

**State of New Mexico  
Harding County**

**Basic Financial Statements and  
Supplementary Information  
for the Year Ended June 30, 2011  
and Independent Auditors' Report**

STATE OF NEW MEXICO  
HARDING COUNTY

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**STATE OF NEW MEXICO  
HARDING COUNTY**

**DIRECTORY OF OFFICIALS  
JUNE 30, 2011**

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**County Commissioners**

Jerry G. Porterfield  
Harold Mackey  
Nick Archuleta

Chairman  
Vice-Chairman  
Member

**Elected Officials**

Maria J. Atencio  
Barbara Shaw  
Janet Costa  
Diana Anderson  
Carla Garrison  
Pete Callahan  
Tonja Hazen  
Herman Martinez  
Raymond Gutierrez  
Shawn Jeffrey

Clerk  
Chief Deputy Clerk  
Finance Director  
Treasurer  
Chief Deputy Treasurer  
Assessor  
Chief Deputy Assessor  
Sheriff  
Deputy Sheriff  
Probate 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, 2011, 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, 2011, 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, 2011, 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, 2011, 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 11, 2011 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.



El Paso, Texas  
November 11, 2011

**STATE OF NEW MEXICO  
HARDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

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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, 2011. 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 \$6,725,758 (*net assets*). Of this amount, \$3,677,580 (*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 \$778,900 during the fiscal year. The majority of this is due to an increase in grant revenue and taxes revenue when compared to the year ended June 30, 2010.
- As of June 30, 2011, the County's governmental funds reported combined ending fund balances of \$3,687,047. At the close of the current fiscal year, unassigned fund balance of the general fund was \$1,010,114.

**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 nine major 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, Fire District No. 1 Fund, Building Restoration ADA Fund, Capital Improvements Fund, Jail Detention Fund and Special Appropriations Project Fund, all of which are considered to be major funds. Data from the other fifteen 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, Fire District No. 1 Fund, Building Restoration ADA Fund, Capital Improvements Fund, Jail Detention Fund and Special Appropriations Project 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 25 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 45 through 51 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 \$6,725,758 at the close of the current fiscal year.

A significant portion of the County of Harding's net assets represent the County's investment of \$3,048,178 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 \$778,900. These increases are explained in the governmental activities discussion.

### ***Governmental Activities***

Governmental activities increased the County of Harding's net assets by \$778,900. Grant revenue increased \$115,113 over grant revenue in the prior year. Property taxes, gross receipts taxes and other taxes contributed \$1,371,644 for covering the \$998,878 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 \$255,487.

Total revenues from governmental activities are summarized below. For fiscal year 2010-2011, Local and State taxes made up 42% of the total general government revenues compared to 40% of the revenues in the prior year.

### **SUMMARY OF NET ASSETS**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Current and other assets	\$ 3,739,592	\$ 2,911,807
Capital assets, net of accumulated depreciation	<u>3,048,178</u>	<u>3,171,553</u>
Total assets	<u>\$ 6,787,770</u>	<u>\$ 6,083,360</u>
<b>LIABILITIES</b>		
Current and other liabilities	\$ 62,012	\$ 121,654
Long-term liabilities	<u>-</u>	<u>14,848</u>
Total liabilities	<u>62,012</u>	<u>136,502</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,048,178	3,171,553
Unrestricted	<u>3,677,580</u>	<u>2,775,305</u>
Total net assets	<u>6,725,758</u>	<u>5,946,858</u>
Total liabilities and net assets	<u>\$ 6,787,770</u>	<u>\$ 6,083,360</u>

## CHANGES IN NET ASSETS

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 32,640	\$ 45,032
Operating grants and contributions	833,729	721,325
Capital grants and contributions	979,361	976,652
General revenues:		
Taxes	1,371,644	1,197,105
Other income	9,000	34,087
Interest income	53,921	50,607
Total revenues	3,280,295	3,024,808
<b>EXPENSES</b>		
General government	998,878	1,429,698
Public safety	359,756	288,504
Highways and streets	598,824	467,722
Health and welfare	9,029	43,864
Culture and recreation	108,647	147,135
Interest	-	526
Depreciation	426,261	360,483
Total expenses	2,501,395	2,737,932
Change in net assets	778,900	286,876
Net assets - beginning	5,946,858	5,659,982
Net assets - ending	\$ 6,725,758	\$ 5,946,858

### 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, *unassigned 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 \$3,687,047, an increase of \$882,723 in comparison with the prior year. The increase is primarily due to the increase in grant and taxes revenue.

Revenues for governmental functions overall totaled approximately \$3,280,295 in the fiscal year-ended June 30, 2011, which represents an increase of \$244,933 from the fiscal year-ended June 30, 2010. Expenditures for governmental functions totaled \$2,397,572. This was a decrease of approximately \$98,057 from the fiscal year-ended June 30, 2010. In the fiscal year-ended June 30, 2011, revenues for governmental functions exceeded expenditures by approximately \$882,723.

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 \$1,010,114.

The fund balance of the County of Harding's General Fund increased \$121,442 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. The County was within its budget for all the funds during the fiscal year 2011 and there were no budgeted deficits during the fiscal year 2011.

### **Change in Cash and Investments**

At the end of 2011, the cash and investments balance of the General Fund had decreased by \$4,748. 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, 2011 amount to \$3,048,178 (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 \$123,375 for governmental activities. Equipment costing \$324,310 was purchased for the County and building and building improvements of 2011. The deletions in the governmental funds consisted of the disposal of obsolete equipment and land costing \$22,954.

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, 2011**

	<b>Governmental Activities</b>
Land	\$ 25,761
Buildings and improvements	1,262,807
Equipment, furniture and machines	990,779
Infrastructure	768,831
Capital Assets, Net of Accumulated Depreciation	<b>\$ 3,048,178</b>

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 \$3,048,178. This investment includes the land, buildings and improvements, equipment, machinery and infrastructure.

**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 increased.
- 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, 2011**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
CURRENT ASSETS:	
Cash	\$ 3,614,825
Accounts receivable	101,813
Other assets	<u>22,954</u>
Total current assets	3,739,592
CAPITAL ASSETS:	
Land	25,761
Property, equipment and machines	<u>6,087,604</u>
Total capital assets	6,113,365
Less accumulated depreciation	<u>(3,065,187)</u>
Total capital assets, net of accumulated depreciation	<u>3,048,178</u>
Total assets	<u>\$ 6,787,770</u>
<b>LIABILITIES AND NET ASSETS</b>	
CURRENT LIABILITIES:	
Cash overdraft	\$ 20,066
Accounts payable	9,247
Accrued expenses	23,232
Compensated absences	<u>9,467</u>
Total liabilities	62,012
<b>NET ASSETS</b>	
Invested in capital assets	3,048,178
Unrestricted	<u>3,677,580</u>
Total net assets	<u>\$ 6,725,758</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, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expenses) Revenue and changes in Net Assets Governmental Activities	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 998,878	\$ 14,397	\$ 226,721	\$ 609,000	\$ (148,760)
Highways and streets	598,824	-	489,797	80,000	(29,027)
Health and welfare	9,029	-	-	-	(9,029)
Public safety	359,756	18,243	1,500	290,361	(49,652)
Culture and recreation	108,647	-	115,711	-	7,064
Depreciation	426,261	-	-	-	(426,261)
Total governmental activities	<u>\$ 2,501,395</u>	<u>\$ 32,640</u>	<u>\$ 833,729</u>	<u>\$ 979,361</u>	<u>(655,665)</u>
General revenues:					
Property taxes					566,784
Gross receipts taxes					56,432
Oil and gas taxes					460,152
Motor vehicle taxes					187,808
Gasoline taxes					87,810
Environmental gross receipts taxes					12,658
Unrestricted investment earnings					53,921
Other income					9,000
Total general revenues					<u>1,434,565</u>
Change in net assets					778,900
Net assets - beginning					<u>5,946,858</u>
Net assets - ending					<u>\$ 6,725,758</u>

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

STATE OF NEW MEXICO  
HARDING COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General Fund	Road Fund	Fire District No. 2 Fund	Solid Waste Fund	Building Restoration ADA Fund	Capital Improv. Fund	Fire District No. 1 Fund	Jail Detention Fund	Special Apppr. Fund	Non-Major Government Funds	Total Government Funds
<b>ASSETS</b>											
Cash on deposit	\$ 938,329	\$ 183,441	\$ 125,445	\$ 166,119	\$ 252,338	\$ 219,927	\$ 257,685	\$ 211,000	\$ 1,102,062	\$ 158,479	\$ 3,614,825
Accounts receivable	66,924	23,806	-	1,969	-	-	-	1,313	944	6,857	101,813
Other assets	22,954	-	-	-	-	-	-	-	-	-	22,954
Total assets	<u>\$ 1,028,207</u>	<u>\$ 207,247</u>	<u>\$ 125,445</u>	<u>\$ 168,088</u>	<u>\$ 252,338</u>	<u>\$ 219,927</u>	<u>\$ 257,685</u>	<u>\$ 212,313</u>	<u>\$ 1,103,006</u>	<u>\$ 165,336</u>	<u>\$ 3,739,592</u>
<b>LIABILITIES</b>											
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,066	\$ 20,066
Accounts payable	6,381	402	1,281	-	-	-	1,183	-	-	-	9,247
Accrued expenses	11,712	7,715	-	-	-	-	-	-	-	3,805	23,232
Total liabilities	18,093	8,117	1,281	-	-	-	1,183	-	-	23,871	52,545
<b>FUND BALANCES</b>											
Restricted, reported in:											
Special revenue funds	-	199,130	124,164	168,088	-	-	256,502	212,313	-	141,465	1,101,662
Capital projects funds	-	-	-	-	252,338	219,927	-	-	1,103,006	-	1,575,271
Unassigned, reported in:											
General fund	1,010,114	-	-	-	-	-	-	-	-	-	1,010,114
Total fund balances	<u>1,010,114</u>	<u>199,130</u>	<u>124,164</u>	<u>168,088</u>	<u>252,338</u>	<u>219,927</u>	<u>256,502</u>	<u>212,313</u>	<u>1,103,006</u>	<u>141,465</u>	<u>3,687,047</u>
Total liabilities and fund balances	<u>\$ 1,028,207</u>	<u>\$ 207,247</u>	<u>\$ 125,445</u>	<u>\$ 168,088</u>	<u>\$ 252,338</u>	<u>\$ 219,927</u>	<u>\$ 257,685</u>	<u>\$ 212,313</u>	<u>\$ 1,103,006</u>	<u>\$ 165,336</u>	<u>\$ 3,739,592</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, 2011

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

Total fund balances - governmental funds \$ 3,687,047

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

The cost of capital assets	6,113,365	
Accumulated depreciation	<u>(3,065,187)</u>	
		<u>3,048,178</u>

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

Compensated absences payable, net of current portion	<u>(9,467)</u>	
		<u>(9,467)</u>

Net assets of governmental activities \$ 6,725,758

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, 2011**

	General Fund	Road Fund	Fire District No. 2 Fund	Solid Waste Fund	Building Restoration ADA Fund	Capital Improv. Fund	Fire District No. 1 Fund	Jail Detention Fund	Special Apppr. Fund	Non-Major Government Funds	Total Government Funds
<b>REVENUES</b>											
Property taxes	\$ 555,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,049	\$ 566,784
Gross receipts taxes	12,659	-	-	26,303	-	-	-	17,470	-	-	56,432
Motor vehicle taxes	4,176	183,632	-	-	-	-	-	-	-	-	187,808
Oil and gas taxes	460,152	-	-	-	-	-	-	-	-	-	460,152
Gasoline taxes	692	87,118	-	-	-	-	-	-	-	-	87,810
Environmental gross receipts taxes	-	-	-	7,146	-	-	-	-	-	5,512	12,658
Charges for services	-	-	-	-	-	-	-	-	-	3,396	3,396
Fines and forfeitures	7,664	-	-	-	-	-	-	17,718	-	-	25,382
Rents	3,862	-	-	-	-	-	-	-	-	-	3,862
Local sources	16,491	8,683	-	-	-	-	-	-	83,250	13,520	121,944
State sources	609,000	467,506	70,210	-	-	-	109,985	-	1,329	195,688	1,453,718
Federal sources	210,212	-	-	-	-	-	-	-	-	27,216	237,428
Earnings from investments	51,868	2,053	-	-	-	-	-	-	-	-	53,921
Other income	9,000	-	-	-	-	-	-	-	-	-	9,000
Total revenues	<u>1,941,511</u>	<u>748,992</u>	<u>70,210</u>	<u>33,449</u>	<u>-</u>	<u>-</u>	<u>109,985</u>	<u>35,188</u>	<u>84,579</u>	<u>256,381</u>	<u>3,280,295</u>
<b>EXPENDITURES</b>											
Current:											
General government	976,854	-	-	-	-	-	-	-	-	20,152	997,006
Highways and streets	-	551,951	-	-	-	-	-	-	46,873	-	598,824
Public safety	-	-	10,663	116,158	-	-	59,127	9,701	-	164,107	359,756
Health and welfare	-	-	-	-	-	-	-	-	-	9,029	9,029
Culture and recreation	-	-	-	-	-	-	-	-	-	108,647	108,647
Capital outlay	56,628	226,700	40,982	-	-	-	-	-	-	-	324,310
Total expenditures	<u>1,033,482</u>	<u>778,651</u>	<u>51,645</u>	<u>116,158</u>	<u>-</u>	<u>-</u>	<u>59,127</u>	<u>9,701</u>	<u>46,873</u>	<u>301,935</u>	<u>2,397,572</u>
Excess (deficiency) revenues over expenditures	908,029	(29,659)	18,565	(82,709)	-	-	50,858	25,487	37,706	(45,554)	882,723
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers in	63,354	383,926	-	-	-	-	-	-	552,082	26,420	1,025,782
Transfers out	(849,941)	(165,436)	-	-	-	-	-	(8,178)	-	(2,227)	(1,025,782)
Total other financing sources (uses)	<u>(786,587)</u>	<u>218,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,178)</u>	<u>552,082</u>	<u>24,193</u>	<u>-</u>
Net change in fund balance	121,442	188,831	18,565	(82,709)	-	-	50,858	17,309	589,788	(21,361)	882,723
Fund balance beginning of year	<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>195,004</u>	<u>513,218</u>	<u>162,826</u>	<u>2,804,324</u>
Fund balance end of year	<u>\$ 1,010,114</u>	<u>\$ 199,130</u>	<u>\$ 124,164</u>	<u>\$ 168,088</u>	<u>\$ 252,338</u>	<u>\$ 219,927</u>	<u>\$ 256,502</u>	<u>\$ 212,313</u>	<u>\$ 1,103,006</u>	<u>\$ 141,465</u>	<u>\$ 3,687,047</u>

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, 2011

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Net change in fund balances - total governmental funds \$ 882,723

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 disposal of assets	(21,424)	
Capital outlay	324,310	
Depreciation expense	<u>(426,261)</u>	
		(123,375)

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	<u>19,552</u>
Change in net assets of governmental activities	<u>\$ 778,900</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Property taxes	\$ 475,360	\$ 475,360	\$ 545,983	\$ 70,623
Gross receipts taxes	13,500	13,500	11,632	(1,868)
Motor vehicle taxes	3,500	3,500	3,798	298
Oil and gas taxes	270,386	270,386	404,943	134,557
Gasoline taxes	1,000	1,000	640	(360)
Charges for services	15,025	15,025	-	(15,025)
Fines and forfeitures	-	-	7,664	7,664
Rents	-	-	3,862	3,862
Local sources	-	500	16,491	15,991
State sources	692,522	799,212	609,000	(190,212)
Federal sources	-	-	210,212	210,212
Earnings from investments	48,613	48,613	51,364	2,751
Other income	20,430	29,430	9,000	(20,430)
Total revenues	<u>1,540,336</u>	<u>1,656,526</u>	<u>1,874,589</u>	<u>218,063</u>
<b>EXPENDITURES:</b>				
Current:				
General government	1,053,192	1,058,506	958,763	99,743
Highways and streets	56,149	56,149	-	56,149
Public safety	165,727	178,091	-	178,091
Health and welfare	500	500	-	500
Culture and recreation	500	500	-	500
Capital outlay	-	-	56,628	(56,628)
Total expenditures	<u>1,276,068</u>	<u>1,293,746</u>	<u>1,015,391</u>	<u>278,355</u>
Excess of revenues over expenditures	264,268	362,780	859,198	496,418
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,227	10,406	63,354	52,948
Transfers out	(796,992)	(796,992)	(849,941)	(52,949)
Total other financing sources (uses)	<u>(794,765)</u>	<u>(786,586)</u>	<u>(786,587)</u>	<u>(1)</u>
Net change in fund balance Non-GAAP Basis	(530,497)	(423,806)	72,611	496,417
Fund balance - beginning	<u>888,672</u>	<u>888,672</u>	<u>888,672</u>	<u>-</u>
Fund balance - ending	<u>\$ 358,175</u>	<u>\$ 464,866</u>	<u>\$ 961,283</u>	<u>\$ 496,417</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			72,611	
Revenue accruals		66,924		
Expenditure accruals		(18,093)	48,831	
Excess of revenues over expenditures - GAAP basis			<u>\$ 121,442</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 - ROAD FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
Motor vehicle taxes	\$ 165,000	\$ 165,000	\$ 167,026	\$ 2,026
Gasoline taxes	60,000	60,000	79,918	19,918
Local sources	-	-	8,683	8,683
State sources	403,988	247,500	467,506	220,006
Federal sources	2,200	9,756	-	(9,756)
Earnings from investments	1,507	1,507	2,053	546
Other income	-	213,768	-	(213,768)
	<u>632,695</u>	<u>697,531</u>	<u>725,186</u>	<u>27,655</u>
<b>EXPENDITURES:</b>				
Current:				
Highways and streets	715,709	792,332	543,834	248,498
Capital outlay	<u>70,000</u>	<u>58,212</u>	<u>226,700</u>	<u>(168,488)</u>
	<u>785,709</u>	<u>850,544</u>	<u>770,534</u>	<u>80,010</u>
Deficiency of revenues over expenditures	(153,014)	(153,013)	(45,348)	(107,665)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	218,490	218,490	383,926	(165,436)
Transfers out	-	-	(165,436)	165,436
Total other financing sources	<u>218,490</u>	<u>218,490</u>	<u>218,490</u>	<u>-</u>
Net change in fund balance Non-GAAP Basis	65,476	65,477	173,142	107,665
Fund balance - beginning	<u>10,299</u>	<u>10,299</u>	<u>10,299</u>	<u>-</u>
Fund balance - ending	<u>\$ 75,775</u>	<u>\$ 75,776</u>	<u>\$ 183,441</u>	<u>\$ 496,417</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			173,142	
Revenue accruals		23,806		
Expenditure accruals		(8,117)	15,689	
Excess of revenues over expenditures - GAAP basis			<u>\$ 188,831</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
State sources	\$ 70,210	\$ 70,210	\$ 70,210	\$ -
Total revenues	70,210	70,210	70,210	-
<b>EXPENDITURES:</b>				
Current:				
Public safety	9,382	9,382	9,382	-
Capital outlay	40,982	40,982	40,982	-
Total expenditures	50,364	50,364	50,364	-
Net change in fund balance Non-GAAP Basis	19,846	19,846	19,846	-
Fund balance - beginning	105,599	105,599	105,599	-
Fund balance - ending	<u>\$ 125,445</u>	<u>\$ 125,445</u>	<u>\$ 125,445</u>	<u>\$ -</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			19,846	
Revenue accruals		-		
Expenditure accruals		<u>(1,281)</u>	<u>(1,281)</u>	
Excess of revenues over expenditures - GAAP basis			<u>\$ 18,565</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Gross receipts taxes	\$ -	\$ -	\$ 24,334	\$ 24,334
Environmental gross receipt taxes	45,733	45,733	7,146	(38,587)
Total revenues	45,733	45,733	31,480	(14,253)
<b>EXPENDITURES:</b>				
Current:				
Public safety	292,119	292,119	116,158	175,961
Total expenditures	292,119	292,119	116,158	175,961
Net change in fund balance Non-GAAP Basis	(246,386)	(246,386)	(84,678)	161,708
Fund balance - beginning	250,797	250,797	250,797	-
Fund balance - ending	\$ 4,411	\$ 4,411	\$ 166,119	\$ 161,708
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			(84,678)	
Revenue accruals		1,969		
Expenditure accruals		-	1,969	
Deficit of revenues over expenditures - GAAP basis			\$ (82,709)	

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
State sources	\$ 109,966	\$ 109,966	\$ 109,985	\$ 19
Total revenues	109,966	109,966	109,985	19
<b>EXPENDITURES:</b>				
Current:				
Public safety	57,944	57,944	57,944	-
Total expenditures	57,944	57,944	57,944	-
Net change in fund balance Non-GAAP Basis	52,022	52,022	52,041	19
Fund balance - beginning	205,644	205,644	205,644	-
Fund balance - ending	<u>\$ 257,666</u>	<u>\$ 257,666</u>	<u>\$ 257,685</u>	<u>\$ 19</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			52,041	
Revenue accruals		-		
Expenditure accruals		(1,183)	(1,183)	
Excess of revenues over expenditures - GAAP basis			<u>\$ 50,858</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
Gross receipts taxes	\$ 30,000	\$ 30,000	\$ 16,157	\$ (13,843)
Fines and forfeitures	<u>24,000</u>	<u>24,000</u>	<u>17,718</u>	<u>(6,282)</u>
Total revenues	54,000	54,000	33,875	(20,125)
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>50,000</u>	<u>50,000</u>	<u>9,701</u>	<u>40,299</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>9,701</u>	<u>40,299</u>
Excess of revenues over expenditures	4,000	4,000	24,174	20,174
<b>OTHER FINANCING USES</b>				
Transfers out	<u>-</u>	<u>(8,179)</u>	<u>(8,178)</u>	<u>1</u>
Total other financing uses	<u>-</u>	<u>(8,179)</u>	<u>(8,178)</u>	<u>1</u>
Net change in fund balance Non-GAAP Basis	4,000	(4,179)	15,996	20,175
Fund balance - beginning	<u>195,004</u>	<u>195,004</u>	<u>195,004</u>	<u>-</u>
Fund balance - ending	<u>\$ 199,004</u>	<u>\$ 190,825</u>	<u>\$ 211,000</u>	<u>\$ 20,175</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			15,996	
Revenue accruals		1,313		
Expenditure accruals		<u>-</u>	<u>1,313</u>	
Excess of revenues over expenditures - GAAP basis			<u>\$ 17,309</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, 2011

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and temporary investments	\$ 157,669
Taxes receivable	<u>44,376</u>
Total assets	<u>\$ 202,045</u>
<b>LIABILITIES</b>	
Due to other governments (cash)	\$ 157,669
Due to other governments (receivables)	<u>44,376</u>
Total liabilities	<u>\$ 202,045</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, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

**Jail Detention Fund - Special Revenue 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.

**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 borrowings used for the acquisition, construction or improvements of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**K. Fund Balance**

In the fund financial statements, governmental fund balances are classified as follows:

***Nonspendable*** - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

***Restricted*** - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.
- c. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

***Unassigned*** - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The County's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

**L. Implementation of New Accounting Standards**

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The County is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year. The County incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The County is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58 Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The County incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments: National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent with the amendments to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Statement No. 40, Deposit and Investment Risk Disclosures, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool. Statement 53 is amended to: – Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance – Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit – Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53 – Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield. The County is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, which is effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The County is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The County is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. That Statement supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use

Proprietary Fund Accounting. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The County is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The County is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The County is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

**M. Reclassifications**

During year 2011 the major funds changed compared to year 2010, due to this change the classification of several accounts also changed.

**N. Grant Services**

During year 2011 the County received a grant from North Central New Mexico Economic Development District. With this grant, the County served 107 people and provided 10,431 service units.

**2. CASH AND INVESTMENTS**

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	\$	773,145
Community 1st Bank of Las Vegas	Certificate of Deposit	Harding County		250,000
Community 1st Bank of Las Vegas	Certificate of Deposit	Harding County		25,673
Community 1st Bank of Las Vegas	Certificate of Deposit	Harding County		50,000
Community 1st Bank of Las Vegas	Certificate of Deposit	Harding County		150,000
Community 1st Bank of Las Vegas	Certificate of Deposit	Harding County		250,000
Farmers & Stockmans Bank	Checking	Harding County		4,220
Farmers & Stockmans Bank	Savings	Harding County		200
Farmers & Stockmans Bank	Certificate of Deposit	Harding County		64,000
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		321,269
Farmers & Stockmans Bank	Certificate of Deposit	Harding County		150,000
State Employee FCU	Savings	Harding County		70
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
Wells Fargo - Bank of India	Bonds	Harding County		250,000
Wells Fargo - Beal BK Las Vegas	Bonds	Harding County		250,000
Wells Fargo - Bank of China	Bonds	Harding County		250,000
Wells Fargo - GE Money Bank	Bonds	Harding County		250,000
				3,948,577
Total amount on deposit			\$	3,948,577
Total amount on deposit			\$	3,948,577
Less outstanding checks				(196,149)
Total cash balance			\$	3,752,428
Total cash per financial statements			\$	3,752,428

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

	Cash on deposit at June 30	Less F.D.I.C.	Uninsured funds	Funds needing collateraliza tion at 50%	Pledged collateral at June 30	Excess (deficit) of pledged collateral
Comm. 1st of Las Vegas	1,498,818	(250,000)	1,248,818	624,409	565,134	(59,275)
1st National Bank of SF	250,000	(250,000)	-	-	-	-
Century Bank	250,000	(250,000)	-	-	-	-
Farmers & Stockman Bank	699,689	(250,000)	449,689	224,845	475,262	250,417
SECU Bank	70	(70)	-	-	-	-
1st National Bank NM	250,000	(250,000)	-	-	-	-
Wells Fargo	1,000,000	(1,000,000)	-	-	-	-
Total	<u>\$ 3,948,577</u>	<u>\$(2,250,070)</u>	<u>\$ 1,698,507</u>	<u>\$ 849,254</u>	<u>\$ 1,040,396</u>	<u>\$ 191,142</u>



At June 30, 2011, the carrying amount County's bank balance was \$3,472,904. Of this balance, \$2,250,070 was covered by federal depository insurance and \$1,698,507 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, 2011, \$1,698,507 of the County's bank balance of \$3,472,904 was exposed to custodial credit risk as follows:

Insured	\$ 2,250,070
Uninsured and uncollateralized	59,275
Uninsured and collateralized with securities held by the pledging banks trust department, but not in the County's name	<u>1,639,232</u>
Total	<u>\$ 3,948,577</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, 2011, consist of the following:

	<u>Governmental Activities</u>
General Fund	\$ 66,924
Road Fund	23,806
Solid Waste Fund	1,969
Jail Detention Fund	1,313
Special Appropriations Fund	944
EMT Fund	1,027
Senior Program Fund	<u>5,830</u>
	<u>\$ 101,813</u>

All amounts are considered to be collectible.

### 4. TAX ROLL RECONCILIATION

Uncollected taxes, beginning of year	\$ 14,820
Plus:	
Taxes assessed current year (net of adjustments)	1,091,440
Less:	
Taxes collected	(893,784)
Adjustments to prior year	<u>(202,723)</u>
Uncollected taxes, end of year	<u>\$ 9,753</u>
Undistributed taxes, beginning of year	\$ 17,670
Taxes collected	893,784
Adjustments	-
Less:	
Undistributed taxes, end of year	<u>(157,669)</u>
Tax distribution	<u>\$ 753,785</u>
Property taxes receivable by years:	
2001	\$ 1,322
2002	38
2003	1,686
2004	70
2005	146
2006	107
2007	100
2008	669
2009	1,106
2010	<u>4,509</u>
Total taxes receivable	<u>\$ 9,753</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 2011 were \$24,167.

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 - Substantially all of the Harding County's full-time 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](http://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, 2011, 2010 and 2009 were \$60,228, \$60,169, and \$60,051 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 in excess of revenues received.

**9. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2011, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	<b>Balance June 30, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2011</b>
<b>Government activities:</b>				
Capital assets				
Land	\$ 25,761	\$ -	\$ -	\$ 25,761
Total assets not depreciated	25,761	-	-	25,761
Buildings and improvements	1,670,587	-	-	1,670,587
Equipment, furniture and machines	3,090,910	124,405	(22,954)	3,192,361
Infrastructure	1,024,751	199,905	-	1,224,656
Total assets depreciated	5,786,248	324,310	(22,954)	6,087,604
Less accumulated depreciation:				
Buildings and improvements	360,715	47,065	-	407,780
Equipment, furniture and machines	1,908,787	294,325	(1,530)	2,201,582
Infrastructure	370,954	84,871	-	455,825
Total accumulated depreciation	2,640,456	426,261	(1,530)	3,065,187
Capital assets being depreciated, net of accumulated depreciation	3,145,792	(101,951)	(21,424)	3,022,417
Total capital assets, net of accumulated depreciation	<u>\$ 3,171,553</u>	<u>\$ (101,951)</u>	<u>\$ (21,424)</u>	<u>\$ 3,048,178</u>

**10. LONG-TERM LIABILITIES**

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the County-Wide Statement of Net Assets:

	<b>Balance 6/30/10</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 06/30/11</b>	<b>Due Within One Year</b>
Compensated absences	\$ 29,019	\$ 31,777	\$ 51,329	\$ 9,467	\$ 9,467
Total	<u>\$ 29,019</u>	<u>\$ 31,777</u>	<u>\$ 51,329</u>	<u>\$ 9,467</u>	<u>\$ 9,467</u>

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

**11. INTERFUND TRANSFERS**

Interfund transfers during the year ended June 30, 2011 consisted the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 63,354	\$ 849,941
Road Fund	383,926	165,436
Jail Detention Fund	-	8,178
Economic Development Fund	-	2,227
Rural Addressing Fund	17,100	-
Senior Program Fund	9,320	-
Special Appropriations Fund	<u>552,082</u>	<u>-</u>
	<u>\$ 1,025,782</u>	<u>\$ 1,025,782</u>

**12. DEFICIT FUND BALANCE**

The County has a deficit fund balance of \$20,066 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.

**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 - SPECIAL APPROPRIATIONS PROJECT FUND  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Local sources	\$ -	\$ -	\$ 82,306	\$ 82,306
State sources	16,000	203,000	1,329	(201,671)
Federal sources	5,000	5,000	-	(5,000)
Other income	12,733	220,733	-	(220,733)
Total revenues	33,733	428,733	83,635	(345,098)
<b>EXPENDITURES:</b>				
Current:				
Highways and streets	159,518	346,518	46,873	299,645
Total expenditures	159,518	346,518	46,873	299,645
Excess (deficiency) of revenues over expenditures	(125,785)	82,215	36,762	(45,453)
<b>OTHER FINANCING USES</b>				
Transfers in	-	-	552,082	552,082
Total other financing uses	-	-	552,082	552,082
Net change in fund balance Non-GAAP Basis	(125,785)	82,215	588,844	506,629
Fund balance - beginning	513,218	513,218	513,218	-
Fund balance - ending	\$ 387,433	\$ 595,433	\$ 1,102,062	\$ 506,629
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			588,844	
Revenue accruals		944		
Expenditure accruals		-	944	
Excess of revenues over expenditures - GAAP basis			\$ 589,788	

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, 2011

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	<u>Special Revenue Funds</u>
<b>ASSETS</b>	
Cash on deposits	\$ 158,479
Accounts receivable	<u>6,857</u>
Total assets	<u>\$ 165,336</u>
<b>LIABILITIES</b>	
Cash overdraft	\$ 20,066
Accrued expenses	<u>3,805</u>
Total liabilities	23,871
<b>FUND BALANCE</b>	
Restricted, reported in:	
Special revenue funds	<u>141,465</u>
Total fund balance	<u>141,465</u>
Total liabilities and fund balance	<u>\$ 165,336</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, 2011

	<u>Special Revenue Funds</u>
REVENUES	
Property taxes	\$ 11,049
Charges for services	3,396
Local sources	13,520
State sources	195,688
Federal sources	27,216
Environmental gross receipts taxes	<u>5,512</u>
Total revenues	256,381
EXPENDITURES	
Current:	
General government	20,152
Public safety	164,107
Health and welfare	9,029
Culture and recreation	<u>108,647</u>
Total expenditures	<u>301,935</u>
Deficiency revenues over expenditures	(45,554)
OTHER FINANCING SOURCES (USES)	
Operating transfers in	26,420
Operating transfers out	<u>(2,227)</u>
Total other financing sources	<u>24,193</u>
Net change in fund balance	(21,361)
Fund balance beginning of year	<u>162,826</u>
Fund balance end of year	<u>\$ 141,465</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 Gazing 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 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.

**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.

**ECONOMIC DEVELOPMENT PROGRAM 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.

**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.

STATE OF NEW MEXICO  
HARDING COUNTY

COMBINING BALANCE SHEET  
NON-MAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011

	Farm and Range Fund	Indigent Fund	Emergency Mgmt Fund	EMS No. 1 Fund	EMS No. 2 Fund	Recording Equipment Fund	Reappraisal Fund	EMT Fund	DWI Grant Fund
<b>ASSETS</b>									
Cash on deposits	\$ 634	\$ -	\$ 28,322	\$ 6,100	\$ 107	\$ 17,675	\$ 25,402	\$ 44,631	\$ -
Accounts receivable	-	-	-	-	-	-	-	1,027	-
Total assets	<u>\$ 634</u>	<u>\$ -</u>	<u>\$ 28,322</u>	<u>\$ 6,100</u>	<u>\$ 107</u>	<u>\$ 17,675</u>	<u>\$ 25,402</u>	<u>\$ 45,658</u>	<u>\$ -</u>
<b>LIABILITIES</b>									
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,066
Deferred revenue	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	20,066
<b>FUND BALANCE</b>									
Restricted, reported in:									
Special revenue funds	<u>634</u>	<u>-</u>	<u>28,322</u>	<u>6,100</u>	<u>107</u>	<u>17,675</u>	<u>25,402</u>	<u>45,658</u>	<u>(20,066)</u>
Total liabilities and fund balance	<u>\$ 634</u>	<u>\$ -</u>	<u>\$ 28,322</u>	<u>\$ 6,100</u>	<u>\$ 107</u>	<u>\$ 17,675</u>	<u>\$ 25,402</u>	<u>\$ 45,658</u>	<u>\$ -</u>

(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, 2011

	<u>DWI Program Fund</u>	<u>DWI Users Fund</u>	<u>Law Enfor. Protection Fund</u>	<u>Economic Dev. Project Fund</u>	<u>Rural Addressing Fund</u>	<u>Senior Program Fund</u>	<u>Total</u>
<b>ASSETS</b>							
Cash on deposits	\$ 6,376	\$ 4,759	\$ 3,920	\$ -	\$ 7,688	\$ 12,865	\$ 158,479
Accounts receivable	-	-	-	-	-	5,830	6,857
Total assets	<u>\$ 6,376</u>	<u>\$ 4,759</u>	<u>\$ 3,920</u>	<u>\$ -</u>	<u>\$ 7,688</u>	<u>\$ 18,695</u>	<u>\$ 165,336</u>
<b>LIABILITIES</b>							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,066
Accrued expenses	1,745	-	-	-	-	2,060	3,805
Total liabilities	1,745	-	-	-	-	2,060	23,871
<b>FUND BALANCE</b>							
Restricted, reported in:							
Special revenue funds	4,631	4,759	3,920	-	7,688	16,635	141,465
Total liabilities and fund balance	<u>\$ 6,376</u>	<u>\$ 4,759</u>	<u>\$ 3,920</u>	<u>\$ -</u>	<u>\$ 7,688</u>	<u>\$ 18,695</u>	<u>\$ 165,336</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, 2011

	Farm and Range Fund	Indigent Fund	Emergency Mgmt Fund	EMS No. 1 Fund	EMS No. 2 Fund	Recording Equipment Fund	Reappraisal Fund	EMT Fund	DWI Grant Fund
<b>REVENUES</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,049	\$ -	\$ -
Charges for services	-	-	-	-	-	2,831	-	-	-
Local sources	-	9,029	-	-	-	-	-	-	-
State sources	-	-	-	1,500	11,012	-	-	-	11,685
Federal sources	18	-	-	-	-	-	-	-	-
Environmental gross receipt taxes	-	-	-	-	-	-	-	5,512	-
Total revenues	18	9,029	-	1,500	11,012	2,831	11,049	5,512	11,685
<b>EXPENDITURES</b>									
General government	-	-	-	-	-	17,582	2,570	-	-
Public safety	-	-	-	3,185	13,642	-	-	10,900	23,078
Health and welfare	-	9,029	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Total expenditures	-	9,029	-	3,185	13,642	17,582	2,570	10,900	23,078
Excess (deficiency) of revenues over expenditures	18	-	-	(1,685)	(2,630)	(14,751)	8,479	(5,388)	(11,393)
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-
Total other financing source	-	-	-	-	-	-	-	-	-
Net change in fund balance	18	-	-	(1,685)	(2,630)	(14,751)	8,479	(5,388)	(11,393)
Fund balance, beginning of year	616	-	28,322	7,785	2,737	32,426	16,923	51,046	(8,673)
Fund balance, end of year	\$ 634	\$ -	\$ 28,322	\$ 6,100	\$ 107	\$ 17,675	\$ 25,402	\$ 45,658	\$ (20,066)

(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, 2011

	DWI Program Fund	DWI Users Fund	Law Enfor. Protection Fund	Economic Dev. Project Fund	Rural Addressing Fund	Senior Program Fund	Total
<b>REVENUES</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,049
Charges for services	-	565	-	-	-	-	3,396
Local sources	-	2,491	-	-	-	2,000	13,520
State sources	63,778	-	21,200	-	-	86,513	195,688
Federal sources	-	-	-	-	-	27,198	27,216
Environmental gross receipts taxes	-	-	-	-	-	-	5,512
Total revenues	<u>63,778</u>	<u>3,056</u>	<u>21,200</u>	<u>-</u>	<u>-</u>	<u>115,711</u>	<u>256,381</u>
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	20,152
Public safety	66,615	2,667	28,210	-	15,810	-	164,107
Health and welfare	-	-	-	-	-	-	9,029
Culture and recreation	-	-	-	-	-	108,647	108,647
Total expenditures	<u>66,615</u>	<u>2,667</u>	<u>28,210</u>	<u>-</u>	<u>15,810</u>	<u>108,647</u>	<u>301,935</u>
Excess (deficiency) of revenues over expenditures	(2,837)	389	(7,010)	-	(15,810)	7,064	(45,554)
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	-	-	-	-	17,100	9,320	26,420
Operating transfers out	-	-	-	(2,227)	-	-	(2,227)
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,227)</u>	<u>17,100</u>	<u>9,320</u>	<u>24,193</u>
Net change in fund balance	(2,837)	389	(7,010)	(2,227)	1,290	16,384	(21,361)
Fund balance, beginning of year	<u>7,468</u>	<u>4,370</u>	<u>10,930</u>	<u>2,227</u>	<u>6,398</u>	<u>251</u>	<u>162,826</u>
Fund balance, end of year	<u>\$ 4,631</u>	<u>\$ 4,759</u>	<u>\$ 3,920</u>	<u>\$ -</u>	<u>\$ 7,688</u>	<u>\$ 16,635</u>	<u>\$ 141,465</u>

(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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
Federal sources	\$ 18	\$ 18	\$ 18	\$ -
Total revenues	18	18	18	-
<b>EXPENDITURES:</b>				
Current:				
General government	634	634	-	634
Total expenditures	634	634	-	634
Net change in fund balance Non-GAAP Basis	(616)	(616)	18	634
Fund balance - beginning	616	616	616	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634</u>	<u>\$ 634</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Gross receipts taxes	\$ 12,733	\$ 12,733	\$ -	\$ (12,733)
Local sources	-	-	9,029	9,029
Total revenues	12,733	12,733	9,029	(3,704)
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	12,733	12,733	9,029	3,704
Total expenditures	12,733	12,733	9,029	3,704
Net change in fund balance Non-GAAP Basis	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Net change in fund balance Non-GAAP Basis	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning	<u>28,322</u>	<u>28,322</u>	<u>28,322</u>	<u>-</u>
Fund balance - ending	<u>\$ 28,322</u>	<u>\$ 28,322</u>	<u>\$ 28,322</u>	<u>\$ -</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			-	
Revenue accruals		-		
Expenditure accruals		<u>-</u>	<u>-</u>	
Excess of revenues over expenditures - GAAP basis			<u>\$ -</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
State sources	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Total revenues	1,500	1,500	1,500	-
<b>EXPENDITURES:</b>				
Current:				
Public safety	3,185	3,185	3,185	-
Total expenditures	3,185	3,185	3,185	-
Net change in fund balance Non-GAAP Basis	(1,685)	(1,685)	(1,685)	-
Fund balance - beginning	7,785	7,785	7,785	-
Fund balance - ending	<u>\$ 6,100</u>	<u>\$ 6,100</u>	<u>\$ 6,100</u>	<u>\$ -</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			(1,685)	
Revenue accruals		-		
Expenditure accruals		-	-	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (1,685)</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
State sources	\$ 11,352	\$ 11,352	\$ 11,012	\$ (340)
Total revenues	11,352	11,352	11,012	(340)
<b>EXPENDITURES:</b>				
Current:				
Public safety	13,642	13,642	13,642	-
Total expenditures	13,642	13,642	13,642	-
Net change in fund balance Non-GAAP Basis	(2,290)	(2,290)	(2,630)	(340)
Fund balance - beginning	2,737	2,737	2,737	-
Fund balance - ending	<u>\$ 447</u>	<u>\$ 447</u>	<u>\$ 107</u>	<u>\$ (340)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			(2,630)	
Revenue accruals		-		
Expenditure accruals		-	-	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (2,630)</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Charges for services	\$ 1,200	\$ 1,200	\$ 2,831	\$ 1,631
Total revenues	1,200	1,200	2,831	1,631
<b>EXPENDITURES:</b>				
Current:				
General government	33,626	33,626	17,582	16,044
Total expenditures	33,626	33,626	17,582	16,044
Net change in fund balance Non-GAAP Basis	(32,426)	(32,426)	(14,751)	17,675
Fund balance - beginning	32,426	32,426	32,426	-
Fund balance - ending	\$ -	\$ -	\$ 17,675	\$ 17,675
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			(14,751)	
Revenue accruals		-		
Expenditure accruals		-	-	
Deficit of revenues over expenditures - GAAP basis			\$ (14,751)	

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ 11,049	\$ 11,049
Other income	5,730	5,730	-	(5,730)
Total revenues	5,730	5,730	11,049	5,319
<b>EXPENDITURES:</b>				
Current:				
General government	22,653	22,653	2,570	20,083
Total expenditures	22,653	22,653	2,570	20,083
Net change in fund balance Non-GAAP Basis	(16,923)	(16,923)	8,479	25,402
Fund balance - beginning	16,923	16,923	16,923	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,402</u>	<u>\$ 25,402</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			8,479	
Revenue accruals		-		
Expenditure accruals		-	-	
Excess of revenues over expenditures - GAAP basis			<u>\$ 8,479</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
Environmental gross receipt taxes	\$ -	\$ -	\$ 4,485	\$ 4,485
Total revenues	-	-	4,485	4,485
<b>EXPENDITURES:</b>				
Current:				
Public safety	10,900	10,900	10,900	-
Total expenditures	10,900	10,900	10,900	-
Net change in fund balance Non-GAAP Basis	(10,900)	(10,900)	(6,415)	4,485
Fund balance - beginning	51,046	51,046	51,046	-
Fund balance - ending	<u>\$ 40,146</u>	<u>\$ 40,146</u>	<u>\$ 44,631</u>	<u>\$ 4,485</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			(6,415)	
Revenue accruals		1,027		
Expenditure accruals		-	1,027	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (5,388)</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
State sources	\$ 32,872	\$ 32,872	\$ 11,685	\$ (21,187)
Total revenues	32,872	32,872	11,685	(21,187)
<b>EXPENDITURES:</b>				
Current:				
Public safety	23,078	23,078	23,078	-
Total expenditures	23,078	23,078	23,078	-
Net change in fund balance Non-GAAP Basis	9,794	9,794	(11,393)	(21,187)
Fund balance - beginning	-	-	(8,673)	(8,673)
Fund balance - ending	<u>\$ 9,794</u>	<u>\$ 9,794</u>	<u>\$ (20,066)</u>	<u>\$ (29,860)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			(11,393)	
Revenue accruals		-		
Expenditure accruals		-	-	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (11,393)</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
State sources	\$ 64,000	\$ 64,000	\$ 63,778	\$ (222)
Total revenues	64,000	64,000	63,778	(222)
<b>EXPENDITURES:</b>				
Current:				
Public safety	64,870	64,870	64,870	-
Total expenditures	64,870	64,870	64,870	-
Net change in fund balance Non-GAAP Basis	(870)	(870)	(1,092)	(222)
Fund balance - beginning	7,468	7,468	7,468	-
Fund balance - ending	<u>\$ 6,598</u>	<u>\$ 6,598</u>	<u>\$ 6,376</u>	<u>\$ (222)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			(1,092)	
Revenue accruals		-		
Expenditure accruals		<u>(1,745)</u>	<u>(1,745)</u>	
Excess of revenues over expenditures - GAAP basis			<u>\$ (2,837)</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
Charges for services	\$ 4,000	\$ 4,000	\$ 565	\$ (3,435)
Local sources	-	-	2,491	2,491
Total revenues	4,000	4,000	3,056	(944)
<b>EXPENDITURES:</b>				
Current:				
Public safety	2,667	2,667	2,667	-
Total expenditures	2,667	2,667	2,667	-
Net change in fund balance Non-GAAP Basis	1,333	1,333	389	(944)
Fund balance - beginning	4,370	4,370	4,370	-
Fund balance - ending	5,703	5,703	4,759	(944)
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			389	
Revenue accruals		-		
Expenditure accruals		-	-	
Excess of revenues over expenditures - GAAP basis			<u>\$ 389</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 - LAW ENFORCEMENT FUND  
YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
State sources	\$ 21,200	\$ 56,200	\$ 21,200	\$ (35,000)
Total revenues	21,200	56,200	21,200	(35,000)
<b>EXPENDITURES:</b>				
Current:				
Public safety	32,120	67,120	28,210	38,910
Total expenditures	32,120	67,120	28,210	38,910
Net change in fund balance Non-GAAP Basis	(10,920)	(10,920)	(7,010)	3,910
Fund balance - beginning	10,930	10,930	10,930	-
Fund balance - ending	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 3,920</u>	<u>\$ 3,910</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			(7,010)	
Revenue accruals		-		
Expenditure accruals		-	-	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (7,010)</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  
CAPITAL PROJECT FUND - ECONOMIC DEVELOPMENT PROJECT FUND  
FOR THE YEAR ENDED JUNE 30, 2011

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>OTHER FINANCING USES</b>				
Transfers out	\$ -	\$ -	\$ (2,227)	\$ (2,227)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(2,227)</u>	<u>(2,227)</u>
Net change in fund balance Non-GAAP Basis	-	-	(2,227)	(2,227)
Fund balance - beginning	<u>2,227</u>	<u>2,227</u>	<u>2,227</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,227</u>	<u>\$ 2,227</u>	<u>\$ -</u>	<u>\$ (2,227)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			(2,227)	
Revenue accruals		-		
Expenditure accruals		<u>-</u>	<u>-</u>	
Deficit of revenues over expenditures - GAAP basis			<u>\$ (2,227)</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	\$ 17,100	\$ 17,100	\$ 15,810	\$ 1,290
Total expenditures	<u>17,100</u>	<u>17,100</u>	<u>15,810</u>	<u>1,290</u>
Deficiency of revenues over expenditures	(17,100)	(17,100)	(15,810)	1,290
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>17,100</u>	<u>17,100</u>	<u>17,100</u>	<u>-</u>
Total other financing sources	<u>17,100</u>	<u>17,100</u>	<u>17,100</u>	<u>-</u>
Net change in fund balance Non-GAAP Basis	-	-	1,290	1,290
Fund balance - beginning	<u>6,398</u>	<u>6,398</u>	<u>6,398</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,398</u>	<u>\$ 6,398</u>	<u>\$ 7,688</u>	<u>\$ 1,290</u>

**Reconciliation of Budgetary Basis to GAAP Basis:**

Net changes in fund balance - budgetary basis		1,290
Revenue accruals	-	
Expenditure accruals	-	
Excess of revenues over expenditures - GAAP basis		<u>\$ 1,290</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Local sources	-	-	2,000	2,000
State sources	\$ 68,825	\$ 67,642	\$ 80,683	\$ 13,041
Federal sources	29,706	26,370	27,198	828
Other income	8,245	104,257	-	(104,257)
<b>Total revenues</b>	<b>106,776</b>	<b>198,269</b>	<b>109,881</b>	<b>(88,388)</b>
<b>EXPENDITURES:</b>				
Current:				
Culture and recreation	118,790	116,271	106,587	9,684
<b>Total expenditures</b>	<b>118,790</b>	<b>116,271</b>	<b>106,587</b>	<b>9,684</b>
Deficiency of revenues over expenditures	(12,014)	81,998	3,294	(78,704)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	9,320	9,320	9,320	-
<b>Total other financing sources</b>	<b>9,320</b>	<b>9,320</b>	<b>9,320</b>	<b>-</b>
Net change in fund balance Non-GAAP Basis	(2,694)	91,318	12,614	(78,704)
Fund balance - beginning	251	251	251	-
Fund balance - ending	\$ (2,443)	\$ 91,569	\$ 12,865	\$ (78,704)
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance - budgetary basis			12,614	
Revenue accruals		5,830		
Expenditure accruals		(2,060)	3,770	
Excess of revenues over expenditures - GAAP basis			<u>\$ 16,384</u>	

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

**OTHER SUPPLEMENTAL INFORMATION**



STATE OF NEW MEXICO  
HARDING COUNTY  
HARDING COUNTY

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS  
AS OF JUNE 30, 2011

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<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>Name and Location of Safekeeper</u>
FHLB, CUSIP #313371F27, Maturing 10/28/2013	\$ 425,199	Federal Home Loan Bank of Dallas
FNMA, CUSIP #31398A4Y5, Maturing 10/27/2015	50,063	Federal Home Loan Bank of Dallas
GNMA II, CUSIP #336225DC51, Maturing 7/20/2034	210,006	Federal Home Loan Bank of Dallas
FHLMC, CUSIP #3128N97M7, Maturing 1/01/2036	223,957	Federal Home Loan Bank of Dallas
FNMA, CUSIP #331412FHU0, Maturing 4/01/2037	<u>131,171</u>	Federal Home Loan Bank of Dallas
Total pledged securities	<u>\$ 1,040,396</u>	

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

**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, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<b>ASSETS</b>				
Cash on deposit	\$ 17,670	\$ 139,999	\$ -	\$ 157,669
Accounts receivable	<u>6,837</u>	<u>37,539</u>	<u>-</u>	<u>44,376</u>
Total assets	<u>\$ 24,507</u>	<u>\$ 177,538</u>	<u>\$ -</u>	<u>\$ 202,045</u>
<b>LIABILITIES</b>				
Deposits held for others:				
Predator Control	\$ 1,045	\$ 16,110	\$ 17,247	\$ (92)
Mesa Soil Conservation	41	3,498	3,544	(5)
Treasurer-Taxes Paid in Suspense	-	72	-	72
Treasurer-Overpayment of Taxes	184	66	184	66
Treasurer-Taxes Paid in Advance	-	59	-	59
Municipalities	2,072	36,824	40,657	(1,761)
State of New Mexico	937	80,318	81,943	(688)
School Districts	<u>20,228</u>	<u>818,332</u>	<u>634,166</u>	<u>204,394</u>
Total liabilities	<u>\$ 24,507</u>	<u>\$ 955,279</u>	<u>\$ 777,741</u>	<u>\$ 202,045</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, 2011, and have issued our report thereon dated November 11, 2011. 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 06-05, 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 finding 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.

*White + Samaniego + Campbell, LLP*

El Paso, Texas  
November 11, 2011

**HARDING COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

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<b>Prior audit findings</b>		<b>Current status</b>
IC 06-01	Bank Account for Fire Donations	Resolved
IC 06-05	Inadequate Pledged Collateral	Repeat - 06-05
IC 06-07	Contract for Jail Services with Adjacent County	Resolved
IC 07-02	Accounting Policy	Repeat - 07-02
CF 07-03	Legal Compliance with Budget	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, 2011**

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**Inadequate Pledged Collateral (IC 06-05)**

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<b>CONDITION</b>	The County was not adequately collateralized with one banking institution in the amount of \$59,275.
<b>CRITERIA</b>	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".
<b>CAUSE</b>	The Treasurers Office did not review the monthly statements provided by the bank to ensure that enough collateral had been pledged.
<b>EFFECT</b>	The County did not comply with Section 6-10-17, NMSA 1978.
<b>RECOMMENDATION</b>	The Treasurers Office is now reviewing these statements each month. This practice should continue to ensure the County is properly collateralized.
<b>RESPONSE</b>	The Treasurers Office will check the Bank Pledges and make sure the County is properly collateralized.

**Accounting Policy (IC 07-02)**

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<b>CONDITION</b>	The County has an incomplete and outdated set of Accounting Policies and Procedures.
<b>CRITERIA</b>	The County should have accounting policies that provide guidance for the employees to follow and adhere to.
<b>CAUSE</b>	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.
<b>EFFECT</b>	Policies and procedures are not documented, resulting in a lack of guidance for County employees.
<b>RECOMMENDATION</b>	The County should update and approve an Accounting Policy and Procedures Manual.
<b>RESPONSE</b>	Management is currently drafting a complete set of Accounting Policies and Procedures Manual.

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

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<b>CONDITION</b>	The County Treasurer has not prepared the required Property Tax Schedule.
<b>CRITERIA</b>	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.
<b>CAUSE</b>	The County has not prepared the required schedule by property tax type and agency.
<b>EFFECT</b>	The County cannot easily identify property taxes collected and distributed by type or agency.
<b>RECOMMENDATION</b>	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.
<b>RESPONSE</b>	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, 2011**

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The financial statements of Harding County as of, and for the year ended, June 30, 2011 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, 2011**

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An exit conference was conducted October 20, 2011 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

Jerry G. Porterfield	Chairman
Pete Callahan	Assessor
Nick Archuleta	Member
Diana Anderson	Treasurer
Carla Garrison	Deputy Treasurer
Marie Atencio	Clerk
Janet Costa	Finance Director

White + Samaniego + Campbell, LLP

Cynthia Morales	In-Charge, Audit Department
Dahlia Garcia	Staff, Audit Department

**HARDING COUNTY**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2011**

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<b>Audit Finding</b>	<b>Corrective Action Plan</b>	<b>Person Responsible</b>	<b>Completion Date</b>
IC 06-05	The Treasurers Office will check the Bank Pledges and make sure the County is properly collateralized.	Treasurers Office	December 31, 2011
IC 07-02	Management approved a complete set of Accounting Policies and Procedures Manual on July 2011.	Janet Costa, Finance Director	July 31, 2011
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, 2011