

**State of New Mexico
Harding County**

**Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2010
and Independent Auditors' Report**

STATE OF NEW MEXICO
HARDING COUNTY

TABLE OF CONTENTS

	Page
DIRECTORY OF OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Major Government Funds:	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
General Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis	18
Special Revenue Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Road Fund	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Fire District No. 2	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Solid Waste Fund	21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Fire District No. 1 Fund	22
Agency Funds:	
Statement of Fiduciary Assets and Liabilities	23

NOTES TO THE BASIC FINANCIAL STATEMENTS	24
Schedule of Collateral Pledged by Depository for Public Funds	40
Other Major Fund Budgets:	
Capital Project Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Economic Development Project Fund	42
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Special Appropriations Project Fund	43
Non-Major Governmental Funds:	
Combining Balance Sheet by Fund Type	45
Combined Statement of Revenues, Expenditures and Changes in Fund Balances by Fund Type	46
Non-Major Special Revenue Funds:	
Combining Balance Sheet	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	51
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Farm & Range Fund	53
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Indigent Fund	54
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Emergency Management Fund	55
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - EMS No. 1 Fund	56
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - EMS No. 2 Fund	57
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Recording and Equipment Fund	58
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Reappraisal Fund	59
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - EMT Fund	60
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - DWI Grant	61

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - DWI Program Fund	62
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - DWI Users Fund	63
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Law Enforcement Protection Fund	64
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Jail Detention Fund	65
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Rural Addressing Fund	66
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Senior Program Fund	67
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - County Health Program Fund	68

SUPPLEMENTARY INFORMATION:

Agency Fund:	
Schedule of Changes in Net Assets and Liabilities - All Agency Funds	71
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	72
Summary Schedule of Prior Audit Findings	74
Schedule of Findings and Responses	75
Financial Statement Preparation	79
Exit Conference	80
Corrective Action Plan	81

**STATE OF NEW MEXICO
HARDING COUNTY**

**DIRECTORY OF OFFICIALS
JUNE 30, 2010**

County Commissioners

Robert L. Casados
Jerry G. Porterfield
Michael E. Lewis

Chairman
Vice-Chairman
Member

Elected Officials

Marie Atencio
Barbara Shaw
Janet Costa
Diana Anderson
Carla Garrison
Tonja Hazen
Pete Callahan
Herman Martinez
Raymond Gutierrez
Carrie Archuleta
Marie Atencio

Clerk
Chief Deputy Clerk
Finance Director
Treasurer
Chief Deputy Treasurer
Assessor
Chief Deputy Assessor
Sheriff
Deputy Sheriff
Judge
Deputy Judge

Other Officials

Vanita Menapace

Administrative Assistant

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, 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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Harding County, New Mexico (the "County"), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental funds and the budgetary comparisons for the major capital project funds and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and major special revenue 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 nonmajor governmental fund of the County as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital project funds and all nonmajor 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 November 10, 2010 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 to 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 10, 2010

STATE OF NEW MEXICO
HARDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

This section of Harding County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the County of Harding exceeded its liabilities at the close of the most recent fiscal year end by \$5,946,858 (*net assets*). Of this amount, \$2,775,305 (*unrestricted net assets*) may be used to meet the government's ongoing, obligations to citizens and creditors.
- The government's total net assets increased by \$286,876 during the fiscal year. The majority of this is due to an increase in grant revenue when compared to the year ended June 30, 2009.
- As of June 30, 2010, the County's governmental funds reported combined ending fund balances of \$2,804,324. At the close of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$888,672.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Government-wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the County of Harding's finances, in a manner similar to a private-sector business.

The *statements of net assets* presents information on all of the County of Harding's assets and liabilities,

with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County of Harding is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County of Harding that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County of Harding include general government, public safety, highways and streets, culture and recreation, and health and welfare.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Harding, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County of Harding can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the County's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The County of Harding maintains thirty-three individual governmental funds organized according to their type (special revenue and capital projects). Information is presented separately in governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Fire District No. 2 Fund, Solid Waste Fund, Building Restoration ADA Fund, Capital Improvements Fund, Fire District No. 1 Fund and Land Acquisition Fund, all of which are considered to be major funds. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County of Harding adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, Road Fund, Fire District No. 2 Fund, Solid Waste Fund, Building Restoration ADA Fund, Capital Improvements Fund, Fire District No. 1 Fund and Land Acquisition Fund to demonstrate compliance with this

budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

Fiduciary Funds

Fiduciary funds are used to account for services for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County of Harding's own programs.

The County of Harding fiduciary funds account for the collection of property taxes and special fees and their remittance to other governmental agencies.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 41 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 50 through 53 of this report.

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Harding, net assets exceeded liabilities by \$5,810,356 at the close of the current fiscal year.

The largest portion of the County of Harding's net assets represent the County's investment of \$3,171,553 in capital assets (e.g., land, building and improvements, infrastructure, and machinery and equipment). The County of Harding uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

At the end of the current fiscal year, the County of Harding is able to report positive balances in all two categories of net assets.

Analysis of Changes in Net Assets

During the current fiscal year, the County's net assets in governmental increased by \$286,876. These increases are explained in the governmental activities discussion.

Governmental Activities

Governmental activities increased the County of Harding's net assets by \$286,876. Grant revenue increased \$339,030 over grant revenue in the prior year. Property taxes and gross receipts taxes contributed \$1,197,105 for covering the \$1,429,698 net program expense associated with governmental activities.

Governmental revenues, consisting mostly of taxes, are not directly associated with any government function. The total revenues increased \$416,098.

Total revenues from governmental activities are summarized below. For fiscal year 2009-2010, Local and State taxes made up 58% of the total general government revenues compared to 83% of the revenues in the prior year.

SUMMARY OF NET ASSETS

	Governmental Activities	
	2010	2009
ASSETS		
Current and other assets	\$ 2,911,807	\$ 2,285,456
Capital assets, net of accumulated depreciation	3,171,553	3,439,970
Total assets	\$ 6,083,360	\$ 5,725,426
LIABILITIES		
Current and other liabilities	\$ 121,654	\$ 25,283
Long-term liabilities	14,848	40,161
Total liabilities	136,502	65,444
NET ASSETS		
Invested in capital assets, net of related debt	3,171,553	3,411,091
Unrestricted	2,775,305	2,248,891
Total net assets	5,946,858	5,659,982
Total liabilities and net assets	\$ 6,083,360	\$ 5,725,426

CHANGES IN NET ASSETS

	Governmental Activities	
	2010	2009
REVENUES		
Program revenues:		
Charges for services	\$ 45,032	\$ 28,158
Operating grants and contributions	721,325	427,509
Capital grants and contributions	976,652	985,438
General revenues:		
Taxes	1,197,105	1,129,900
Other income	34,087	-
Interest income	50,607	37,705
Total revenues	3,024,808	2,608,710
EXPENSES		
General government	1,429,698	1,027,300
Public safety	288,504	183,545
Highways and streets	467,722	712,752
Health and welfare	43,864	133,312
Culture and recreation	147,135	-
Interest	526	1,100
Depreciation	360,483	353,955
Total expenses	2,737,932	2,411,964
Change in net assets	286,876	196,746
Net assets - beginning	5,659,982	5,463,236
Net assets - ending	\$ 5,946,858	\$ 5,659,982

FINANCIAL ANALYSIS OF THE COUNTY OF HARDING AS A WHOLE

As noted earlier, the County of Harding uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the County of Harding's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County of Harding's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, and Capital Project Funds.

As of the end of the current fiscal year, the County of Harding's governmental funds reported combined ending fund balances of \$2,274,344, an increase of \$529,980 in comparison with the prior year. The increase is primarily due to the increase in grant revenue.

Revenues for governmental functions overall totaled approximately \$3,024,808 in the fiscal year-

ended June 30, 2010, which represents an increase of \$416,098 from the fiscal year-ended June 30, 2009. Expenditures for governmental functions totaled \$2,737,932. This was an increase of approximately \$325,968 from the fiscal year-ended June 30, 2009. In the fiscal year-ended June 30, 2010, revenues for governmental functions exceeded expenditures by approximately \$286,876.

The General Fund is the chief operating fund of the County of Harding. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$888,672.

The fund balance of the County of Harding's General Fund increased \$98,213 during the current fiscal year.

Fiduciary Funds

The County maintains fiduciary funds for the assets of various agency funds. Changes to the fiduciary funds were immaterial for the fiscal year.

Budgetary Highlights

County budgets reflect the same pattern as seen in the revenue and expenditures of the County. The State of New Mexico budget process is defined under State law and regulation. To enhance the process of developing a budget at the county level, the County of Harding utilizes goals and objectives defined by the County Commissioners, community input meetings, long-term plans and input from various staff groups to develop the County budget. The County priorities are well defined through out this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

General Fund Budgetary Highlights

The General Fund accounts for all of the general services provided by the County of Harding.

The County made modifications to the budget with resolutions approved by the Commissioners.

Change in Cash and Investments

At the end of 2010, the cash and investments balance of the General Fund had increased by \$168,377. General government expenditures include all administrative functions of the County which include: County Commissioners, Administration, Finance, Maintenance, Public Safety, Highways and Streets, Health and Welfare, and Culture and Recreation.

Capital Asset and Debt Administration

Capital Assets

The County of Harding's capital assets for its governmental as of June 30, 2010 amount to \$3,171,553 (net of accumulated depreciation). Capital assets include land, building improvements, machinery, equipment, and infrastructure. The total decrease in the County's capital assets (excluding accumulated depreciation) for the current fiscal year was \$268,237 for governmental activities. Equipment costing \$462,453 was purchased for the County and building and building improvements of 2010. The deletions in the governmental funds consisted of the disposal of obsolete equipment and land costing \$500,227.

The following is a schedule showing the Net Value of the Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

Capital Assets, Net of Depreciation
June 30, 2010

	<u>Governmental Activities</u>
Land	\$ 25,761
Buildings and improvements	1,309,872
Equipment, furniture and machines	1,182,123
Infrastructure	<u>653,797</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,171,553</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 11 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

The Statement of Net Assets shows the Investment in Capital Assets-Governmental Funds in the amount of \$3,171,553. This investment includes the land, buildings and improvements, equipment, machinery and infrastructure.

The County's loan was paid off during fiscal year 2010. Additional information on the County's debt can be found in Note 9.

ECONOMIC FACTORS

- Population is trending downward, along with business activity and job opportunities.
- The Oil & Gas industry has helped the local economy as oil prices have decreased.
- Hess Corporation's plant construction and on line increase in CO2 production has been the largest factor in revenue growth.
- Cattle prices have remained stable also helping revenues.

CONTACTING THE COUNTY OF HARDING COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the County of Harding's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Harding Administration, County of Harding, 35 Pine Street, Mosquero, New Mexico, 87733.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
CURRENT ASSETS:	
Cash	\$ 2,849,537
Accounts receivable	<u>62,270</u>
Total current assets	2,911,807
CAPITAL ASSETS:	
Land	25,761
Property, equipment and machines	<u>5,786,248</u>
Total capital assets	5,812,009
Less accumulated depreciation	<u>(2,640,456)</u>
Total capital assets, net of accumulated depreciation	<u>3,171,553</u>
Total assets	<u>\$ 6,083,360</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Cash overdraft	\$ 8,673
Accounts payable	76,245
Accrued expenses	22,565
Accrued compensated absences, current portion	<u>14,171</u>
Total current liabilities	121,654
NON-CURRENT LIABILITIES:	
Compensated absences payable, net of current portion	<u>14,848</u>
Total non-current liabilities	<u>14,848</u>
Total liabilities	<u>136,502</u>
NET ASSETS	
Invested in capital assets	3,171,553
Unrestricted	<u>2,775,305</u>
Total net assets	<u>\$ 5,946,858</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Program Revenues		Net (Expenses) Revenue and changes in Net Assets Governmental Activities
			Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 1,429,698	\$ 16,640	\$ 132,080	\$ 616,000	\$ (664,978)
Highways and streets	467,722	-	456,373	57,147	45,798
Health and welfare	43,864	-	29,251	-	(14,613)
Public safety	288,504	28,392	200	303,505	43,593
Culture and recreation	147,135	-	105,672	-	(41,463)
Depreciation	360,483	-	-	-	(360,483)
Interest on long-term obligations	526	-	-	-	(526)
Total governmental activities	<u>\$ 2,737,932</u>	<u>\$ 45,032</u>	<u>\$ 723,576</u>	<u>\$ 976,652</u>	<u>(992,672)</u>
General revenues:					
Property taxes					487,207
Gross receipts taxes					94,751
Oil and gas taxes					292,355
Motor vehicle taxes					203,411
Gasoline taxes					97,104
Environmental gross receipts taxes					22,277
Unrestricted investment earnings					50,607
Other income					<u>31,836</u>
Total general revenues					<u>1,279,548</u>
Change in net assets					286,876
Net assets - beginning					<u>5,659,982</u>
Net assets - ending					<u>\$ 5,946,858</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Road Fund	Fire District No. 2 Fund	Solid Waste Fund	Building Restoration ADA Fund	Capital Improvements Fund	Fire District No. 1 Fund	Economic Development Project Fund	Special Appropriations Project Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS											
Cash on deposit	\$ 943,077	\$ -	\$ 105,599	\$ 246,386	\$ 252,338	\$ 219,927	\$ 205,644	\$ 2,227	\$ 513,218	\$ 361,121	\$ 2,849,537
Accounts receivable	28,914	23,347	-	4,411	-	-	-	-	-	5,598	62,270
Total assets	<u>\$ 971,991</u>	<u>\$ 23,347</u>	<u>\$ 105,599</u>	<u>\$ 250,797</u>	<u>\$ 252,338</u>	<u>\$ 219,927</u>	<u>\$ 205,644</u>	<u>\$ 2,227</u>	<u>\$ 513,218</u>	<u>\$ 366,719</u>	<u>\$ 2,911,807</u>
LIABILITIES											
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,673	\$ 8,673
Accounts payable	70,370	5,875	-	-	-	-	-	-	-	-	76,245
Accrued expenses	12,949	7,173	-	-	-	-	-	-	-	2,443	22,565
Total liabilities	83,319	13,048	-	-	-	-	-	-	-	11,116	107,483
FUND BALANCES											
Unreserved:											
Designed for subsequent years expenditure	-	-	-	-	252,338	219,927	205,644	2,227	513,218	355,603	1,548,957
Undesignated reported in:											
General fund	888,672	-	-	-	-	-	-	-	-	-	888,672
Special revenue funds	-	10,299	105,599	250,797	-	-	-	-	-	-	366,695
Total fund balances	<u>888,672</u>	<u>10,299</u>	<u>105,599</u>	<u>250,797</u>	<u>252,338</u>	<u>219,927</u>	<u>205,644</u>	<u>2,227</u>	<u>513,218</u>	<u>355,603</u>	<u>2,804,324</u>
Total liabilities and fund balances	<u>\$ 971,991</u>	<u>\$ 23,347</u>	<u>\$ 105,599</u>	<u>\$ 250,797</u>	<u>\$ 252,338</u>	<u>\$ 219,927</u>	<u>\$ 205,644</u>	<u>\$ 2,227</u>	<u>\$ 513,218</u>	<u>\$ 366,719</u>	<u>\$ 2,911,807</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

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

Total fund balances - governmental funds \$ 2,804,324

Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds.

The cost of capital assets	5,812,009	
Accumulated depreciation	<u>(2,640,456)</u>	
		<u>3,171,553</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:

Compensated absences payable, net of current portion	<u>(29,019)</u>	
		<u>(29,019)</u>

Net assets of governmental activities \$ 5,946,858

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Road Fund	Fire District No. 2 Fund	Solid Waste Fund	Building Restoration ADA Fund	Capital Improvements Fund	Fire District No. 1 Fund	Economic Development Project Fund	Special Appropriations Project Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES											
Property taxes	\$ 478,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,217	\$ 487,207
Gross receipts taxes	20,111	-	-	48,780	-	-	-	-	-	25,860	94,751
Motor vehicle taxes	4,622	198,789	-	-	-	-	-	-	-	-	203,411
Oil and gas taxes	292,355	-	-	-	-	-	-	-	-	-	292,355
Gasoline taxes	1,404	95,700	-	-	-	-	-	-	-	-	97,104
Environmental gross receipts taxes	-	-	-	11,792	-	-	-	-	-	10,485	22,277
Charges for services	-	-	-	-	-	-	-	-	-	3,487	3,487
Fines and forfeitures	8,787	-	-	-	-	-	-	-	-	27,642	36,429
Rents	5,116	-	-	-	-	-	-	-	-	-	5,116
Local sources	23,346	9,790	2,251	-	-	-	-	-	19,185	3,642	58,214
State sources	616,000	353,364	72,028	-	-	-	113,727	-	131,181	224,665	1,510,965
Federal sources	108,716	-	-	-	-	-	-	-	-	23,134	131,850
Earnings from investments	48,613	1,994	-	-	-	-	-	-	-	-	50,607
Other income	30,986	850	-	-	-	-	-	-	-	-	31,836
Total revenues	1,639,046	660,487	74,279	60,572	-	-	113,727	-	150,366	327,132	3,025,609
EXPENDITURES											
Current:											
General government	1,062,585	-	-	-	-	-	-	-	-	7,331	1,069,916
Highways and streets	-	454,408	-	-	-	-	-	-	13,314	-	467,722
Public safety	-	-	22,430	60,165	-	-	28,450	-	-	177,459	288,504
Health and welfare	-	-	-	-	-	-	-	22,881	-	21,784	44,665
Culture and recreation	-	-	-	-	-	-	-	-	-	147,135	147,135
Capital outlay	43,844	228,849	16,260	-	-	-	45,212	-	128,288	-	462,453
Debt service:											
Principal	-	-	-	-	-	-	14,708	-	-	-	14,708
Interest	-	-	-	-	-	-	526	-	-	-	526
Total expenditures	1,106,429	683,257	38,690	60,165	-	-	88,896	22,881	141,602	353,709	2,495,629
Excess (deficiency) revenues over expenditures	532,617	(22,770)	35,589	407	-	-	24,831	(22,881)	8,764	(26,577)	529,980
OTHER FINANCING SOURCES (USES)											
Transfers in	74,634	21,042	-	-	-	-	-	-	430,308	90,161	616,145
Transfers out	(509,038)	-	-	-	-	-	-	-	(96,430)	(10,677)	(616,145)
Total other financing sources (uses)	(434,404)	21,042	-	-	-	-	-	-	333,878	79,484	-
Net change in fund balance	98,213	(1,728)	35,589	407	-	-	24,831	(22,881)	342,642	52,907	529,980
Fund balance beginning of year	790,459	12,027	70,010	250,390	252,338	219,927	180,813	25,108	170,576	302,696	2,274,344
Fund balance end of year	\$ 888,672	\$ 10,299	\$ 105,599	\$ 250,797	\$ 252,338	\$ 219,927	\$ 205,644	\$ 2,227	\$ 513,218	\$ 355,603	\$ 2,804,324

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2010

Net change in fund balances - total governmental funds \$ 529,980

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 outlay exceeds depreciation in the period.

Loss on sale of assets	(370,387)	
Capital outlay	462,453	
Depreciation expense	<u>(360,483)</u>	
		(268,417)

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 decreases in the liabilities for the year were:

Compensated absences	10,605
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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>14,708</u>

Change in net assets of governmental activities

<u>\$ 286,876</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Property taxes	\$ 245,502	\$ 245,502	\$ 478,990	\$ 233,488
Gross receipts taxes	13,500	13,500	17,450	3,950
Motor vehicle taxes	3,500	3,500	4,291	791
Oil and gas taxes	213,443	213,443	266,616	53,173
Gasoline taxes	1,300	1,300	1,221	(79)
Environmental gross receipt taxes	15,563	15,563	-	(15,563)
Charges for services	14,000	14,000	-	(14,000)
Fines and forfeitures	-	-	8,787	8,787
Rents	-	-	5,116	5,116
Local sources	-	-	23,346	23,346
State sources	589,000	589,000	616,000	27,000
Federal sources	108,716	108,716	108,716	-
Earnings from investments	17,000	17,000	48,613	31,613
Other income	25,430	31,907	30,986	(921)
Total revenues	1,246,954	1,253,431	1,610,132	356,701
EXPENDITURES:				
Current:				
General government	1,195,991	1,292,146	979,266	312,880
Capital outlay	-	-	43,844	(43,844)
Total expenditures	1,195,991	1,292,146	1,023,110	269,036
Excess (deficiency) of revenues over expenditures	50,963	(38,715)	587,022	625,737
OTHER FINANCING SOURCES (USES)				
Transfers in	-	89,677	74,634	(15,043)
Transfers out	(503,039)	(524,081)	(509,038)	15,043
Total other financing sources (uses)	(503,039)	(434,404)	(434,404)	-
Net change in fund balance Non-GAAP Basis	(452,076)	(473,119)	152,618	625,737
Fund balance - beginning	790,459	790,459	790,459	-
Fund balance - ending	\$ 338,383	\$ 317,340	\$ 943,077	\$ (90,444)
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			152,618	
Revenue accruals		28,914		
Expenditure accruals		(83,319)	(54,405)	
Excess of revenues over expenditures - GAAP basis			\$ 98,213	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
SPECIAL REVENUE FUND - ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Motor vehicle taxes	\$ 165,000	\$ 165,000	\$ 184,420	\$ 19,420
Gasoline taxes	85,000	85,000	86,722	1,722
Local sources	-	-	9,790	9,790
State sources	631,868	488,677	353,364	(135,313)
Federal sources	3,000	3,000	-	(3,000)
Earnings from investments	2,000	2,000	1,994	(6)
Other income	-	-	850	850
	<u>886,868</u>	<u>743,677</u>	<u>637,140</u>	<u>(106,537)</u>
EXPENDITURES:				
Current:				
Highways and streets	805,135	671,302	441,360	229,942
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>228,849</u>	<u>(213,849)</u>
	<u>820,135</u>	<u>686,302</u>	<u>670,209</u>	<u>16,093</u>
Excess (deficiency) of revenues over expenditures	66,733	57,375	(33,069)	90,444
OTHER FINANCING SOURCES				
Transfers in	-	21,042	21,042	-
Total other financing sources	<u>-</u>	<u>21,042</u>	<u>21,042</u>	<u>-</u>
Net change in fund balance Non-GAAP Basis	66,733	78,417	(12,027)	(90,444)
Fund balance - beginning	<u>12,027</u>	<u>12,027</u>	<u>12,027</u>	<u>-</u>
Fund balance - ending	<u>\$ 78,760</u>	<u>\$ 90,444</u>	<u>\$ -</u>	<u>\$ (90,444)</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			(12,027)	
Revenue accruals		23,347		
Expenditure accruals		<u>(13,048)</u>	10,299	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (1,728)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
SPECIAL REVENUE FUND - FIRE DISTRICT NO. 2 FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
State sources	\$ 72,028	\$ 72,028	\$ 72,028	\$ -
Other income	-	-	2,251	2,251
Total revenues	72,028	72,028	74,279	2,251
EXPENDITURES:				
Current:				
Public safety	38,690	38,690	22,430	16,260
Capital outlay	-	-	16,260	(16,260)
Total expenditures	38,690	38,690	38,690	-
Excess of revenues over expenditures	33,338	33,338	35,589	2,251
Net change in fund balance Non-GAAP Basis	33,338	33,338	35,589	2,251
Fund balance - beginning	70,010	70,010	70,010	-
Fund balance - ending	<u>\$ 103,348</u>	<u>\$ 103,348</u>	<u>\$ 105,599</u>	<u>\$ 2,251</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			35,589	
Revenue accruals		-		
Expenditure accruals		-	-	
Excess of revenues over expenditures - GAAP basis			<u>\$ 35,589</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
SPECIAL REVENUE FUND - SOLID WASTE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Gross receipts taxes	\$ 45,734	\$ 45,734	\$ 44,369	\$ (1,365)
Environmental gross receipt taxes	-	-	11,792	11,792
Total revenues	45,734	45,734	56,161	10,427
EXPENDITURES:				
Current:				
Public safety	296,124	296,124	60,165	235,959
Total expenditures	296,124	296,124	60,165	235,959
Excess (deficiency) of revenues over expenditures	(250,390)	(250,390)	(4,004)	246,386
Net change in fund balance Non-GAAP Basis	(250,390)	(250,390)	(4,004)	246,386
Fund balance - beginning	250,390	250,390	250,390	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,386</u>	<u>\$ 246,386</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			(4,004)	
Revenue accruals		4,411		
Expenditure accruals		-	4,411	
Excess of revenues over expenditures - GAAP basis			<u>\$ 407</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
SPECIAL REVENUE FUND - FIRE DISTRICT NO. 1 FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
State sources	\$ 97,693	\$ 97,693	\$ 113,727	\$ 16,034
Total revenues	97,693	97,693	113,727	16,034
EXPENDITURES:				
Current:				
Public safety	380,095	380,095	28,450	351,645
Capital outlay	-	-	45,212	(45,212)
Debt service:				
Principal	-	-	14,708	(14,708)
Interest	-	-	526	(526)
Total expenditures	380,095	380,095	88,896	291,199
Excess (deficiency) of revenues over expenditures	(282,402)	(282,402)	24,831	307,233
Net change in fund balance Non-GAAP Basis	(282,402)	(282,402)	24,831	307,233
Fund balance - beginning	180,813	180,813	180,813	-
Fund balance - ending	<u>\$ (101,589)</u>	<u>\$ (101,589)</u>	<u>\$ 205,644</u>	<u>\$ 307,233</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			24,831	
Revenue accruals		-		
Expenditure accruals		-	-	
Excess of revenues over expenditures - GAAP basis			<u>\$ 24,831</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and temporary investments	\$ 17,670
Taxes receivable	<u>6,837</u>
Total assets	<u>\$ 24,507</u>
LIABILITIES	
Due to other governments (cash)	\$ 17,670
Due to other governments (receivables)	<u>6,837</u>
Total liabilities	<u>\$ 24,507</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Harding County was created by Section 4-30-1, New Mexico State Statutes Annotated, 1978 Compilation. The powers of the County as a body politic and corporate are exercised by a three-member Board of Commissioners who are elected staggering positions that 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 the 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 the 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.

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:

- (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 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.

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 judgments, 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.

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.

Fire District No. 1 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.

Economic Development Program Fund - Capital Projects Fund - 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.

Special Appropriations 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.

The County also reports the following fund types:

Agency Funds - These funds account for monies held on behalf of the 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:

- a. Bonds 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
- b. 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 balance. 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.

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
Equipment, furniture and machines	5-30
Infrastructure	10

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

Net assets should be reported as restricted when constraints placed on net asset use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments
- b. Imposed by law through constitutional provisions or enabling legislation. However for the current year the County does not have net assets that are restricted by enabling legislation.

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally

segregated for a specific future use. The reserves for related assets such as inventories and prepayments are examples of the former. Reserves for encumbrances, contracts, and other specific purposes are examples of the latter. The governmental funds' designation of fund balance reflects tentative plans for future use of financial resources.

K. Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

L. Reclassifications

During year 2010 the major funds changed compared to year 2009, due to this change the classification of several accounts also changed.

M. Grant Services

During year 2010 the County received a grant from North Central New Mexico Economic Development District. With this grant, the County served 133 people and provided 11,125 service units.

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).

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

Community 1st Bank of Las Vegas	Checking	Harding County	\$ 309,140
Farmers & Stockmans Bank	Certificate of Deposit	Harding County	80,000
Farmers & Stockmans Bank	Certificate of Deposit	Harding County	80,000
Farmers & Stockmans Bank	Certificate of Deposit	Harding County	64,000
Farmers & Stockmans Bank	Certificate of Deposit	Harding County	316,606
International Bank of Raton	Certificate of Deposit	Harding County	210,337
State Employee FCU	Certificate of Deposit	Harding County	252,123
State Employee FCU	Savings	Harding County	60
American Heritage Bank	Certificate of Deposit	Harding County	250,000
1st National Bank of NM	Certificate of Deposit	Harding County	250,000
1st National Bank of Santa Fe	Certificate of Deposit	Harding County	250,000
Century Bank	Certificate of Deposit	Harding County	250,000
Community 1st Bank of Las Vegas	Certificate of Deposit	Harding County	250,000
Community 1st Bank of Las Vegas	Certificate of Deposit	Harding County	25,165
Community 1st Bank of Las Vegas	Certificate of Deposit	Harding County	50,000
Community 1st Bank of Las Vegas	Certificate of Deposit	Harding County	<u>250,000</u>
Total amount on deposit			<u>\$ 2,887,431</u>
Total amount on deposit			\$ 2,887,431
Plus petty cash			150
Plus deposits in transit			46
Less outstanding checks			(33,167)
Other adjustments			<u>3,748</u>
Total cash balance			<u>\$ 2,858,208</u>
Cash equivalents			
State Treasurers Investment Pool	Investments	Harding County	<u>\$ 326</u>
Total cash per financial statements			<u>\$ 2,858,534</u>

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

	Ist National Bank of NM	First National Bank of SF	American Heritage Bank	Century Bank	Comm. First Las Vegas	Farmers & Stockman Bank	Int. Bank of Raton	SECU Bank	Total
Cash on deposit at June 30	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 884,305	\$ 540,606	\$ 210,337	\$ 252,183	\$ 2,887,431
Less F.D.I.C.	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(210,337)</u>	<u>(250,000)</u>	<u>(1,960,337)</u>
Uninsured funds	-	-	-	-	634,305	290,606	-	2,183	927,094
Funds needing collateralization at 50%	-	-	-	-	317,153	145,303	-	1,092	463,548
Pledged collateral at June 30	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>762,162</u>	<u>408,279</u>	<u>-</u>	<u>-</u>	<u>1,170,441</u>
Excess (deficit) of pledged collateral	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,009</u>	<u>\$ 262,976</u>	<u>\$ -</u>	<u>\$ (1,092)</u>	<u>\$ 706,893</u>

At June 30, 2010, the carrying amount County's bank balance was \$2,887,431. Of this balance, \$1,960,337 was covered by federal depository insurance and \$927,094 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, 2010, \$927,094 of the County's bank balance of \$2,887,431 was exposed to custodial credit risk as follows:

Insured	\$ 1,960,337
Uninsured and uncollateralized	2,183
Uninsured and collateralized with securities held by the pledging banks trust department, but not in the County's name	<u>924,911</u>
Total	<u>\$ 2,887,431</u>

New Mexico 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 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.

3. ACCOUNTS RECEIVABLE

The amount shown as accounts receivable represent amounts due from oil and gas taxes, motor vehicle taxes, and gross receipts taxes.

Accounts receivable as of June 30, 2010, consist of the following:

	<u>Governmental Activities</u>
General Fund	\$ 28,914
Road Fund	23,347
Solid Waste Fund	4,411
EMT Fund	2,661
Jail Detention Fund	<u>2,937</u>
	<u>\$ 62,270</u>

All amounts are considered to be collectible.

4. TAX ROLL RECONCILIATION

Uncollected taxes, beginning of year	\$ 15,440
Plus:	
Taxes assessed current year (net of adjustments)	888,868
Less	
Taxes collected	(524,655)
Adjustments to prior year	<u>(364,831)</u>
Uncollected taxes, end of year	<u>\$ 14,822</u>
Undistributed taxes, beginning of year	\$ 10,718
Taxes collected	524,655
Adjustments	-
Less:	
Undistributed taxes, end of year	<u>(17,670)</u>
Tax distribution	<u>\$ 517,703</u>
Property taxes receivable by years:	
2000	\$ 967
2001	1,322
2002	38
2003	1,686
2004	70
2005	154
2006	133
2007	313
2008	2,441
2009	<u>7,698</u>
Total taxes receivable	<u>\$ 14,822</u>

5. 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. Premiums paid for fiscal year 2010 were \$35,737.

Tort claims are generally limited by the Tort Claims Act, Section 41-4-1 et. Seq, NMSA, 1978. The County retains some risk for coverage which may be less than the tort claims limitation. Certain claims relating to certain public construction, operation of motor vehicles, building maintenance and certain health care activities are exempt from the Act.

The New Mexico Self Insurer's Fund assesses a premium to the County to cover expenses of the fund which includes claims, reinsurance expenses, administration and other costs.

Risk management activities are reported primarily in the General Fund. Other funds may reimburse the General Fund for certain coverage. The County has not significantly reduced insurance coverage from the prior year. Settlements have not exceeded insurance coverage for the past three years. Management is not aware of any outstanding claims.

6. PERA PENSION PLAN

Plan Description - Certain Harding County' employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). 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 benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy - Plan members are required to contribute 9.15% of their gross salary. Harding County is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and Harding County are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Harding County's contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$60,169, \$60,051, and \$54,143 respectively, which equal the amount of the required contributions for each fiscal year.

7. RETIREE HEALTH CARE

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

8. CASH OVERDRAFTS

The cash overdrafts shown in the DWI Grant Fund, a special revenue fund, represent expenditures made by the County which will be reimbursed by the grantor. Receivables from grantor are presented to off-set these overdrafts.

9. **LONG-TERM LIABILITIES**

During the year ended June 30, 2010, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	<u>Balance</u> <u>6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/10</u>	<u>Due Within</u> <u>One Year</u>
NMFA Loan	\$ 14,708	\$ -	\$ 14,708	\$ -	\$ -
Compensated absences	<u>25,453</u>	<u>117,656</u>	<u>114,090</u>	<u>29,019</u>	<u>14,171</u>
Total	<u>\$ 40,161</u>	<u>\$ 117,656</u>	<u>\$ 128,798</u>	<u>\$ 29,019</u>	<u>\$ 14,171</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 loan was paid in full during 2010. The NMFA Loan was liquidated through the Fire District No. 1 Fund.

10. **INTERFUND TRANSFERS**

Interfund transfers during the year ended June 30, 2010 consisted the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 74,634	\$ 509,038
Road Fund	21,042	-
EMS No. 1 Fund	10,000	-
Jail Detention Fund	-	4,677
Emergency Management Fund	28,322	-
Rural Addressing Fund	18,856	-
Senior Program Fund	12,000	6,000
Land Acquisition Fund	430,308	96,430
Indigent Fund	<u>20,983</u>	<u>-</u>
	<u>\$ 616,145</u>	<u>\$ 616,145</u>

11. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2010, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Government activities:				
Capital assets				
Land	\$ 33,034	\$ -	\$ (7,273)	\$ 25,761
Total assets not depreciated	33,034	-	(7,273)	25,761
Buildings and improvements	2,059,782	6,890	(396,085)	1,670,587
Equipment, furniture and machines	2,955,475	232,304	(96,869)	3,090,910
Infrastructure	<u>801,492</u>	<u>223,259</u>	<u>-</u>	<u>1,024,751</u>
Total assets depreciated	5,816,749	462,453	(492,954)	5,786,248
Less accumulated depreciation:				
Buildings and improvements	353,892	47,894	(41,071)	360,715
Equipment, furniture and machines	1,763,417	234,139	(88,769)	1,908,787
Infrastructure	<u>292,504</u>	<u>78,450</u>	<u>-</u>	<u>370,954</u>
Total accumulated depreciation	<u>2,409,813</u>	<u>360,483</u>	<u>(129,840)</u>	<u>2,640,456</u>
Capital assets being depreciated, net of accumulated depreciation	<u>3,406,936</u>	<u>101,970</u>	<u>(363,114)</u>	<u>3,145,792</u>
Total capital assets, net of accumulated depreciation	<u>\$ 3,439,970</u>	<u>\$ 101,970</u>	<u>\$ (370,387)</u>	<u>\$ 3,171,553</u>

12. BUDGETARY DIFFERENCES

New Mexico State Statutes restrict all officials and governing authorities from approving claims in excess of the approved budget. The County exceeded its approved budget as follows:.

Fund	Reason	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
DWI Users Fund	Operating expenditures	\$ -	\$ 7,254	\$ (7,254)
County Health Program Fund	Operating expenditures	\$ -	\$ 34,500	\$ (34,500)

In addition, the County budgeted a deficit for the following funds:

<u>Fund</u>	<u>Budgeted Deficit</u>
Fire District No. 1	\$ 101,589
DWI Program Fund	13,184

The County has implemented procedures to ensure compliance in the future.

13. DEFICIT FUND BALANCE

The County has a deficit fund balance of \$8,673 in the DWI Grant Fund. The cause of the deficits is unknown. Money will be transferred to the fund to increase the fund balance and eliminate the deficit.

STATE OF NEW MEXICO
HARDING COUNTY
HARDING COUNTY

**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
AS OF JUNE 30, 2010**

<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>Name and Location of Safekeeper</u>
FHLB, CUSIP #3133XDTA9, Maturing 12/10/10	\$ 408,279	Federal Home Loan Bank of Dallas
GNMA II, CUSIP #336225DC51, Maturing 7/20/2034	238,696	Federal Home Loan Bank of Dallas
FHLMC, CUSIP #3128N97M7, Maturing 1/01/2036	311,775	Federal Home Loan Bank of Dallas
FNMA, CUSIP #331412FHU0, Maturing 4/01/2037	<u>211,691</u>	Federal Home Loan Bank of Dallas
Total pledged securities	<u>\$ 1,170,441</u>	

See independent auditors' report and accompanying notes to financial statements.

OTHER MAJOR FUND BUDGETS

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
CAPITAL PROJECT FUND - ECONOMIC DEVELOPMENT PROJECT FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Current:				
Health and welfare	\$ 22,881	\$ 22,881	\$ 22,881	\$ -
Total expenditures	22,881	22,881	22,881	-
Excess (deficiency) of revenues over expenditures	(22,881)	(22,881)	(22,881)	-
Net change in fund balance Non-GAAP Basis	(22,881)	(22,881)	(22,881)	-
Fund balance - beginning	25,108	25,108	25,108	-
Fund balance - ending	\$ 2,227	\$ 2,227	\$ 2,227	\$ -
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			(22,881)	
Revenue accruals		-		
Expenditure accruals		-	-	
Deficit of revenues over expenditures - GAAP basis			\$ (22,881)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
CAPITAL PROJECT FUND - SPECIAL APPROPRIATIONS PROJECT FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Local sources	\$ 33,303	\$ 33,303	\$ 19,185	\$ (14,118)
State sources	131,182	131,182	131,181	(1)
Total revenues	164,485	164,485	150,366	(14,119)
Current:				
Highways and streets	13,314	13,314	13,314	-
Capital outlay	128,288	128,288	128,288	-
Total expenditures	141,602	141,602	141,602	-
Excess (deficiency) of revenues over expenditures	22,883	22,883	8,764	(14,119)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	430,308	430,308
Transfers out	-	-	(96,430)	(96,430)
Total other financing sources (uses)	-	-	333,878	333,878
Net change in fund balance Non-GAAP Basis	22,883	22,883	342,642	319,759
Fund balance - beginning	170,576	170,576	170,576	-
Fund balance - ending	\$ 193,459	\$ 193,459	\$ 513,218	\$ 319,759
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			342,642	
Revenue accruals		-		
Expenditure accruals		-		
Excess of revenues over expenditures - GAAP basis			\$ 342,642	

See independent auditors' report and accompanying notes to financial statements.

NON-MAJOR FUNDS

STATE OF NEW MEXICO
HARDING COUNTY

COMBINING BALANCE SHEET BY FUND TYPE
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>Special Revenue Funds</u>
ASSETS	
Cash on deposits	\$ 361,121
Accounts receivable	<u>5,598</u>
Total assets	<u>\$ 366,719</u>
LIABILITIES	
Cash overdraft	\$ 8,673
Accrued expenses	<u>2,443</u>
Total liabilities	11,116
FUND BALANCE	
Unreserved	
Designated for subsequent year's expenditures	<u>355,603</u>
Total fund balance	<u>355,603</u>
Total liabilities and fund balance	<u>\$ 366,719</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BY FUND TYPE
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>Special Revenue Funds</u>
REVENUES	
Property taxes	\$ 8,217
Charges for services	3,487
Fines and forfeitures	27,642
Local sources	3,642
State sources	224,665
Federal sources	23,134
Gross receipts taxes	25,860
Environmental gross receipts taxes	<u>10,485</u>
Total revenues	327,132
EXPENDITURES	
Current:	
General government	7,331
Public safety	177,459
Health and welfare	21,784
Culture and recreation	<u>147,135</u>
Debt Service:	
Total expenditures	<u>353,709</u>
Excess (deficiency) revenues over expenditures	(26,577)
OTHER FINANCING SOURCES (USES)	
Operating transfers in	90,161
Operating transfers out	<u>(10,677)</u>
Total other financing sources (uses)	<u>79,484</u>
Net change in fund balance	52,907
Fund balance beginning of year	<u>302,696</u>
Fund balance end of year	<u>\$ 355,603</u>

See independent auditors' report and 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.

INDIGENT FUND - To account for the operations of the health and welfare expenses incurred in order to help needed people of the County.

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 provide 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.

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.

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 citation 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.

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, IIC-1, IIC-2 and IID, 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 Agricultural.

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

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Farm and Range Fund	Indigent Fund	Emergency Management Fund	EMS No. 1 Fund	EMS No. 2 Fund	Recording and Equipment Fund	Reappraisal Fund	EMT Fund	DWI Grant Fund
ASSETS									
Cash on deposits	\$ 616	\$ -	\$ 28,322	\$ 7,785	\$ 2,737	\$ 32,426	\$ 16,923	\$ 48,385	\$ -
Accounts receivable	-	-	-	-	-	-	-	2,661	-
Total assets	\$ 616	\$ -	\$ 28,322	\$ 7,785	\$ 2,737	\$ 32,426	\$ 16,923	\$ 51,046	\$ -
LIABILITIES									
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,673
Deferred revenue	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	\$ 8,673
FUND BALANCE									
Unreserved	616	-	28,322	7,785	2,737	32,426	16,923	51,046	(8,673)
Designated for subsequent year's expenditures	-	-	-	-	-	-	-	-	-
Total liabilities and fund balance	\$ 616	\$ -	\$ 28,322	\$ 7,785	\$ 2,737	\$ 32,426	\$ 16,923	\$ 51,046	\$ -

(Continued)

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	DWI Program Fund	DWI Users Fund	Law Enforcement Protection Fund	Jail Detention Fund	Rural Addressing Fund	Senior Program Fund	County Health Program Fund	Total
ASSETS								
Cash on deposits	\$ 7,468	\$ 4,370	\$ 10,930	\$ 192,067	\$ 6,398	\$ 2,694	\$ -	\$ 361,121
Accounts receivable	-	-	-	2,937	-	-	-	5,598
Total assets	<u>\$ 7,468</u>	<u>\$ 4,370</u>	<u>\$ 10,930</u>	<u>\$ 195,004</u>	<u>\$ 6,398</u>	<u>\$ 2,694</u>	<u>\$ -</u>	<u>\$ 366,719</u>
LIABILITIES								
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,673
Accrued expenses	-	-	-	-	-	2,443	-	2,443
Total liabilities	-	-	-	-	-	2,443	-	11,116
FUND BALANCE								
Unreserved								
Designated for subsequent year's expenditures	7,468	4,370	10,930	195,004	6,398	251	-	355,603
Total liabilities and fund balance	<u>\$ 7,468</u>	<u>\$ 4,370</u>	<u>\$ 10,930</u>	<u>\$ 195,004</u>	<u>\$ 6,398</u>	<u>\$ 2,694</u>	<u>\$ -</u>	<u>\$ 366,719</u>

(Concluded)

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
JUNE 30, 2010

	Farm and Range Fund	Indigent Fund	Emergency Management Fund	EMS No. 1 Fund	EMS No. 2 Fund	Recording and Equipment Fund	Reappraisal Fund	EMT Fund	DWI Grant Fund
REVENUES									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,217	\$ -	\$ -
Charges for services	-	-	-	-	-	2,737	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Local sources	-	801	-	100	-	-	-	-	-
State sources	-	-	-	-	14,491	-	-	-	15,955
Federal sources	18	-	-	-	-	-	-	-	-
Gross receipt taxes	-	-	-	-	-	-	-	-	-
Environmental gross receipt taxes	-	-	-	-	-	-	-	10,485	-
Total revenues	18	801	-	100	14,491	2,737	8,217	10,485	15,955
EXPENDITURES									
General government	-	-	-	-	-	3,082	4,249	-	-
Public safety	-	-	-	2,315	39,138	-	-	9,700	16,310
Health and welfare	-	21,784	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	-	21,784	-	2,315	39,138	3,082	4,249	9,700	16,310
Excess (deficiency) of revenues over expenditures	18	(20,983)	-	(2,215)	(24,647)	(345)	3,968	785	(355)
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	20,983	28,322	10,000	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-
Total other financing source (uses)	-	20,983	28,322	10,000	-	-	-	-	-
Net change in fund balance	18	-	28,322	7,785	(24,647)	(345)	3,968	785	(355)
Fund balance, beginning of year	598	-	-	-	27,384	32,771	12,955	50,261	(8,318)
Fund balance, end of year	\$ 616	\$ -	\$ 28,322	\$ 7,785	\$ 2,737	\$ 32,426	\$ 16,923	\$ 51,046	\$ (8,673)

(Continued)

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
JUNE 30, 2010

	DWI Program Fund	DWI Users Fund	Law Enforcement Protection Fund	Jail Detention Fund	Rural Addressing Fund	Senior Program Fund	County Health Program Fund	Total
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,217
Charges for services	-	750	-	-	-	-	-	3,487
Fines and forfeitures	-	-	-	27,642	-	-	-	27,642
Local sources	-	2,741	-	-	-	-	-	3,642
State sources	63,462	-	21,200	-	-	82,557	27,000	224,665
Federal sources	-	-	-	-	-	23,116	-	23,134
Gross receipt taxes	-	-	-	25,860	-	-	-	25,860
Environmental gross receipts taxes	-	-	-	-	-	-	-	10,485
Total revenues	63,462	3,491	21,200	53,502	-	105,673	27,000	327,132
EXPENDITURES								
General government	-	-	-	-	-	-	-	7,331
Public safety	59,408	7,254	16,249	13,302	13,783	-	-	177,459
Health and welfare	-	-	-	-	-	-	-	21,784
Culture and recreation	-	-	-	-	-	112,635	34,509	147,135
Capital outlay	-	-	-	-	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	59,408	7,254	16,249	13,302	13,783	112,635	34,509	353,709
Excess (deficiency) of revenues over expenditures	4,054	(3,763)	4,951	40,200	(13,783)	(6,962)	(7,500)	(26,577)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	-	18,856	12,000	-	90,161
Operating transfers out	-	-	-	(4,677)	-	(6,000)	-	(10,677)
Total other financing source (uses)	-	-	-	(4,677)	18,856	6,000	-	79,484
Net change in fund balance	4,054	(3,763)	4,951	35,523	5,073	(962)	(7,500)	52,907
Fund balance, beginning of year	3,414	8,133	5,979	159,481	1,325	1,213	7,500	302,696
Fund balance, end of year	\$ 7,468	\$ 4,370	\$ 10,930	\$ 195,004	\$ 6,398	\$ 251	\$ -	\$ 355,603

(Concluded)

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - FARM & RANGE FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Federal sources	\$ 18	\$ 18	\$ 18	\$ -
Total revenues	18	18	18	-
EXPENDITURES:				
Current:				
General government	616	616	-	616
Total expenditures	616	616	-	616
Excess (deficiency) of revenues over expenditures	(598)	(598)	18	616
Net change in fund balance Non-GAAP Basis	(598)	(598)	18	616
Fund balance - beginning	598	598	598	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 616</u>	<u>\$ 616</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			18	
Revenue accruals		-		
Expenditure accruals		-	-	
Excess of revenues over expenditures - GAAP basis			<u>\$ 18</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - INDIGENT FUND
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Gross receipts taxes	\$ 9,553	\$ 9,553	\$ -	\$ (9,553)
Total revenues	9,553	9,553	-	(9,553)
EXPENDITURES:				
Current:				
Health and welfare	19,106	21,784	20,983	801
Total expenditures	19,106	21,784	20,983	801
Deficiency of revenues over expenditures	(9,553)	(12,231)	(20,983)	(8,752)
OTHER FINANCING SOURCES				
Transfers in	9,553	20,983	20,983	-
Total other financing sources	9,553	20,983	20,983	-
Net change in fund balance Non-GAAP Basis	-	8,752	-	(8,752)
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ 8,752	\$ -	\$ (8,752)
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			-	
Revenue accruals		-	-	
Expenditure accruals		-	-	
Excess (deficit) of revenues over expenditures - GAAP basis			\$ -	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - EMERGENCY MANAGEMENT FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OTHER FINANCING SOURCES				
Transfers in	\$ 28,322	\$ 28,322	\$ 28,322	\$ -
Total other financing sources	<u>28,322</u>	<u>28,322</u>	<u>28,322</u>	<u>-</u>
Net change in fund balance Non-GAAP Basis	28,322	28,322	28,322	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 28,322</u>	<u>\$ 28,322</u>	<u>\$ 28,322</u>	<u>\$ -</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			28,322	
Revenue accruals		-		
Expenditure accruals		<u>-</u>	<u>-</u>	
Excess of revenues over expenditures - GAAP basis			<u>\$ 28,322</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - EMS NO. 1 FUND
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local sources	\$ 100	\$ 100	\$ 100	\$ -
Total revenues	100	100	100	-
EXPENDITURES:				
Current:				
Public safety	2,315	2,315	2,315	-
Total expenditures	2,315	2,315	2,315	-
Deficiency of revenues over expenditures	(2,215)	(2,215)	(2,215)	-
OTHER FINANCING SOURCES				
Transfers in	10,000	10,000	10,000	-
Total other financing sources	10,000	10,000	10,000	-
Net change in fund balance Non-GAAP Basis	7,785	7,785	7,785	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ 7,785</u>	<u>\$ 7,785</u>	<u>\$ 7,785</u>	<u>\$ -</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			7,785	
Revenue accruals		-		
Expenditure accruals		-	-	
Excess of revenues over expenditures - GAAP basis			<u>\$ 7,785</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - EMS NO. 2 FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
State sources	\$ 14,489	\$ 14,489	\$ 14,491	\$ 2
Total revenues	14,489	14,489	14,491	2
EXPENDITURES:				
Current:				
Public safety	40,692	40,692	39,138	1,554
Total expenditures	40,692	40,692	39,138	1,554
Excess (deficiency) of revenues over expenditures	(26,203)	(26,203)	(24,647)	1,556
Net change in fund balance Non-GAAP Basis	(26,203)	(26,203)	(24,647)	1,556
Fund balance - beginning	27,384	27,384	27,384	-
Fund balance - ending	<u>\$ 1,181</u>	<u>\$ 1,181</u>	<u>\$ 2,737</u>	<u>\$ 1,556</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			(24,647)	
Revenue accruals		-		
Expenditure accruals		-	-	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (24,647)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - RECORDING AND EQUIPMENT FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Charges for services	\$ 3,200	\$ 3,200	\$ 2,737	\$ (463)
Total revenues	3,200	3,200	2,737	(463)
EXPENDITURES:				
Current:				
General government	<u>35,079</u>	<u>35,079</u>	<u>3,082</u>	<u>31,997</u>
Total expenditures	<u>35,079</u>	<u>35,079</u>	<u>3,082</u>	<u>31,997</u>
Excess (deficiency) of revenues over expenditures	(31,879)	(31,879)	(345)	31,534
Net change in fund balance Non-GAAP Basis	(31,879)	(31,879)	(345)	31,534
Fund balance - beginning	<u>32,771</u>	<u>32,771</u>	<u>32,771</u>	<u>-</u>
Fund balance - ending	<u>\$ 892</u>	<u>\$ 892</u>	<u>\$ 32,426</u>	<u>\$ 31,534</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			(345)	
Revenue accruals		-		
Expenditure accruals		-	-	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (345)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - REAPPRAISAL FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Property taxes	\$ 5,100	\$ 5,100	\$ 8,217	\$ 3,117
Total revenues	5,100	5,100	8,217	3,117
EXPENDITURES:				
Current:				
General government	18,055	18,055	4,249	13,806
Total expenditures	18,055	18,055	4,249	13,806
Excess (deficiency) of revenues over expenditures	(12,955)	(12,955)	3,968	16,923
Net change in fund balance Non-GAAP Basis	(12,955)	(12,955)	3,968	16,923
Fund balance - beginning	12,955	12,955	12,955	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,923</u>	<u>\$ 16,923</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			3,968	
Revenue accruals		-		
Expenditure accruals		-	-	
Excess of revenues over expenditures - GAAP basis			<u>\$ 3,968</u>	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
HARDING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - EMT FUND
YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Environmental gross receipt taxes	\$ 7,824	\$ 7,824	\$ 7,824	\$ -
Total revenues	7,824	7,824	7,824	-
EXPENDITURES:				
Current:				
Public safety	9,700	9,700	9,700	-
Total expenditures	9,700	9,700	9,700	-
Deficiency of revenues over expenditures	(1,876)	(1,876)	(1,876)	-
Net change in fund balance Non-GAAP Basis	(1,876)	(1,876)	(1,876)	-
Fund balance - beginning	50,261	50,261	50,261	-
Fund balance - ending	<u>\$ 48,385</u>	<u>\$ 48,385</u>	<u>\$ 48,385</u>	<u>\$ -</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			(1,876)	
Revenue accruals		2,661		
Expenditure accruals		<u>-</u>	2,661	
Excess of revenues over expenditures - GAAP basis			<u>\$ 785</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - DWI GRANT FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
State sources	\$ 25,324	\$ 25,214	\$ 15,955	\$ (9,259)
Total revenues	25,324	25,214	15,955	(9,259)
EXPENDITURES:				
Current:				
Public safety	16,310	16,310	16,310	-
Total expenditures	16,310	16,310	16,310	-
Excess (deficiency) of revenues over expenditures	9,014	8,904	(355)	(9,259)
Net change in fund balance Non-GAAP Basis	9,014	8,904	(355)	(9,259)
Fund balance - beginning	(8,318)	(8,318)	(8,318)	-
Fund balance - ending	<u>\$ 696</u>	<u>\$ 586</u>	<u>\$ (8,673)</u>	<u>\$ (9,259)</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			(355)	
Revenue accruals		-		
Expenditure accruals		-	-	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (355)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - DWI PROGRAM FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
State sources	\$ 61,000	\$ 61,000	\$ 63,462	\$ 2,462
Total revenues	61,000	61,000	63,462	2,462
EXPENDITURES:				
Current:				
Public safety	78,488	77,598	59,408	18,190
Total expenditures	78,488	77,598	59,408	18,190
Excess (deficiency) of revenues over expenditures	(17,488)	(16,598)	4,054	20,652
Net change in fund balance Non-GAAP Basis	(17,488)	(16,598)	4,054	20,652
Fund balance - beginning	3,414	3,414	3,414	-
Fund balance - ending	<u>\$ (14,074)</u>	<u>\$ (13,184)</u>	<u>\$ 7,468</u>	<u>\$ 20,652</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			4,054	
Revenue accruals		-		
Expenditure accruals		-	-	
Excess of revenues over expenditures - GAAP basis			<u>\$ 4,054</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - DWI USERS FUND
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Charges for services	\$ -	\$ -	\$ 750	\$ 750
Local sources	10,000	10,000	2,741	(7,259)
Total revenues	10,000	10,000	3,491	(6,509)
EXPENDITURES:				
Current:				
Public safety	-	-	7,254	(7,254)
Total expenditures	-	-	7,254	(7,254)
Excess (deficiency) of revenues over expenditures	10,000	10,000	(3,763)	(13,763)
Net change in fund balance Non-GAAP Basis	10,000	10,000	(3,763)	(13,763)
Fund balance - beginning	8,133	8,133	8,133	-
Fund balance - ending	18,133	18,133	4,370	(13,763)
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			(3,763)	
Revenue accruals		-		
Expenditure accruals		-	-	
Deficit of revenues over expenditures - GAAP basis			\$ (3,763)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - LAW ENFORCEMENT FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
State sources	\$ 21,200	\$ 21,200	\$ 21,200	\$ -
Total revenues	21,200	21,200	21,200	-
EXPENDITURES:				
Current:				
Public safety	26,810	26,810	16,249	10,561
Total expenditures	26,810	26,810	16,249	10,561
Excess (deficiency) of revenues over expenditures	(5,610)	(5,610)	4,951	10,561
Net change in fund balance Non-GAAP Basis	(5,610)	(5,610)	4,951	10,561
Fund balance - beginning	5,979	5,979	5,979	-
Fund balance - ending	<u>\$ 369</u>	<u>\$ 369</u>	<u>\$ 10,930</u>	<u>\$ 10,561</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			4,951	
Revenue accruals		-		
Expenditure accruals		-	-	
Excess of revenues over expenditures - GAAP basis			<u>\$ 4,951</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - JAIL DETENTION FUND
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Gross receipts taxes	\$ 30,000	\$ 30,000	\$ 22,923	\$ (7,077)
Fines and forfeitures	24,000	24,000	27,642	3,642
Total revenues	54,000	54,000	50,565	(3,435)
EXPENDITURES:				
Current:				
Public safety	207,074	207,074	13,302	193,772
Total expenditures	207,074	207,074	13,302	193,772
Excess (deficiency) of revenues over expenditures	(153,074)	(153,074)	37,263	190,337
OTHER FINANCING USES				
Transfers out	-	(4,677)	(4,677)	-
Total other financing uses	-	(4,677)	(4,677)	-
Net change in fund balance Non-GAAP Basis	(153,074)	(157,751)	32,586	190,337
Fund balance - beginning	159,481	159,481	159,481	-
Fund balance - ending	<u>\$ 6,407</u>	<u>\$ 1,730</u>	<u>\$ 192,067</u>	<u>\$ 190,337</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			32,586	
Revenue accruals		2,937		
Expenditure accruals		-	2,937	
Excess of revenues over expenditures - GAAP basis			<u>\$ 35,523</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - RURAL ADDRESSING FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES:				
Current:				
Public safety	\$ 19,701	\$ 19,701	\$ 13,783	\$ 5,918
Total expenditures	<u>19,701</u>	<u>19,701</u>	<u>13,783</u>	<u>5,918</u>
Deficiency of revenues over expenditures	(19,701)	(19,701)	(13,783)	5,918
OTHER FINANCING SOURCES				
Transfers in	<u>18,856</u>	<u>18,856</u>	<u>18,856</u>	<u>-</u>
Total other financing sources	<u>18,856</u>	<u>18,856</u>	<u>18,856</u>	<u>-</u>
Net change in fund balance Non-GAAP Basis	(845)	(845)	5,073	5,918
Fund balance - beginning	<u>1,325</u>	<u>1,325</u>	<u>1,325</u>	<u>-</u>
Fund balance - ending	<u>\$ 480</u>	<u>\$ 480</u>	<u>\$ 6,398</u>	<u>\$ 5,918</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			5,073	
Revenue accruals		-		
Expenditure accruals		-	-	
Excess of revenues over expenditures - GAAP basis			<u>\$ 5,073</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - SENIOR PROGRAM FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
State sources	\$ 77,948	\$ 76,457	\$ 82,557	\$ 6,100
Federal sources	29,197	29,197	23,116	(6,081)
Other income	<u>6,771</u>	<u>8,254</u>	<u>-</u>	<u>(8,254)</u>
Total revenues	113,916	113,908	105,673	(8,235)
EXPENDITURES:				
Current:				
Culture and recreation	<u>117,976</u>	<u>117,968</u>	<u>110,192</u>	<u>7,776</u>
Total expenditures	<u>117,976</u>	<u>117,968</u>	<u>110,192</u>	<u>7,776</u>
Deficiency of revenues over expenditures	(4,060)	(4,060)	(4,519)	(459)
OTHER FINANCING SOURCES (USES)				
Transfers in	6,000	6,000	12,000	6,000
Transfers out	<u>-</u>	<u>-</u>	<u>(6,000)</u>	<u>(6,000)</u>
Total other financing sources (uses)	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Net change in fund balance Non-GAAP Basis	1,940	1,940	1,481	(459)
Fund balance - beginning	<u>1,213</u>	<u>1,213</u>	<u>1,213</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,153</u>	<u>\$ 3,153</u>	<u>\$ 2,694</u>	<u>\$ (459)</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			1,481	
Revenue accruals		-		
Expenditure accruals		<u>(2,443)</u>	<u>(2,443)</u>	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (962)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HARDING COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - COUNTY HEALTH PROGRAM FUND
YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
State sources	\$ -	\$ -	\$ 27,000	\$ 27,000
Total revenues	-	-	27,000	27,000
EXPENDITURES:				
Current:				
Culture and recreation	-	-	34,500	(34,500)
Total expenditures	-	-	34,500	(34,500)
Deficiency of revenues over expenditures	-	-	(7,500)	(7,500)
Net change in fund balance Non-GAAP Basis	-	-	(7,500)	(7,500)
Fund balance - beginning	7,500	7,500	7,500	-
Fund balance - ending	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ (7,500)</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance - budgetary basis			(7,500)	
Revenue accruals		-		
Expenditure accruals		-	-	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (7,500)</u>	

See independent auditors' report and 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
JUNE 30, 2010

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
ASSETS				
Cash on deposit	\$ -	\$ 17,670	\$ -	\$ 17,670
Accounts receivable	<u>15,440</u>	<u>-</u>	<u>8,603</u>	<u>6,837</u>
Total assets	<u>\$ 15,440</u>	<u>\$ 17,670</u>	<u>\$ 8,603</u>	<u>\$ 24,507</u>
LIABILITIES				
Deposits held for others:				
Predator Control	\$ 911	\$ 14,409	\$ 14,275	\$ 1,045
Mesa Soil Conservation	-	3,496	3,455	41
Treasurer-Taxes Paid in Suspense	4,719	-	4,719	-
Treasurer-Overpayment of Taxes	201	3,782	3,799	184
Treasurer-Taxes Paid in Advance	27	-	27	-
Municipalities	18	40,327	38,273	2,072
State of New Mexico	1,758	56,598	57,419	937
School Districts	<u>7,806</u>	<u>345,874</u>	<u>333,452</u>	<u>20,228</u>
Total liabilities	<u>\$ 15,440</u>	<u>\$ 464,486</u>	<u>\$ 455,419</u>	<u>\$ 24,507</u>

See independent auditors' report and accompanying notes to financial statements.

**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**

Hector H. Balderas, State Auditor
and Commissioners of
Harding County, New Mexico
Mosquero, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of Harding County (the "County") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. IC 06-01, IC 06-05, IC 06-07, IC 07-02 and CF 09-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items CF 09-02.

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings CF 07-03 and CF 09-02.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Commissioners, others within the entity, New Mexico Department of Finance and Administration, , the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "White + Samaniego + Campbell, LLP". The signature is written in a cursive, flowing style.

El Paso, Texas
November 10, 2010

**HARDING COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

Prior audit findings		Current status
IC 02-03	Late Audit Report	Resolved
IC 06-01	Bank Account for Fire Donations	Repeat - 06-01
IC 06-05	Inadequate Pledged Collateral	Repeat - 06-05
IC 06-07	Contract for Jail Services with Adjacent County	Repeat - 06-07
CF 07-01	Employee Health Insurance	Resolved
IC 07-02	Accounting Policy	Repeat - 07-02
CF 07-03	Legal Compliance with Budget	Repeat - 07-03
CF 09-01	Abuse	Resolved
CF 09-02	County Treasurer's Property Tax Schedule	Repeat - 09-02

**HARDING COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

Bank Account for Fire Donations (IC 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 statements. This is to comply with 6-6-3 NMSA 1978.
CAUSE	The Fire Department is not providing the bank statements timely and all relevant documentation to the Treasurers Office.
EFFECT	County assets are not being recorded in the general ledger or being properly safeguarded.
RECOMMENDATION	While the amount of donations is immaterial to the governmental fund financials, the Fire Department needs to provide the bank statements and all relevant documentation to the Treasurers Office as soon as possible in order for them to be properly accounted for.
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.

Inadequate Pledged Collateral (IC 06-05)

CONDITION	The County was not adequately collateralized with local banking institutions in the amount of \$1,092.
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.

Contract for Jail Services with Adjacent County (IC 06-07)

CONDITION	The County does not have a contract or Joint Powers Agreement with the Quay County Detention Center which houses Harding County prisoners from time to time. Also, there is no evidence of a negotiation price per day per prisoner.
CRITERIA	The County should have an agreement in place with Quay 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 Quay 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 Quay 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 Quay County Detention Center which houses Harding County prisoner's from to time. This contract will reflect the negotiated price per prisoner between the Counties.

Accounting Policy (IC 07-02)

CONDITION	The County has an incomplete and outdated set of Accounting Policies and Procedures.
CRITERIA	The County should have accounting policies that provide guidance for the employees to follow and adhere to.
CAUSE	Neither Management of the County nor the County Commission have drafted a complete and up to date set of Accounting Policies and Procedures to be followed by the employees.
EFFECT	Policies and procedures are not documented, resulting in a lack of guidance for County employees.
RECOMMENDATION	The County should update and approve an Accounting Policy and Procedures Manual.
RESPONSE	Management is currently drafting a complete set of Accounting Policies and Procedures Manual.

Legal Compliance with Budget (CF 07-03)

CONDITION Section 6-6-6 of the New Mexico state statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget.
 During the fiscal year ended June 30, 2010, the County remitted payments for goods and services in excess of the adopted budget as follows:

	<u>Budgeted</u> <u>Expenditures</u>	<u>Actual</u> <u>Expenditures</u>	<u>Excess</u> <u>Expenditures</u>
DWI Users Fund	\$ -	\$ 7,254	\$ (7,254)
County Health Program Fund	-	34,500	(34,500)

In addition, the County budgeted a deficit for the following funds:

<u>Fund</u>	<u>Budgeted</u> <u>Deficit</u>
Fire District No. 1	\$ 101,589
DWI Program Fund	13,184

CRITERIA New Mexico State Statutes Section 6-6-6 states that all approved budgets shall bind all officials and governing authorities and no official can pay an claims in excess of the approved budget. County Officials and governing authorities have the obligation to follow applicable state statutes.

CAUSE The County did not have controls in place to ensure that it is not expending funds in excess of approved budget amounts.

EFFECT Non-compliance with New Mexico state statutes subjects County officials and personnel to punishment as defined by state statutes.

RECOMMENDATION Accounting personnel should closely monitor expenditures and budget restrictions, if a change is needed to the budget, accounting personnel should ensure that such changes are presented to the County Commissioners and the New Mexico Department of Finance and Administration (DFA). If no changes in the budget are deemed necessary, then no payments should be remitted that would cause the total expenditures to exceed the legal budget.

RESPONSE Schedules will be completed to indicate variances between the Budget and actual amounts. These spreadsheet schedules will ensure that the County's actual line item revenues and/or expenditures do not supersede budgetary authority. The Finance Department will be responsible for overseeing and notifying the County which exceed budgetary authority; so that the proper budget resolution and revision can be submitted to County Commissioners and DFA for approval prior to year-end.

County Treasurer's Property Tax Schedule (CF 09-02)

CONDITION	The County Treasurer has not prepared the required Property Tax Schedule.
CRITERIA	According to Section 2.2.2.12 D(2) of the Audit Rule, the County is required to present a schedule titled "County Treasurer's Property Tax Schedule" in the audit report.
CAUSE	The County has not prepared the required schedule by property tax type and agency.
EFFECT	The County cannot easily identify property taxes collected and distributed by type or agency.
RECOMMENDATION	The Treasurers Office should prepare the "County Treasurer's Property Tax Schedule" by property tax type and agency, the amount of taxes: levied; collected in the current year; collected to-date; distributed in the current year; distributed to-date; the amount determined to be uncollectible in the current year; the uncollectible amount to-date; and the outstanding receivable balance at the end of the fiscal year. The schedule must include the current year and the previous nine years and should be included in the annual audit.
RESPONSE	The Treasurers Office will begin preparing the required property tax schedule on a regular basis in order to maintain the taxes by type and agency.

HARDING COUNTY

**FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2010**

The financial statements of Harding County as of, and for the year ended, June 30, 2010 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible County personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

HARDING COUNTY

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2010**

An exit conference was conducted October 14, 2010 in a closed meeting of the Harding County Commissioners pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Harding County

Robert L. Casados	Chairman
Jerry G. Porterfield	Vice-Chairman
Michael E. Lewis	Member
Vanita Menapace	Administrative Assistant
Marie Atencio	Clerk
Janet Costa	Finance Director

White + Samaniego + Campbell, LLP

Cynthia Morales	In-Charge Auditor
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HARDING COUNTY

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2010**

Audit Finding	Corrective Action Plan	Person Responsible	Completion Date
IC 06-01	The Fire Department needs to provide the bank statements and all relevant documentation to the Treasurers Office as soon as possible.	Fire Department	December 31, 2010
IC 06-05	The Treasurers Office will check the Bank Pledges and make sure the County is properly collateralized.	Treasurers Office	December 31, 2010
IC 06-07	The County is in the process of obtaining a contract with the Quay County Detention Center which houses Harding County prisoners from time to time. This contract will reflect the negotiated price per prisoner between the Counties.	County Commissioners	December 31, 2010
IC 07-02	Management will draft a complete set of Accounting Policies and Procedures Manual by December 31, 2010.	Janet Costa, Finance Director	December 31, 2010
CF 07-03	Schedules will be completed to indicate variances between the Budget and actual amounts. These spreadsheet schedules will ensure that the County's actual line item revenues and/or expenditures do not supersede budgetary authority. The Finance Department will be responsible for overseeing and notifying the County which exceed budgetary authority; so that the proper budget resolution and revision can be submitted to County Commissioners and DFA for approval prior to year-end.	Janet Costa, Finance Director	December 31, 2010
CF 09-02	The Treasurers Office will begin preparing the required property tax schedule on a regular basis in order to maintain the taxes by type and agency.	Treasurers Office	December 31, 2010