliation (06-03), Inadequate Pledged Collateral (06-05), Purchase Orders Dated/Prepared After Invoice Date (06-06), and Contract for Jail Services With Adjacent County (06-07).

A material weakness is a reportable 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 a material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harding 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. They are listed in the accompanying Status of Comments as Comments: Late Audit Report (02-03), Procurement Policy (04-04), Bank Account for Fire Donations (06-01), McCune Grant (06-03), Inadequate Pledged Collateral (06-05), Purchase Orders Dated/Prepared After Invoice Date (060-06), and Bids/Quotes Not Received (06-09).

This report is intended solely for the information and use of the Management, the Commissioners, the New Mexico State Legislature, the Office of the State Auditor and the New Mexico Department of Finance and Administration and is not intended to be used by anyone other than these specified parties.

Ried & Associates, C.P.A.

July 10, 2008

STATUS OF COMMENTS

Prior Year Audit Findings

1. Tax Roll Reconciliation and Property Tax Schedule (02-02) - Repeated.
2. Late Audit Report (02-03) - Repeated.
3. Reconciliation of Cash Balances (03-03) - Resolved.
4. Depreciation Policy (04-02) - Repeated.
5. Depreciation of Capital Assets (04-03) - Repeated.
6. Procurement Policy (04-04) - Repeated.
7. Monthly Treasurer Reports (04-05) - Resolved.

Current Year Audit Findings

1. Bank Account for Fire Donations (06-01)
2. Outstanding Check List (06-02)
3. McCune Grant (06-03)
4. Bank Account Reconciliations (06-04)
5. Inadequate Pledged Collateral (06-05)
6. Purchase Orders Dates/Prepared After Invoice Date (06-06)
7. Contract for Jail Services With Adjacent County (06-07)
8. Signatures of Approval or Receipt of Goods (06-08)
9. Bids/Quotes Not Received (06-09)

Tax Roll Reconciliation and Property Tax Schedule
(02-02)

CONDITION	The Treasurers Office is not preparing a Tax Roll Reconciliation or a County Treasurers Property Tax Schedule each fiscal year.
CRITERIA	The Treasurers Office should prepare a Tax Roll Reconciliation and a County Treasurer Property Tax Schedule each fiscal year, as required by the State Auditors Office Rule 2.2.2.12D and 2.2.210I(1).
CAUSE	The Treasurers Office has had training in this area, however, an accurate reconciliation is still not available.
EFFECT	The yearly tax rolls have not been reconciled.
RECOMMENDATION	The Treasurers Office should continue to obtain training and guidance in this area to ensure these procedures are performed accurately in a timely manner.
RESPONSE	The Treasurers Office will continue to obtain training and guidance in this area. We have obtained some information we were not aware of in the past. This information will help s to prepare the Property Tax schedule and Tax Roll Reconciliation.

Late Audit Report

(02-03)

CONDITION	The audit report was submitted to the State auditor after the required deadline. The State Auditors Office received the audit report on July 15, 2008.
CRITERIA	County audits are required to be submitted to the State Auditor by November 15. This is a requirement of the State Auditors Office Rule 2.2.2.9A(1){c}.
CAUSE	The prior years audit report was submitted late.
EFFECT	State Auditor regulations have not been adhered to. Also, the users of the financial statements such as legislators, creditors, bondholders, State and Federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit reports could have an effect on State and Federal funding.
RECOMMENDATION	The County is working diligently to become current with all of their audit reports.
RESPONSE	The audit report was late due to the fact that an amendment was done to change the scope of work to include 06/07 audit completion also. The amended completion date was November 15, 2007. The audit was not completed on either year by this date. The County is diligently working to insure that there is not a repeat of this condition.

Depreciation Policy

(04-02)

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	Management concurs with the condition that the County does not have an approved depreciation policy to that depreciation may be charged to capital assets. Management will adopt a Depreciation Policy as soon as possible and will then implement the policy once adopted.

Depreciation of Capital Assets

(04-03)

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	Management concurs with the condition that the County has not successfully managed to depreciate the capital assets. Management will adopt a Depreciation Policy as soon as possible and will then implement the policy once adopted.

Procurement Policy

(04-04)

CONDITION	The County does not have an approved procurement policy.
CRITERIA	Department of Finance and Administration regulations require an approved procurement policy be followed.
CAUSE	The Board of Commissioners has not approved a policy for management to follow.
EFFECT	The best obtainable price may not be obtained. Since there is no policy, staff is not obtaining three quotes, bids, etc.
RECOMMENDATION	The Board should approve a procurement policy as soon as possible.
RESPONSE	Management concurs with the condition that the County did not have an approved procurement policy during FY 2005-2006. Management has since adopted a Procurement Purchasing Policy that is being followed.

Bank Account for Fire Donations

(06-01)

CONDITION	The Fire Department is keeping a separate bank account for donations received. This bank account is not being reconciled and safeguarded by the Treasurers Office.
CRITERIA	All bank accounts should be reconciled monthly upon receiving the bank statement. This is to comply with 6-6-3 NMSA 1978.
CAUSE	The Fire Department is not providing the bank statements and all relevant documentation to the Treasurers Office.
EFFECT	County assets are not being properly safeguarded.
RECOMMENDATION	The Fire Department needs to provide the bank statements and all relevant documentation to the Treasurers Office as soon as possible.
RESPONSE	Management concurs with the condition that the Rosebud Fire & Rescue, Inc. is keeping a separate account for donations received. Management is of the understanding that the Rosebud Fire & Rescue, Inc. has a separate Federal Identification Number from Harding County as is acting separately from Harding county when using these funds.

Outstanding Check List

(06-02)

CONDITION	The Treasurers Office compiles an outstanding check list each month. This list however is not always correct each month.
CRITERIA	A correct outstanding check list is required so the bank statements can be reconciled adequately each month. This is to comply with 6-6-3 NMSA 1978.
CAUSE	The Treasurers Office is working diligently to compile this list however more training in this area is needed.
EFFECT	Cash could be misstated.
RECOMMENDATION	The Treasurers Office has obtained training in this area and it appears that this list is being prepared correctly in the 06-07 fiscal year. The Treasurers Office should continue to prepare these lists correctly.
RESPONSE	The Treasurers Office is working diligently on the outstanding list to expedite all the outstanding's for each month.

McCune Grant Cash Balance
(06-03)

CONDITION The County received \$8,000 from the McCune Foundation in fiscal year 2002-2003. These funds still have not been spent.

CRITERIA All grant monies should be spent within the time constraints set by the granting agency.

CAUSE Neither Management or the Board of Commissioners has taken steps to ensure these grant monies are spent accurately and within the time constraints set by the granting agency.

EFFECT These grant monies if not spent may be lost and reverted back to the granting agency.

RECOMMENDATION These grant monies should be spent immediately or reverted to the granting agency.

RESPONSE The grant monies from 200~~2~~²-2003 McCune Foundation will be fully spent by the end of the 2008-2009 fiscal year end in order to prevent reverting funds back to the reverting agency.

Bank Account Reconciliations

(06-04)

CONDITION	The County needed to change financial institutions during the year because the original bank being used closed. Because of this closure the County opened a new bank account in another financial institution before the fiscal year ended. This bank account however was not being reconciled for the first six months.
CRITERIA	All bank accounts should be reconciled monthly upon receiving the bank statement. This is to comply with 6-6-3 NMSA 1978.
CAUSE	The Treasurers Office did not reconcile the bank statement until several months after the fiscal year end.
EFFECT	Cash could be misstated.
RECOMMENDATION	The Treasurers Office is now reconciling all bank accounts each month upon receiving the bank statements. The Treasurers Office should continue this practice.
RESPONSE	The Treasurers Office is reconciling the bank accounts daily and monthly.

Inadequate Pledged Collateral
(06-05)

CONDITION	The County was not adequately collateralized with a local banking institution in the amount of \$17,100.
CRITERIA	According to Section 6-10-17, NMSA 1978, "shall deliver security...in an aggregate value equal to one-half the amount of public money to be received in according with Subsection B of Section 6-10-16, NMSA 1978".
CAUSE	The Treasurers Office did not review the monthly statements provided by the bank to ensure that enough collateral had been pledged.
EFFECT	The County did not comply with Section 6-10-17, NMSA 1978.
RECOMMENDATION	The Treasurers Office is now reviewing these statements each month. This practice should continue to ensure the County is properly collateralized.
RESPONSE	The Treasurers Office will check the Bank Pledges and make sure the County is properly collateralized.

Purchase Orders Dated/Prepared After Invoice Date
(06-06)

CONDITION A total of 22 purchase documents out of 44 chosen (\$442,539 out of \$833,017) had a purchase order dated/prepared after the invoice was received by the County. Thus, the County is not complying with Procurement Code Section 13-1-158 NMSA 1978.

CRITERIA According to Procurement Code Section 13-1-158 NMSA 1978 and sound accounting practices a signed, dated purchase order is to be created before goods/services are ordered to ensure that cash and budget are available in any given fund/line item.

CAUSE The Clerks Office did not ensure this procedure was followed.

EFFECT Failure to perform this function could result in erroneous payments.

RECOMMENDATION The Clerks Office should implement procedures to ensure that a purchase order is prepared and cash and budget are available before goods/services are ordered.

RESPONSE Management concurs that Harding County is not complying with Procurement Code Section 13-1-158 NMSA 1978. The Clerk's Office has implemented procedures to ensure that each purchase order is first requisitioned so that the cash and budget is available prior to goods and or services being ordered.

Contract for Jail Services With Adjacent County
(06-07)

CONDITION	The County does not have a contract or Joint Powers Agreement with the Colfax County Detention Center which houses Harding County prisoners from time to time. Also, there is no evidence of a negotiated price per day per prisoner.
CRITERIA	The County should have an agreement in place with Colfax County to ensure these services will be provided and at what cost.
CAUSE	Neither management of the County or the County Commission have taken steps to ensure there is some type of agreement in place with Colfax County.
EFFECT	Failure to have an agreement in place could result in erroneous payments.
RECOMMENDATION	The County should obtain either a contract or a Joint Powers Agreement with the Colfax County Detention Center as soon as possible. This also includes negotiating a price per day per prisoner.
RESPONSE	The County is in the process of obtaining a contract with the Colfax County Detention Center which houses Harding County prisoner's from time to time. This contract will reflect the negotiated price per prisoner between the Counties.

Signatures of Approval or Receipt of Goods/Services
(06-08)

CONDITION	A total of 12 out of 44 items chosen did not have a signature of approval on the purchase order or a signature of receipt on the invoice.
CRITERIA	Proper accounting practices include signatures of approval on purchase orders and signatures of receipt when goods/services are received.
CAUSE	The Clerks Office is not ensuring these signatures are documented.
EFFECT	Failure to preform this function could result in erroneous payments.
RECOMMENDATION	The Clerks Office should implement procedures to ensure that signatures of approval and receipt of goods and services are documented.
RESPONSE	Management concurs that Harding County is not complying with packing slips and or invoices having signatures of approval prior to being submitted for payment. The Clerk's Office has implemented procedures to ensure that signatures of approval and receipt of goods and/or services are documented prior to rendering payment.

Bids/Quotes Not Received
(06-09)

CONDITION	A total of 27 items out of 44 items chosen did not have documentation that three written quotes or sealed bids was obtained.
CRITERIA	Three written quotations should be received and kept on file for all small purchases exceeding \$5,000, but not exceeding \$20,000. For all purchases over \$20,000 three sealed bids should be obtained. This is according to 1.4.1.51 NMAC.
CAUSE	Neither management of the County or the Board of Commissioners ensured that this statute was followed when procuring goods/services.
EFFECT	The County did not comply with 1.4.1.51 NMAC.
RECOMMENDATION	Current management and the Board should ensure that policies are in place so the procurement procedure cannot be circumvented.
RESPONSE	A Purchasing Policy has been recently approved and all departments have been given a copy of this policy. The guidelines are very clearly stated as to what must be attached to the Purchase Order to ensure that all department follow the Policy and obtain the three quotes when required. Management will insure that this Policy is strictly followed.

FINANCIAL STATEMENT PREPARATION

The combined financial statements of Harding 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 July 10, 2008, to discuss the current audit report and auditors' comments. In attendance were Mr. Michael Lewis, Board Chairman, Mr. Robert Casados, Commissioner, Mr. Jerry Porterfield, Commissioner, Mr. Pete Callahan, Deputy County Assessor, Ms. Sherrita Fluhman, Financial Director, Ms. Maria J. Atencio, County Clerk, Mr. Leroy Maes, Deputy County Treasurer, Ms. Diana Lynn Anderson, County Treasurer, Ms. Barbara Shaw, Commission Secretary, and Ms. Pamela A. Rice, CPA, Contract Auditor. A quorum was present at the exit conference. A properly advertised closed session was held.