

STATE OF NEW MEXICO
LEA COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
LEA COUNTY
OFFICIAL ROSTER
JUNE 30, 2017**

Board of County Commissioners

Name	Title
Ron R. Black	Chairman
Rebecca Long	Commission Vice-Chairman
Dean Jackson	Member
Richard Don Jones	Member
Jonathan Sena	Member

County Officials

Sharla Kennedy	County Assessor
Susan Marinovich	County Treasurer
Keith Manes	County Clerk
Sandra Goad	Probate Judge
Michael Gallagher	County Manager
Chip Low, CPA	Finance Director

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LEA COUNTY
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LEA COUNTY
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To Timothy Keller
New Mexico State Auditor
The Board of County Commissioners
Lea County
Lovington, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue funds of Lea County ("County") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2017, and the respective changes in financial position and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedule of the County's Proportionate Share of the Net Pension Liability, and Schedule of County Contributions* on pages 60 – 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the County's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal awards as required by the Office of Management and Budget *Uniform Guidance, Audits of State and Local Governments, and Non-Profit Organizations*, and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of federal awards, financial data schedule and the other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of federal awards and the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Pattillo, Brown & Hill, L.L.P.

Albuquerque, New Mexico

November 30, 2017

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LEA COUNTY
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
<i>Current:</i>			
Cash and cash equivalents	\$ 65,914,140	355,220	66,269,360
Investments	11,404,055	-	11,404,055
Property tax receivables	806,712	-	806,712
Due from other governments	3,598,239	-	3,598,239
Other receivables	169,171	-	169,171
<i>Total current assets</i>	<u>81,892,317</u>	<u>355,220</u>	<u>82,247,537</u>
<i>Noncurrent assets:</i>			
Capital assets, net accumulated depreciation	170,476,476	2,923,009	173,399,485
<i>Total noncurrent assets</i>	<u>170,476,476</u>	<u>2,923,009</u>	<u>173,399,485</u>
 <i>Total assets</i>	 <u>252,368,793</u>	 <u>3,278,229</u>	 <u>255,647,022</u>
DEFERRED OUTFLOWS			
Pension related	12,903,656	-	12,903,656
<i>Total deferred outflows</i>	<u>12,903,656</u>	<u>-</u>	<u>12,903,656</u>
<i>Total assets and deferred outflows</i>	<u>\$ 265,272,449</u>	<u>3,278,229</u>	<u>268,550,678</u>

STATE OF NEW MEXICO
LEA COUNTY
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	1,910,955	-	1,910,955
Accrued payroll liabilities	275,090	434	275,524
Interest payable	11,351	-	11,351
Debt due within one year	735,000	-	735,000
Current portion of compensated absences	179,000	-	179,000
<i>Total current liabilities</i>	<u>3,111,396</u>	<u>434</u>	<u>3,111,830</u>
<i>Noncurrent liabilities:</i>			
Debt due in more than more one year	5,630,000	-	5,630,000
Long term portion of compensated absences	536,999	-	536,999
Net pension liability	31,279,616	-	31,279,616
<i>Total noncurrent liabilities</i>	<u>37,446,615</u>	<u>-</u>	<u>37,446,615</u>
<i>Total liabilities</i>	<u>40,558,011</u>	<u>434</u>	<u>40,558,445</u>
DEFERRED INFLOWS			
Pension related	630,528	-	630,528
<i>Total deferred inflows</i>	<u>630,528</u>	<u>-</u>	<u>630,528</u>
NET POSITION			
Net investment in capital assets	164,111,476	2,923,009	167,034,485
Restricted for:			
Special revenues	16,322,991	-	16,322,991
Debt Service	1,409,770	-	1,409,770
Unrestricted	42,239,673	354,786	42,594,459
<i>Total net position</i>	<u>224,083,910</u>	<u>3,277,795</u>	<u>227,361,705</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 265,272,449</u>	<u>3,278,229</u>	<u>268,550,678</u>

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 22,302,652	1,419,399	945,627	-
Public safety	20,597,132	2,358,188	2,449,737	-
Culture and recreation	2,230,950	-	-	-
Health and welfare	7,211,055	-	-	-
Public works	6,890,108	-	2,460,198	7,431,152
Capital Outlay	27,749	-	-	-
Loss on disposition of assets	100,229	-	-	-
Interest relating to long-term debt	150,001	-	-	-
<i>Total Governmental Activities</i>	<u>59,509,876</u>	<u>3,777,587</u>	<u>5,855,562</u>	<u>7,431,152</u>
Business-type Activities:				
Water service proprietary fund	56,254	-	-	-
<i>Total Business-type Activities</i>	<u>56,254</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 59,566,130</u>	<u>3,777,587</u>	<u>5,855,562</u>	<u>7,431,152</u>

General Revenues:

- Property taxes
- Payment in lieu of taxes
- Investment earnings
- Miscellaneous
- Transfers

Total general revenues

Transfers to agency funds

Change in net position

Beginning net position

Ending net position

**Net (Expenses) Revenues and
Changes in Net Position
Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
(19,937,626)	-	(19,937,626)
(15,789,207)	-	(15,789,207)
(2,230,950)	-	(2,230,950)
(7,211,055)	-	(7,211,055)
3,001,242	-	3,001,242
(27,749)	-	(27,749)
(100,229)	-	(100,229)
(150,001)	-	(150,001)
<u>(42,445,575)</u>	<u>-</u>	<u>(42,445,575)</u>
<u>-</u>	<u>(56,254)</u>	<u>(56,254)</u>
<u>-</u>	<u>(56,254)</u>	<u>(56,254)</u>
<u>(42,445,575)</u>	<u>(56,254)</u>	<u>(42,501,829)</u>
49,667,424	-	49,667,424
3,640,614	-	3,640,614
40,763	-	40,763
854,460	-	854,460
1,051,566	(1,051,566)	-
<u>55,254,827</u>	<u>(1,051,566)</u>	<u>54,203,261</u>
<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>
12,749,252	(1,107,820)	11,641,432
<u>211,334,658</u>	<u>4,385,615</u>	<u>215,720,273</u>
<u>\$ 224,083,910</u>	<u>3,277,795</u>	<u>227,361,705</u>

STATE OF NEW MEXICO
 LEA COUNTY
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	General Fund 401	Indigent Fund 406	Detention Facility 418
ASSETS			
<i>Current:</i>			
Cash and temporary investments	\$ 56,026,291	255,862	335,117
Investments	11,303,910	-	-
Receivables			
Property taxes receivable	806,712	-	-
Receivable from other governments	2,001,973	409,770	112,870
Other receivables	151,626	-	1,158
<i>Total current assets</i>	<u>\$ 70,290,512</u>	<u>665,632</u>	<u>449,145</u>
LIABILITIES AND FUND BALANCE			
<i>Current liabilities:</i>			
Accounts payable	\$ 1,042,235	24,118	43,856
Accrued payroll liabilities	150,265	-	72,176
Unearned revenues	562,949	-	-
<i>Total current liabilities</i>	<u>1,755,449</u>	<u>24,118</u>	<u>116,032</u>
FUND BALANCE (DEFICIT)			
Nonspendable:			
Restricted	7,103,211	641,514	333,113
Assigned	59,179,974		
Unassigned	2,251,878		
<i>Total fund balance (deficit)</i>	<u>68,535,063</u>	<u>641,514</u>	<u>333,113</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 70,290,512</u>	<u>665,632</u>	<u>449,145</u>

See Notes to Financial Statements

Airport 454	Capital Projects 430	Nonmajor Governmental Funds	Total Governmental Funds
171,630	119,447	9,005,793	65,914,140
-	-	100,145	11,404,055
-	-	-	806,712
111,852	-	961,774	3,598,239
13,676	-	2,711	169,171
<u>297,158</u>	<u>119,447</u>	<u>10,070,423</u>	<u>81,892,317</u>
9,563	130,995	660,188	1,910,955
2,509	-	50,140	275,090
-	-	-	562,949
<u>12,072</u>	<u>130,995</u>	<u>710,328</u>	<u>2,748,994</u>
285,086	-	-	-
-	-	9,369,837	17,732,761
-	-	-	59,179,974
<u>285,086</u>	<u>(11,548)</u>	<u>(9,742)</u>	<u>2,230,588</u>
<u>285,086</u>	<u>(11,548)</u>	<u>9,360,095</u>	<u>79,143,323</u>
<u>297,158</u>	<u>119,447</u>	<u>10,070,423</u>	<u>81,892,317</u>

STATE OF NEW MEXICO
LEA COUNTY
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

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

Fund balances - total governmental funds	\$ 79,143,323
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	170,476,476
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	12,903,656
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Property taxes	562,949
Long-term liabilities, are not due in the current period and, therefore, are not reported in the funds	
Net pension liability	(31,279,616)
Bond payable	(6,365,000)
Interest payable	(11,351)
Compensated absences	(715,999)
Defined benefit pension plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(630,528)</u>
Total net position	<u>\$ 224,083,910</u>

STATE OF NEW MEXICO
LEA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund 401	Indigent Fund 406	Detention Facility 418
<i>Revenues:</i>			
Property, sales, and miscellaneous taxes	\$ 39,360,409	4,222,637	-
Payment in lieu of taxes	3,640,614	-	-
Licenses and permits	249,868	-	-
Intergovernmental:			
Federal	2,902	-	3,942
State	329,248	-	-
Charges for services	841,220	-	2,051,401
Investment earnings	36,861	-	-
Miscellaneous	478,318	1,798	-
Total revenues	44,939,440	4,224,435	2,055,343
<i>Expenditures:</i>			
Current			
General government	14,500,614	-	-
Public safety	8,106,209	-	8,219,258
Culture and recreation	2,169,827	-	-
Health and welfare	220,325	6,708,276	-
Public works	-	-	-
Capital outlay	-	-	100,815
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	24,996,975	6,708,276	8,320,073
<i>Excess (deficiency) of revenues over expenditures</i>	19,942,465	(2,483,841)	(6,264,730)
<i>Other financing sources (uses):</i>			
Transfers in	6,008,327	2,631,165	6,500,000
Transfers out	(20,810,823)	-	-
Total other financing sources (uses)	(14,802,496)	2,631,165	6,500,000
Net change in fund balances	5,139,969	147,324	235,270
Fund balances (deficit)- beginning of year	63,395,094	494,190	97,843
Fund balances (deficit) - end of year	\$ 68,535,063	641,514	333,113

See Notes to Financial Statements.

Airport 454	Capital Projects 430	Nonmajor Governmental Funds	Total Governmental Funds
-	-	5,880,389	49,463,435
-	-	-	3,640,614
-	-	109,812	359,680
5,302,534	-	2,399,623	7,709,001
1,618,125	510,493	3,119,847	5,577,713
127,781	-	757,185	3,777,587
-	-	3,902	40,763
-	-	60,918	541,034
<u>7,048,440</u>	<u>510,493</u>	<u>12,331,676</u>	<u>71,109,827</u>
547,705	-	3,656,370	18,704,689
-	-	1,585,747	17,911,214
-	-	52,603	2,222,430
-	-	-	6,928,601
-	-	4,849,178	4,849,178
9,301,130	7,271,154	2,655,158	19,328,257
-	-	720,000	720,000
-	-	151,285	151,285
<u>9,848,835</u>	<u>7,271,154</u>	<u>13,670,341</u>	<u>70,815,654</u>
<u>(2,800,395)</u>	<u>(6,760,661)</u>	<u>(1,338,665)</u>	<u>294,173</u>
1,108,616	7,061,292	3,649,198	26,958,598
-	-	(5,156,209)	(25,967,032)
<u>1,108,616</u>	<u>7,061,292</u>	<u>(1,507,011)</u>	<u>991,566</u>
(1,691,779)	300,631	(2,845,676)	1,285,739
<u>1,976,865</u>	<u>(312,179)</u>	<u>12,205,771</u>	<u>77,857,584</u>
<u><u>285,086</u></u>	<u><u>(11,548)</u></u>	<u><u>9,360,095</u></u>	<u><u>79,143,323</u></u>

**STATE OF NEW MEXICO
LEA COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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

Net change in fund balances - total governmental funds	\$ 1,285,739
Net pension expense	(2,369,583)
Decrease in interest payable	1,284

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures	19,300,508
Depreciation expense	(6,236,144)
Loss on disposal of capital assets	(146,483)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Change in unearned revenue related to the property taxes receivable	203,989
Increase in accrued compensated absences	(10,058)
Principal payments on notes	<u>720,000</u>

Change in net position	\$ <u><u>12,749,252</u></u>
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See Notes to Financial Statements.

STATE OF NEW MEXICO
LEA COUNTY
GENERAL FUND (401)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property, sales, and miscellaneous taxes	\$ 35,686,693	36,330,768	37,113,871	783,103
Payment in lieu of taxes	3,166,766	3,166,766	3,640,614	473,848
Licenses and permits	-	-	249,868	249,868
Intergovernmental:				
Federal	-	-	2,902	2,902
State and local	73,785	73,785	305,039	231,254
Charges for services	347,500	347,500	838,427	490,927
Investment earnings	450,000	450,000	159,676	(290,324)
Miscellaneous	803,605	803,605	354,496	(449,109)
<i>Total revenues</i>	<u>40,528,349</u>	<u>41,172,424</u>	<u>42,664,893</u>	<u>1,492,469</u>
Expenditures				
Current				
General government	19,234,539	20,094,325	13,667,481	6,426,844
Public safety	8,933,477	9,036,349	7,993,888	1,042,461
Culture and recreation	1,930,860	2,145,884	2,078,092	67,792
Health and welfare	261,161	261,161	215,269	45,892
<i>Total expenditures</i>	<u>30,360,037</u>	<u>31,537,719</u>	<u>23,954,730</u>	<u>7,582,989</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10,168,312</u>	<u>9,634,705</u>	<u>18,710,163</u>	<u>9,075,458</u>
Other financing sources (uses):				
Transfers in	-	-	6,008,327	6,008,327
Transfers out	(60,661,460)	(65,310,639)	(20,810,823)	44,499,816
<i>Total other financing sources (uses)</i>	<u>(60,661,460)</u>	<u>(65,310,639)</u>	<u>(14,802,496)</u>	<u>50,508,143</u>
Prior year cash required to balance budget	<u>63,690,621</u>	<u>63,690,621</u>		
Net changes in fund balances	\$ <u>13,197,473</u>	<u>8,014,687</u>	<u>3,907,667</u>	<u>(4,107,020)</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			2,837,496	
Adjustments to expenditures			(1,605,194)	
Net Change in Fund Balances (GAAP Basis)			\$ <u>5,139,969</u>	

STATE OF NEW MEXICO
LEA COUNTY
INDIGENT FUND (406)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property, sales, and miscellaneous taxes	\$ 4,448,500	4,448,500	3,812,867	(635,633)
Miscellaneous	1,500	1,500	1,798	298
<i>Total revenues</i>	<u>4,450,000</u>	<u>4,450,000</u>	<u>3,814,665</u>	<u>(635,335)</u>
Expenditures				
Current				
Health and welfare	8,623,022	8,623,022	6,684,158	1,938,864
<i>Total expenditures</i>	<u>8,623,022</u>	<u>8,623,022</u>	<u>6,684,158</u>	<u>1,938,864</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,173,022)</u>	<u>(4,173,022)</u>	<u>(2,869,493)</u>	<u>1,303,529</u>
Other financing sources (uses):				
Transfers in	2,631,165	2,631,165	2,631,165	-
<i>Total other financing sources (uses)</i>	<u>2,631,165</u>	<u>2,631,165</u>	<u>2,631,165</u>	<u>-</u>
Prior year cash required to balance budget	1,541,857	1,541,857		
Net changes in fund balances	\$ <u>-</u>	<u>-</u>	<u>(238,328)</u>	<u>(238,328)</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			409,770	
Adjustments to expenditures			<u>(24,118)</u>	
Net Change in Fund Balances (GAAP Basis)			\$ <u>147,324</u>	

See Notes to Financial Statements

STATE OF NEW MEXICO
 LEA COUNTY
 DETENTION FACILITY - SPECIAL REVENUE FUND (418)
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Federal	-	-	3,942	3,942
Charges for services	\$ 2,265,000	2,265,000	1,937,373	(327,627)
Miscellaneous	116,800	116,800	-	(116,800)
<i>Total revenues</i>	<u>2,381,800</u>	<u>2,381,800</u>	<u>1,941,315</u>	<u>(440,485)</u>
Expenditures				
Current				
Public safety	9,286,439	9,316,439	8,175,402	1,141,037
Capital outlay	-	-	100,815	(100,815)
<i>Total expenditures</i>	<u>9,286,439</u>	<u>9,316,439</u>	<u>8,276,217</u>	<u>1,040,222</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,904,639)</u>	<u>(6,934,639)</u>	<u>(6,334,902)</u>	<u>599,737</u>
Other financing sources (uses):				
Transfers in	6,771,422	6,801,422	6,500,000	(301,422)
<i>Total other financing sources (uses)</i>	<u>6,771,422</u>	<u>6,801,422</u>	<u>6,500,000</u>	<u>(301,422)</u>
Prior year cash balance budgeted	133,217	133,217		
Net changes in fund balances	\$ <u>-</u>	<u>-</u>	<u>165,098</u>	<u>165,098</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			114,028	
Adjustments to expenditures			<u>(43,856)</u>	
Net Change in Fund Balances (GAAP Basis)			\$ <u>235,270</u>	

See Notes to Financial Statements

STATE OF NEW MEXICO
LEA COUNTY
LEA COUNTY AIRPORTS - SPECIAL REVENUE FUND (454)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Federal	\$ 12,868,374	12,868,374	5,302,534	(7,565,840)
State	-	-	1,508,959	1,508,959
Charges for services	125,000	125,000	125,095	95
<i>Total revenues</i>	<u>12,993,374</u>	<u>12,993,374</u>	<u>6,936,588</u>	<u>(6,056,786)</u>
Expenditures				
Current				
General government	1,000,324	1,000,324	541,045	459,279
Capital outlay	16,020,726	16,320,471	9,311,903	7,008,568
<i>Total expenditures</i>	<u>17,021,050</u>	<u>17,320,795</u>	<u>9,852,948</u>	<u>7,467,847</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,027,676)</u>	<u>(4,327,421)</u>	<u>(2,916,360)</u>	<u>1,411,061</u>
Other financing sources (uses):				
Transfers in	2,541,920	3,130,345	1,108,616	(2,021,729)
<i>Total other financing sources (uses)</i>	<u>2,541,920</u>	<u>3,130,345</u>	<u>1,108,616</u>	<u>(2,021,729)</u>
Prior year cash balance budgeted	1,485,756	1,485,756		
Net changes in fund balances	\$ <u>-</u>	<u>288,680</u>	<u>(1,807,744)</u>	<u>(2,096,424)</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			125,528	
Adjustments to expenditures			(9,563)	
Net Change in Fund Balances (GAAP Basis)			\$ <u>(1,691,779)</u>	

See Notes to Financial Statements

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF NET POSITION - PROPRIETARY FUND
 June 30, 2017

	Water Service Enterprise Fund (675)
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 355,220
Total current assets	<u>355,220</u>
Noncurrent Assets	
Capital assets:	
Land and improvements, not being depreciated	575,000
Construction in progress, not being depreciated	<u>2,348,009</u>
Total noncurrent assets	<u>2,923,009</u>
Total assets	<u>3,278,229</u>
LIABILITIES	
Current Liabilities	
Other liabilities	<u>434</u>
Total liabilities	<u>434</u>
NET POSITION	
Net investment in capital assets	2,923,009
Unrestricted	<u>354,786</u>
Total net position	<u>\$ 3,277,795</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
 NET POSITION - PROPRIETARY FUNDS
 Year Ended June 30, 2017

	<u>Water Service Enterprise Fund (675)</u>
Operating Revenues	
Charges for services	\$ <u> -</u>
Total operating revenues	<u> -</u>
Operating Expenses	
Operating expenses	<u> 56,254</u>
Total operating expenses	<u> 56,254</u>
(Loss) income before contributions and transfers	(56,254)
Transfers	
Transfers, out	<u> (1,051,566)</u>
Change in net position	(1,107,820)
Net position, beginning of year	<u> 4,385,615</u>
Net position, end of year	\$ <u><u> 3,277,795</u></u>

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 Year Ended June 30, 2017

	Water Service Enterprise Fund (675)
Cash Flows From Operating Activities	
Cash received from customers and others	\$ -
Cash paid for goods and services	<u>(62,324)</u>
Net cash provided by operating activities	<u>(62,324)</u>
Cash Flows From Non-Capital Financing	
Activities Operating transfers, net	<u>(1,051,566)</u>
Net cash used by non-capital financing activities	<u>(1,051,566)</u>
Net (decrease) increase in cash and cash equivalents	(1,113,890)
Cash and restricted cash and cash equivalents, beginning of year	<u>1,469,110</u>
Cash and restricted cash and cash equivalents, end of year	<u><u>\$ 355,220</u></u>
Reconciliation of Operating (Loss) Income to Net Cash Provided by Operating Activities	
Operating (loss) income	\$ (56,254)
Adjustments to operating (loss) income to net cash provided by operating activities:	
Change in assets and liabilities:	
Other liabilities	<u>(6,070)</u>
Net cash provided by operating activities	<u><u>\$ (62,324)</u></u>

See Notes to Financial Statements

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2017

	<u>Balance June 30, 2017</u>
ASSETS	
Cash and cash equivalents	\$ 12,904,816
Taxes receivable	<u>2,330,943</u>
<i>Total assets</i>	<u>\$ 15,235,759</u>
LIABILITIES	
Deposits held in trust for others	\$ 12,904,816
Future taxes collectible	<u>2,330,943</u>
<i>Total liabilities</i>	<u>\$ 15,235,759</u>

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lea County (the County), New Mexico was created in accordance with Section 40-3-1 NMSA 1978 Compilation on September 25, 1916. The powers of the County are exercised by an elected Board of County Commissioners. During general elections in the State of New Mexico, a County Treasurer, County Clerk, Probate Judge, County Sheriff, County Assessor, and County Commissioners are elected. The County is operated by a County Manager, who is appointed by the County Commissioners.

The County assesses, collects, and distributes all property taxes, records property and legal documents, provides law enforcement services, health and social services, culture and recreation, tourist promotion and maintains County roads.

This summary of significant accounting policies of the County is presented to assist in the understanding of the County's financial statements. The financial statements and notes are the representation of the County's management who is responsible for their integrity and objectivity. The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The more significant of the government's accounting policies are described below.

In evaluating how to define the government, 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).

The basic (but not the only) criteria 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 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 government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lea County Fair Board

The Lea County Fair Board is appointed by the Lea County Commissioners. The Lea County Commissioners provide facilities for the annual fair and rodeo and the finances required over and above the resources provided by the fair and rodeo. The operations of the fairgrounds are incorporated into the general fund of the County and reported therein. The County does not have any component units.

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report, except for County fiduciary funds, information on all of the activities of the County. The effect of interfund transfers and other internal activity has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental Activities are supported mainly by taxes and intergovernmental revenues and are reported separately from the business-type activities, which are supported by fees and charges for services provided.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund meets the criteria as a major governmental fund. Each major fund is reported in separate columns in the fund financial statements. Non-major funds include other Special Revenue, Capital Projects, Debt Service and Permanent funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for non-major funds are presented within Combining and Individual Fund Statements and Schedules.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met. Derived tax revenues are recognized when the underlying exchange transaction takes place.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting, and financial statement presentation (Continued)

Revenues are classified as program revenues and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, and grants not restricted to specific programs and investment earnings.

Governmental fund-level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unearned revenue. Those revenues susceptible to accrual include interest revenues, franchise taxes, gross receipts taxes, charges for services, and grants from other governments.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Indirect expenses of the County are not allocated among functional activities on the statement of activities on the government-wide presentation. Instead, depreciation and other indirect expenses are reported as a part of general government, and interest on long-term debt is reported as a separate line item.

The County reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The County reports deferred inflows of resources in the government wide financial statements for inflows received, but not recognized as revenue until future years subject to time restrictions. In the governmental funds, the County recognizes deferred inflows of resources for property taxes and time restricted grants that are not considered available.

The government reports the following major governmental funds:

The General Fund (401) is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, judicial, public welfare, health services and capital acquisition.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting, and financial statement presentation (Continued)

The Indigent Fund (406) is used to account for the payment of indigent hospital costs. Financing is provided by gross receipts tax and is restricted to indigent claims as authorized by Section 27-5-5, NMSA 1978 and County policy.

The Detention Facility Fund (418) is used to account for the revenues and expenditures related to the operation of the Lea County Detention Center. This fund is authorized by Resolution No. 14-JUL-030R.

The Airport Fund (454) is used to account for revenues and expenses related to the operation of the Lea County Airport as per 49 CFR Section 18 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

The Capital Projects Fund (430) is used to account for the funds committed by the County Commission for capital improvement projects to benefit Lea County. This fund is authorized by Resolution No. 14-JUL-30R.

Other fund types include proprietary funds and fiduciary funds, which are considered as non-major funds. Non-major funds include special revenue funds, capital projects funds, debt service funds and permanent funds.

Proprietary funds - The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The County reports the following proprietary fund types:

Enterprise funds are used to account for provision of water and sewer services for which a fee is charged to external users for goods. The activity reported in this fund is reported as business-type activity in the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Service Enterprise fund includes charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting, and financial statement presentation (Continued)

Fiduciary funds - Fiduciary fund level financial statements include fiduciary funds, which are classified into private purpose trust and agency funds. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government- wide financial statements.

Budgetary Information

Budgets are adopted on the cash basis, which is not in accordance with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, capital projects, debt service, permanent funds and proprietary funds. All annual appropriations lapse at the fiscal year-end.

The County Manager is responsible for preparing the budget from requests submitted by department directors. The preliminary budget is submitted to a budget committee for approval and then the comprehensive budget package is brought before the County Commissioners for approval by resolution.

The proposed budget is then submitted by June 1 to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a preliminary budget by July 1 with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding.

Increases or decreases in the budget of a fund or transfers of appropriations between funds must be presented to the County Commission for approval by resolution and must subsequently have DFA approval. Amendments made to the original budget are included in the budgetary comparison statements of this report, which reflect actual to budget. Budgets and amendments to the budgets for all funds are adopted in a legally permissible manner. The legal level of budgetary control is the fund level.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents in the financial statements, including the statement of cash flows presented for proprietary funds, includes amounts on demand deposits, as well as short-term investments with a maturity date within twelve months of the date acquired by the County.

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the County is required to collateralize an amount equal to one-half of the public money in excess of insured funds at each financial institution. Deposits in overnight repurchase agreements are required to be covered by pledged collateral equal to 102% of the deposit. All of the County's depositories were in compliance with collateral requirements.

Receivables and Payables

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectible amounts.

Lending or borrowing between funds is reflected as "due to or due from" (current portion) or "advances to/from other funds" (non-current). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund activity reflected in "due to or due from" is eliminated on the government-wide statements.

Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables (Continued)

Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and in the fund financial statements are offset by a reservation of fund balance which indicates they do not represent "available spendable resources." Immaterial amounts of inventory are not recorded by the County. Inventory items are expensed when purchased.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, software and infrastructure assets are reported in the government-wide financial statements. Capital assets such as equipment are defined, per Section 12-6-10 NMSA 1978, as assets with a cost of \$5,000 or more. Infrastructure assets include County-owned roads and bridges. Information technology equipment, including software, is capitalized in accordance with NMAC 2.20.1.9 C (5).

Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Capital Assets (Continued)

Assets	Years
Infrastructure	50
Buildings	25-40
Landfill	25
Roads	25
Equipment and Furniture	5-15
Vehicles	5-15
Computer Hardware	5

The County has retroactively reported all major general infrastructure assets in accordance with GASB 34.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

A liability for unused vacation and sick time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- 1) Leave or compensation is attributable to services already rendered
- 2) Leave or compensation is not contingent on a specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements.

The County's permanent, full-time employees accrue 3.75 hours of vacation per pay period (biweekly) from date of employment to five years of service, 4.75 hours per pay period from 6 years to 10 years of service, 5.75 hours per pay period from 11 years to 15 years of service, and 6.75 hours per pay period for 16 or greater years of continuous employment. Upon termination from County employment, an employee shall be entitled to payment of up to 240 hours of accrued but unused hours of vacation.

The County's permanent, full-time employees accrue sick leave at the rate of eight 3.75 hours per pay period (biweekly) from date of employment to 10 years of service and 4.75 hours per pay period for 11 or greater years of continuous employment. Sick leave is paid to current employees if the employees are absent from work due to illness, injury or other situations requiring medical attention. An employee who terminates employment of the County shall receive no compensation for accrued sick leave.

Amounts of accrued vacation leave are accrued in the government-wide financial statements.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under the governmental activities statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position includes net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets, consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position are balances with constraints placed on their use that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. A further classification of restricted net position exists for those balances included in permanent endowments or permanent fund principal amounts. These net balances are classified as either expendable or nonexpendable. Nonexpendable net position includes those that are required to be retained in perpetuity. Unrestricted net position consists of net balances that do not meet the definition of "restricted" or "invested in capital assets."

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund, for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring and non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Assets

Restricted assets are assets which have third-party limitations on their use. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

State statutes authorize the investment of County funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the County properly followed State investment requirements as of June 30, 2017.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

1. **Non-spendable Fund Balance:** Non spendable fund balance shall mean the portion of the gross fund balance that is not expendable (such as inventories or fixed assets) or is legally marked for a specific use.
2. **Restricted Fund Balance:** Restricted fund balance shall include amounts constrained to a specific purpose by the provider, such as a grantor.
3. **Committed Fund Balance:** Committed fund balance shall mean that portion of the fund balance that is constrained to a specific purpose by the Lea County Board of Commissioners.
4. **Assigned Fund Balance:** Assigned fund balance shall mean that portion of the fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Lea County Manager or designee. Such assignment may change and may never be budgeted, or may result in expenditures in future periods of time.
5. **Unassigned Fund Balance:** Unassigned fund balance shall include amounts available for any legal purpose. The unassigned fund balance shall be the difference between the total fund balance and the total of the non-spendable fund balance, restricted fund balance, committed fund balance and assigned fund balance.

Lea County would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category on the government-wide statement of net position. It is the County's contributions subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period. This will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has four items, of which one item, deferred property taxes, arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred property taxes, is reported only in the governmental funds balance sheet. Grants restricted by time are reported in the government-wide statement of net position and in the governmental funds financial statements. Net difference between projected and actual investment earnings on pension plan investments and the change of assumptions related to the pension plan are also deferred inflows. These amounts will be amortized and recognized in future years.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. CASH AND CASH EQUIVALENTS

The County utilizes pooled accounts for their funds. The general, special revenue and agency funds are all in one account and the capital projects and debt service funds are in their own accounts. Separate accounts also exist for the county clerk, sheriff, probate judge, inmate trust, detention bond, and metro agency related funds.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the County. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States Government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

At June 30, 2017, the carrying amount of the County's unrestricted deposits was \$66,269,360 excluding cash held as fiduciary of \$12,904,816. Total cash and cash equivalents balance per the financial institutions of \$71,089,791 consisted of demand deposits and certificates of deposit. Of the demand deposits and certificates of deposit, \$1,250,000 was covered by federal depository insurance and \$50,402,429 was covered by collateral held in joint safekeeping by a third party.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the County for at least one-half of the amount on deposit with the institution. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the County. Time deposits, savings deposits and interest bearing accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage of public unit demand deposits at the same institution.

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to them. The County does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$69,839,791 of the County's bank balance of \$71,089,791 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. INVESTMENTS

New Mexico State Statutes authorize the County to invest in direct obligations of the United States or securities that are backed by the full faith and credit of the United States Government or agencies guaranteed by the U.S. Government. The County does not have an additional investment policy that further limits its investments. State statute also authorizes the County to invest in bonds or negotiable securities of the U. S., the State of New Mexico, 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 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. The County does not have an additional investment policy that further limits its investments. At June 30, 2017, Lea County had long-term investments with Moreton Capital Markets, First American Bank, Western Commerce Bank, and Lea County State Bank of \$9,126,705, \$1,177,205, \$1,000,000, and \$100,145 respectively. The \$11,404,055 in investments approximates the fair value.

Custodial Credit Risk – In the case of investments, this is the risk that in the event of a market failure, the County's investments may not be returned to them. The County does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$11,404,055 of the County investment balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Quality Risk – State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of the County's investment in a single issuer. A total of 80% of the investment balance is held at Moreton Capital Markets.

GASB Statement No. 72 requires investment to be presented at fair value. This statement provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. INVESTMENTS (CONTINUED)

Basis of Fair Value Measurement –

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the County's assets had a fair value as of June 30, 2017:

		Investment Assets at Fair Value as of June 30, 2017			
		Level 1	Level 2	Level 3	Total
Investment in					
Morton Capital	\$	9,126,705	-	-	9,126,705
First American Bank		1,177,205	-	-	1,177,205
Western Commerce Bank		1,000,000	-	-	1,000,000
Lea County State Bank		100,145	-	-	100,145
Total Assets at fair value	\$	<u>11,404,055</u>	-	-	<u>11,404,055</u>

The County utilized the market approach to value its investments. GASB Statement No. 72 defines the market approach as using market prices and other information obtained from market transactions with similar or identical assets or liabilities.

NOTE 4. PROPERTY TAXES

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments, November 10th and April 10th. The taxes become delinquent in December of the year in which the tax bill was prepared and mailed, and in May of the following year. Fund financial statements are kept on a modified accrual basis of accounting. Hence, accounting principles generally accepted in the United States of America require recognition of property taxes when they are considered both measurable and available for the fund financial statements. Therefore, the delinquent property taxes are not recorded as revenue in the fund financial statements until they become both "measurable" and "available" to finance expenditures of the fiscal period.

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 4. PROPERTY TAXES (CONTINUED)

Government-wide financial statements are kept on a full accrual basis of accounting. Hence, accounting principles generally accepted in the United States of America require recognition of property taxes when the taxes are levied. The delinquent property taxes are recorded as revenue in the government-wide financial statements in the period of levy.

NOTE 5. OTHER RECEIVABLES

Other receivables at June 30, 2017 are considered to be fully collectible and are composed as follows:

	Governmental Activities
Other Receivables:	
Fees	\$ 127,942
Refunds	17,848
Sale of property	22,580
Interest Receivable	801
Totals	\$ <u>169,171</u>

NOTE 6. DUE FROM OTHER GOVERNMENTS

The amounts due from other governments at June 30, 2017 are considered to be fully collectible and are composed of the following:

	Governmental Activities
Gross Receipts Tax	\$ 3,005,870
Motor Vehicle Tax	100,735
Grants Receivable	378,764
Detention Facility Fees	112,870
Totals	\$ <u>3,598,239</u>

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7. DUE TO/FROM OTHER FUNDS AND TRANSFERS

Due to/from other funds consists of monies which were transferred between governmental funds to support the Lea County Event Center and fund activities. The County expects these amounts to be repaid.

There were no individual fund interfund receivables and payable balances at June 30, 2017.

Transfers from the General Fund to Special Revenue funds are made to support the funds' activities. Revenues in excess of servicing the debt service requirement in the Gross Receipts Debt Service fund are transferred annually to the General Fund. Lea County has chosen to leave \$1,000,000 in the Debt Service Fund at June 30, 2017, thereby taking a conservative stance to ensure that annual long-term debt payments are satisfied. Transfers of grant funds received by the General Fund are made as needed.

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 7. DUE TO/FROM OTHER FUNDS AND TRANSFERS (CONTINUED)

Transfers for the year ended June 30, 2017 were as follows:

Transfers Out:

General Fund- 401:	
To Road Fund - 402	\$ 3,000,000
To Farm & Range Fund - 403	112,950
To Indigent Fund - 406	2,631,165
To Airport Fund - 409	146,000
To Detention Fund - 418	6,500,000
To Tire Recycling Fund - 426	1,800
To Capital Projects Fund - 430	7,061,292
To Other Grants Fund - 431	50,000
To DWI Fund - 412	74,000
To Magistrate Fund - 454	1,108,616
To High Intensity Drug Trafficking Fund - 609	65,000
To Agency Fund - 800	60,000
Road Fund – 401	
To General Fund - 401	1,300,000
Youth Reporting Center Fund – 425	
To General Fund – 401	11,276
Magistrate Court Security Fund – 438	
To Fire Fund – 400	15,892
LCEC Stipulation Fund – 503	
To General Fund – 401	1,336
High Intensity Drug Trafficking Fund - 609	
To General Fund - 401	20,211
Gross Receipts Debt Service Fund - 658	
To General Fund - 401	3,608,046
Water Service Fund - 675	
To General Fund - 401	1,051,566
Total Transfers Out	26,819,150

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 7. DUE TO/FROM OTHER FUNDS AND TRANSFERS (CONTINUED)

Transfers In:

General Fund	
From Road Fund - 402	(1,300,000)
From Youth Reporting Center Fund - 425	(11,276)
From Magistrate Court Security Fund - 438	(15,892)
From LCEC Stipulation Fund - 503	(1,336)
From High Intensity Drug Trafficking Fund - 609	(12,555)
From LCDTF - 611	(7,656)
From Gross Receipts Debt Service Fund - 658	(3,608,046)
From Water Service Fund - 675	(1,051,566)
Road Fund- 402	
From General Fund- 401	(3,000,000)
Farm & Range Fund- 403	
From General Fund	(112,950)
Indigent Fund- 406	
From General Fund- 401	(2,631,165)
Airport Fund- 409	
From General Fund- 401	(146,000)
Detention Fund- 418	
From General Fund- 401	(6,500,000)
Tire Recycling Fund - 426	
From General Fund- 401	(1,800)
Capital Projects Fund- 430	
From General Fund- 401	(7,061,292)
Other Grants Fund- 431	
From General Fund- 401	(50,000)
DWI Fund- 412	
From General Fund- 401	(74,000)
Magistrate Fund - 454	
From General Fund - 401	(1,108,616)
High Intensity Drug Trafficking Fund -609	
From General Fund - 401	(65,000)
Agency Fund - 800	
From General Fund - 401	(60,000)
Total Transfers In	<u>(26,819,150)</u>
Total Governmental Activities Transfers	\$ <u><u>-</u></u>

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. RISK OF LOSS

The County is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters.

Lea County Board of Commissioners is insured with OneBeacon's Insurance carrier Atlantic Specialty Insurance Company. Atlantic Specialty Insurance Company has an AM Best rating of A XI as reaffirmed August 13, 2014. Daniels Insurance Agency Inc. acts as a Broker in secure coverage for Lea County as directed through a Request for Proposal, which was awarded in June 2011. The County insures itself against losses such as General Liability, Employment Practices Liability, Public Official Liability, Law Enforcement Liability and Excess Liability limits. Those limits generally start at \$1,050,000 per occurrence with a \$5,000,000 excess limit. The Commissioners also insure owned assets for physical damages losses such as Property, Autos, Machinery and Equipment.

The County participates in the New Mexico County Insurance Authority Workers Compensation Pool. The pool is self-insured for workers' compensation claims up to \$300,000. Above that amount, the pool maintains an Excess Employers' Reinsurance Policy.

Insurance settlements have not exceeded insurance coverage for any of the past five fiscal years.

NOTE 9. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds and Permanent Funds.

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10. CHANGES IN CAPITAL ASSETS

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2017</u>
Capital Assets, not depreciated:					
Land	\$ 9,626,519	-	-	-	9,626,519
Construction in progress	5,998,277	14,259,632	-	(11,625,022)	8,632,887
Total not depreciated	<u>15,624,796</u>	<u>14,259,632</u>	<u>-</u>	<u>(11,625,022)</u>	<u>18,259,406</u>
Capital Assets, depreciated:					
Buildings	77,555,878	586,737	(10,253)	2,532,386	80,664,748
Other Improvements	4,493,397	889,470	(7,577)	2,652,494	8,027,784
Furniture and Equipment	19,273,900	832,728	(684,453)	(734,789)	18,687,386
Infrastructure	92,432,308	1,943,946	-	6,354,453	100,730,707
Vehicles	10,545,232	787,995	(497,824)	820,478	11,655,881
Total depreciated	<u>204,300,715</u>	<u>5,040,876</u>	<u>(1,200,107)</u>	<u>11,625,022</u>	<u>219,766,506</u>
Total Capital Assets	<u>219,925,511</u>	<u>19,300,508</u>	<u>(1,200,107)</u>	<u>-</u>	<u>238,025,912</u>
Buildings	24,069,316	2,363,868	(9,228)	-	26,423,956
Other Improvements	2,010,060	257,267	(6,820)	-	2,260,507
Furniture and Equipment	14,491,186	110,836	(616,535)	-	13,985,487
Infrastructure	15,789,224	1,770,673	-	-	17,559,897
Vehicles	6,007,130	1,733,500	(421,041)	-	7,319,589
Total accumulated depreciation	<u>62,366,916</u>	<u>6,236,144</u>	<u>(1,053,624)</u>	<u>-</u>	<u>67,549,436</u>
Net Capital Assets	<u>\$ 157,558,595</u>	<u>13,064,364</u>	<u>(146,483)</u>	<u>-</u>	<u>170,476,476</u>

Depreciation expense for the year ended June 30, 2017 was charged to the following functions and funds:

General Government	\$ 3,073,232
Public Works	2,016,286
Public Safety	1,138,106
Culture and Recreation	<u>8,520</u>
Total depreciation expense: governmental activities	<u>\$ 6,236,144</u>

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10. CHANGES IN CAPITAL ASSETS (CONTINUED)

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital Assets Used in Business-type Activities:				
Capital Assets, not depreciated:				
Land	\$ 575,000	-	-	575,000
Construction in progress	2,348,009	-	-	2,348,009
Total not depreciated	<u>\$ 2,923,009</u>	<u>-</u>	<u>-</u>	<u>2,923,009</u>

In accordance with GASB 34, depreciation policies were adopted to include useful lives and classification by function.

NOTE 11. LONG-TERM DEBT

Revenue Bonds

Bonds outstanding at June 30, 2017 consist of the following issue:

Gross Receipts Tax Revenue Bonds	
Series:	June 30, 2013
Original Issue:	\$10,000,000
Principal:	June 1
Interest:	June 1
Rate:	2.140%

On March 28, 2013, the County obtained the Gross Receipts Tax Bonds, Series 2013. The bonds are special and limited obligations of the County and are secured by and payable solely from the pledged gross receipts tax revenue. The Bond agreement requires the maintenance of a gross receipt tax debt service fund into which the County covenants to pay from the pledged revenues sums sufficient to pay when due the principal and interest on these bonds. At June 30, 2017, the County had \$1,000,000 in the gross receipts tax debt service fund. The County is in compliance with all significant requirements of the bonds' covenants.

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11. LONG-TERM DEBT (CONTINUED)

Long-term liability for the year ended June 30, 2017 was as follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
Gross receipts Revenue Bonds					
Series: June 30, 2013	\$ 7,085,000	-	(720,000)	6,365,000	735,000
Compensated Absences	705,941	622,015	(611,957)	715,999	179,000
Total Long-Term Debt	<u>\$ 7,790,941</u>	<u>622,015</u>	<u>(1,331,957)</u>	<u>7,080,999</u>	<u>914,000</u>

The annual debt service requirements to maturity, including principal and interest for long-term debt as of June 30, 2017, are as follows:

Gross Receipts Bonds Series 2013				
Year Ending		Interest	Principal	Total Debt Service
June 30,				
2018	\$	136,212	735,000	871,212
2019		120,482	755,000	875,482
2020		104,326	775,000	879,326
2021		87,740	785,000	872,740
2022		70,941	800,000	870,941
2023-2025		108,395	2,515,000	2,623,395
Total	\$	<u>628,096</u>	<u>6,365,000</u>	<u>6,993,096</u>

The County paid interest on long-term debt of \$151,285 during fiscal year 2017.

Compensated Absence: Employees of the County are able to accrue a limited amount of vacation during the year. The compensated absences liability increased \$10,058 from the prior year. The General Fund is typically used for liquidation of compensated absences.

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT

Plan description

The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978),

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits Provided

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

Contributions – See PERA’s compressive annual financial report for Contribution provided description

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the County reported a liability of \$31,279,616 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the County’s proportion was 2.7657%, which was an increase of 0.2041% from its proportion measured as of June 30, 2015.

For PERA Fund Division Municipal Plan 2, at June 30, 2017, the County reported a liability of \$20,204,053 for its proportionate share of the net pension liability. At June 30, 2017, the County’s proportion was 1.2646%, which was an increase of .0463% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the County recognized PERA Fund – General, pension expense of \$2,432,403. At June 30, 2017 reported PERA Fund Division – General deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,009,478	197,179
Changes in assumptions	1,184,731	3,360
Net difference between projected and actual earnings on pension plan investments	3,717,507	-
Changes in proportion and differences between County’s contributions and proportionate share of contributions	660,621	-
County’s contributions subsequent to the measurement date	<u>1,679,329</u>	<u>-</u>
Total	<u>\$ 8,251,666</u>	<u>200,539</u>

STATE OF NEW MEXICO
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NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

\$1,679,329 reported as deferred outflows of resources related to pensions resulting from the County’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	1,495,903
2019		1,495,903
2020		2,428,708
2021		951,284
2022		-
Thereafter		-

For PERA Fund Division Municipal Police Plan 5, at June 30, 2017, the County reported a liability of \$11,075,563 for its proportionate share of the net pension liability. At June 30, 2017, the County’s proportion was 1.5011%, which was an increase of .1578% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the County recognized PERA Fund – General, pension expense of \$1,690,306. At June 30, 2017 reported PERA Fund Division – General deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	813,108	-
Changes in assumptions		733,583	199,745
Net difference between projected and actual earnings on pension plan investments		1,751,664	-
Changes in proportion and differences between County’s contributions and proportionate share of contributions		558,517	230,244
County’s contributions subsequent to the measurement date		795,117	-
Total	\$	<u>4,651,989</u>	<u>429,989</u>

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

\$795,117 reported as deferred outflows of resources related to pensions resulting from the County’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	817,134
2019		817,134
2020		1,328,201
2021		464,414
2022		-
Thereafter		-

Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level of percentage pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.48 annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years 2.75% all other years
Mortality assumption	RP-2000 Mortality tables (Combined table for healthy post-retirement, Employee table for active member, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	<u>100.0%</u>	

Discount rate

A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the County’s proportionate share of the net pension liability to changes in the discount rate

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

PERA Fund Division Municipal Plan 2	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
County’s proportionate share of the net pension liability	<u>\$ 30,122,446</u>	<u>20,204,053</u>	<u>11,977,239</u>

STATE OF NEW MEXICO
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 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

PERA Fund Division Municipal Police Plan 5

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
County’s proportionate share of the net pension liability	<u>\$ 16,294,902</u>	<u>11,075,563</u>	<u>6,806,754</u>

Pension plan fiduciary net position

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

Payables to the pension plan.

At June 30, 2017 the County had no outstanding amount of contributions to the pension plan and therefore, had no payables reported as of June 30, 2017.

NOTE 13. POST EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLANS

Plan Description—The County contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouse and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMS 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy—The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate

**STATE OF NEW MEXICO
LEA COUNTY
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JUNE 30, 2017**

**NOTE 13. POST EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLANS
(CONTINUED)**

schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The New Mexico Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5 percent of each participating employee's annual salary; and each participating employee was required to contribute 1.25 percent of their salary. For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2 percent of each participating employee's annual salary; each participating employee was required to contribute 1 percent of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1- 6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The County's contributions to the RHCA for the years June 30, 2017, 2016 and 2015 were \$414,802, \$405,970, and \$344,541 respectively which equal the required contributions and the County "pickup" portion for each year. The employer paid member benefits that were "picked up" by the County were \$112,481 for the year ended June 30, 2017.

NOTE 14. DEFERRED COMPENSATION PLAN

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees and those local government and school district employees whose employers have elected participation in the plan, permits participants to defer a portion of their salary until future years.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14. DEFERRED COMPENSATION PLAN (CONTINUED)

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) held in trust for the participants in the plan.

There are employees that are making contributions to the Deferred Compensation Plan. Neither the County nor the State of New Mexico made any contributions to the Deferred Compensation Plan. All contributions withheld from participant's wages by the County have been paid to the New Mexico Employees' Retirement Association, which administers the plan.

NOTE 15. CONTINGENT LIABILITIES

Grants and Agreements – Amounts received or receivable from grant agencies and others are subject to audit and adjustment, principally by the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor and others cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Economic Development Agreement – Lea County entered into an economic development agreement dated October 19, 2010, with the Economic Development Corporation of Lea County, Inc. (EDC) to unconditionally guaranty on behalf of EDC any and all amounts that EDC may be required to pay to the Air Carrier pursuant to the revenue guaranty or other provisions of the Air Services Contract, and subject to the limitation that the first \$250,000 due to Air Carrier under revenue guarantee provisions during the first twelve month period of Air Service shall not be guaranteed by the County.

The County has provided EDC with an irrevocable standby letter of credit for \$900,000 as guaranty for performance of this agreement and stand by letter of credit will remain in effect for the term of the Air Services Contract. No amounts were charged against the letter of credit during fiscal year 2017.

Lea County contributed \$249,349 to EDC under the above described agreement for the fiscal year ended June 30, 2017.

NOTE 16. CONDUIT DEBT OBLIGATION

The County Issued Industrial Revenue Bonds (IRBs) totaling \$4,111,000,000 for projects as follows:

LES – the County issued \$4,000,000,000 in IRBs to provide funds to finance the acquisition, construction and installation of an expansion to the national enrichment facility project. Final maturity date of the bonds is January 22, 2034. The bonds are secured by a security agreement and a collateral pledge of the Lease to the Purchaser.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16. CONDUIT DEBT OBLIGATION (CONTINUED)

Intrepid Potash-New Mexico LLC – the County issued \$40,000,000 in IRBs to provide funds to finance the acquisition and construction of an industrial revenue bond manufacturing and processing facility to be used by Intrepid Potash-New Mexico. Final maturity date of the bonds is February 1, 2032. The bonds are secured by all tangible personal property located in Lea County, New Mexico used in connection with manufacturing and processing of potash including but not necessarily limited to all the

costs of which are financed or reimbursed with the proceeds of the Lea County, New Mexico, Taxable Industrial Revenue Bond.

Wildcat Wind LLC - the County issued \$51,000,000 in IRBs in connection with a Wind Energy Generating Facility. Final maturity date of the bonds is March 1, 2032. The bonds are secured by all tangible personal property located in Lea County, New Mexico used in connection with wind generation of electricity but not necessarily limited to all personal property installed or located at the Project Site for use as part of the Project.

Jut Demonstration Inc. - the County issued \$20,000,000 in IRBs to provide funds to finance the acquisition, construction and installation of an industrial development project. Final maturity date of the bonds is March 20, 2032. The bonds are secured by all the Debtor's right, title and interest in and to the Project Property and the Lease and Purchase Agreement.

The County has no liability for the IRBs in the event of default by the borrowers. Accordingly, the bonds are not reported as liabilities in the County's financial statements.

NOTE 17. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

Deficit fund balance of individual funds: The following funds reflected a deficit fund balance as of June 30, 2017:

Fund	Deficit Balance
Capital Projects (430)	\$ (11,548)
Airport Fire (409)	(2,083)
Other Grants (431)	<u>(7,659)</u>
Total	<u>\$ (21,290)</u>

The fund balance is deficit because expenditures were in excess of revenues and available cash and there were not sufficient transfers to cover the deficits. Future budget line items will be strictly monitored and reviewed to ensure funds operate within the approved budget.

Excess of expenditures over appropriations - There were no funds that had expenditures in excess of approved budgetary appropriations for the year ended June 30, 2017.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 18. BUDGET TO ACTUAL PRESENTATION

Management has decided to present funds that serve the same purpose under one fund instead of presenting each fund separately. Thus, budget to actual statements are not presented for the following funds:

DWI Fund (412)

- DWI Alcohol (412)
- DWI Screening (435)
- LDWI (436)
- CDWI (437)
- Misdemeanor Compliance (439)

The budgetary information for these funds can be found on the budget to actual statement for fund 412.

High Intensity Drug Trafficking Areas Funds (609)

- JAG Grant (607)
- Lea County HIDTA (608)
- HIDTA Funds (609)
- LCDTF JAG (611)
- HIDTA JAG Grant (612)

The budgetary information for these funds can be found on the budget to actual statement for fund 609.

NOTE 19. TAX ABATEMENTS

The County enters into property tax abatement agreements with local businesses under the County Industrial Revenue Bond Act, Chapter 4, Article 59 NMSA 1978 as amended. The County Industrial Revenue Bond Act authorizes counties to acquire, own, lease or sell projects for the purpose of promoting industry and trade by inducing manufacturing, industrial and commercial enterprises to locate or expand in the state.

For the fiscal year ended June 30, 2017, the County abated property taxes under the County Industrial Revenue Bond Act including the following tax abatement agreements:

A company was granted a Payment in Lieu of Taxes (PILT) in an amount equal to 20% of the total property tax due, to construct facilities to process natural gas. The amount of the PILT will be calculated using mill levies and assessed property tax valuations that would have been applicable for each tax year. The abatement of property taxes for fiscal year 2017 was \$553,427 with a \$138,357 PILT due to the County.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 19. TAX ABATEMENTS (CONTINUED)

A company was granted a PILT in an amount equal to 20% of the total property tax due, to construct and operate a uranium enrichment plant. The amount of the PILT will be calculated using mill levies and assessed property tax valuations that would have been applicable for each tax year. The abatement of property taxes for fiscal year 2017 was \$7,607,254 with a \$1,780,844 PILT due to the County. A portion of the abated taxes and the PILT affect the New Mexico Junior College, the Eunice School District and the Eunice Hospital.

A company was granted a PILT in an amount equal to 20% of the total property tax due, to expand a uranium enrichment plant through construction. The amount of the PILT will be calculated using mill levies and assessed property tax valuations that would have been applicable for each tax year. The abatement of property taxes for fiscal year 2017 was \$1,306,446 with a \$326,612 PILT due to the County.

A company was granted a PILT in an amount equal to 70% of the total property tax due, to construct wind power generating facilities. The amount of the PILT will be calculated using mill levies and assessed property tax valuations that would have been applicable for each tax year. The abatement of property taxes for fiscal year 2017 was \$26,500.

A company was granted a 33.3% Ad Valorem Property Tax Exemption, to construct facilities to generate electric power. The amount of the exemption will be a 33.3% reduction off the tax due that would have been applicable for each tax year. The abatement of property taxes for fiscal year 2017 was \$66,991.

A company was granted a PILT in an amount equal to 20% of the total property tax due, for the acquisition, construction and installation of a renewable fuels facility. The amount of the PILT will be calculated using mill levies and assessed property tax valuations that would have been applicable for each tax year. The abatement of property taxes for fiscal year 2017 was \$4,498.

A company was granted a PILT in an amount equal to 30% of the total property tax due, to construct a wind energy project. The amount of the PILT will be calculated using mill levies and assessed property tax valuations that would have been applicable for each tax year. The company will also make a one-time payment to the County upon issuance of the bonds in the amount of \$285,000. The abatement of property taxes for fiscal year 2017 was undeterminable as this is a new project and a rendering of taxable personal property has not been made. A \$285,000 PILT is due to the County.

NOTE 20. JOINT POWERS AGREEMENTS

As of March 6, 1995, the County entered into a joint powers agreement with all municipalities in Lea County for the Lea County Solid Waste Authority (Authority). The agreement was renewed March 31, 1998. As a result of the joint venture, the County has agreed to a loan to the Authority for the construction of a solid waste disposal facility. The loan was paid in full in FYE 2014.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 20. JOINT POWERS AGREEMENTS (CONTINUED)

The County entered into a joint powers agreement with all municipalities in Lea County for the Lea County Water Users Association (Association) on September 23, 1997. The agreement automatically renews for an additional two years unless terminated by the Executive Board. The purpose of the agreement is to enact a water management plan for the citizens of Lea County. The County is designated the fiscal agent of the Association and is responsible for 45.8% of the proposed funding needed for the Association. The County did not remit any funds to the Association in the fiscal year ended June 30, 2017.

The County along with the City of Hobbs formed a joint powers agreement regarding the cleanup and Land Office. The purpose of the agreement is to allocate financial responsibility of the costs to be incurred in connection with cleanup. The County's responsibility is to contract with the Lea County Solid Waste Authority, as necessary, for the services of hauling trash and debris.

Costs involved in the project are to be allocated, with the County responsible for paying 25%. The County must also invoice the party responsible for the illegal disposal, Occidental/Permian Limited Partnership ("Oxy"), for another 25% of the disposal costs. Expenditures for the County are not to exceed \$15,000 without prior written consent of all parties involved. The agreement became effective November 17, 2003, and either party to the agreement can terminate participation by providing thirty days written notice.

The County also established a joint powers agreement with the Hobbs Municipal School District, City of Hobbs, New Mexico Junior College, City of Lovington, Eunice Municipal School District, Tatum Municipal School District and Jal Municipal School District for the purpose of enabling the parties involved to benefit from substantial savings in the procurement of similar services, construction or tangible personal property. The agreement became effective November 17, 2003, and any party to the agreement can terminate participation by providing thirty days written notice. Any of the participating agencies may act as the Lead Agency whereby that agency shall contact the remaining participating agencies to determine if they are willing to participate in a bid or proposal for quote to be prepared by the Lead Agency.

On July 25, 2006, the County entered into a joint powers agreement with the Southeastern New Mexico Economic Development District/COG. The purpose of the agreement is to facilitate economic development in the region through planning, development, legislative, and strategizing services. The agreement is indefinite in term.

The County established a joint powers agreement with the Eddy-Lea Energy Alliance on July 29, 2006. The goal of this agreement is to evaluate a site for use by the Global Nuclear Energy Partnership and the United States Department of Energy. This is hoped to bring new, higher-wage jobs to the area and strengthen the economic base of the region. The agreement is perpetual, but may be terminated with the written consent of all voting members. The agreement shall terminate at the discretion of the contracting parties.

**STATE OF NEW MEXICO
LEA COUNTY
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NOTE 20. JOINT POWERS AGREEMENTS (CONTINUED)

The County established a joint powers agreement with the City of Hobbs on January 4, 2010 to further the public interest and protect the safety, health and welfare of the people of Hobbs, New Mexico and Lea County, New Mexico and to define the role of the City and County in establishing a joint Emergency Communications Center, namely, the joint management and operations of an emergency communications district.

On May 30, 2013, the County established a joint planning agreement with the Commissioner of Public Lands of the State of New Mexico to explore opportunities to jointly plan or master plan state trust lands within the County boundaries but outside of any extra zoning jurisdiction in the County. Planning objectives and prioritization of planning efforts will be identified by a joint planning committee appointed by the Commissioner and the County. The right to terminate this agreement resides with the County and the Commissioner.

NOTE 21. MEMORANDUMS OF UNDERSTANDING

On September 15, 2016, the County entered into an agreement with the City of Hobbs. The purpose of this agreement is for the distribution of the 2016-2017 Edward Byrne Memorial Justice Assistance Grant. The total grant award is \$24,035 and will be divided 60/40 with the City of Hobbs Police Department receiving \$14,421 and Lea County Sheriff's Department receiving \$9,614. The City of Hobbs is the fiscal agent.

On December 17, 2014, the County entered into an agreement with New Mexico Junior College (NMJC) for the Construction, Operation and Joint Use of an Indoor Equestrian Facility. New Mexico Junior College agrees to contribute \$3,000,000 to the County as partial funding for the cost to construct the Facility, to be deposited in the County's general fund under a capital development account established for the facility. The County shall provide all funding required in addition to the \$3,000,000 from NMJC to complete the design and construction for the Facility.

The right to terminate this agreement during the first five years will be only by the mutual written agreement of the parties.

On April 23, 2015, the County entered into an agreement with the City of Lovington for the construction of a walking path from Chaparral Park to the Lea County Courthouse. Both parties are in agreement to bring forward a plan on the construction for the walking path to be considered by the governing bodies of the County and the City.

The right to terminate this agreement resides with Lea County or the City of Lovington.

The County entered into an agreement with the City of Jal for the funding of a water well. The County will be responsible for providing \$100,000 for the project during fiscal year 2014/2015 and for providing technical assistance or input as requested by the City of Jal. The City of Jal will be responsible for the maintenance of the water well during the construction of the project and following the completion of the project.

**STATE OF NEW MEXICO
LEA COUNTY
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JUNE 30, 2017**

NOTE 21. MEMORANDUMS OF UNDERSTANDING (CONTINUED)

The right to terminate this agreement resides with Lea County or the City of Jal upon a 30 day written notice of termination. Any funds remaining unspent shall be refunded to Lea County within 30 days of the termination date.

On April 28, 2016, the County entered into an agreement with the Lea County Communication Authority. The Lea County Communication Authority will operate and maintain a P25 800 MHz radio system in order to provide radio and communication services to Lea County and various surrounding cities. The County is responsible for maintenance sites located within the County (Jal, Jal West, Eunice, and Tatum). The cost of maintenance will be shared amongst the County and the various sites. This agreement will continue indefinitely or until written notification requesting termination of the MOU is obtained. Written notification must be obtained at least six months prior to effective termination date.

On January 1, 2017, the County entered into an agreement with the Hobbs Police Department and the Lovington Police Department. The Lea County DWI Program has received funds from the "Community DWI Grant Program" which is administered by the Department of Transportation, Traffic Safety Division, to be used for the enforcement of New Mexico DWI laws to reduce the incidences of alcohol-involved crashes. Lea County DWI Program will reimburse the Hobbs Police Department and the Lovington Police Department for overtime expenditures for DWI checkpoints, sobriety saturation patrols and underage drinking patrols/activities conducted in Lea County. The total amount expended for each department shall not exceed \$8,870 during the fiscal year 2017. This agreement continues in effect until June 30, 2017.

NOTE 22. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76, which supersedes Statement No. 55, aims to identify, in the context of the current governmental financial reporting environment, the hierarchy of U.S. GAAP, which consists of the sources of accounting principles used to prepare the financial statements of state and local governments entities in conformity with U.S. GAAP, as well as the framework for selecting those principles. The County adopted GASB Statement No. 76 during fiscal year 2016, with no significant impact to the County's financial statements.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria that must be met for an external investment pool to be permitted to measure its investments at the amortized cost for financial reporting purposes. This Statement also requires that the pool participants of external investment pools that meet the criteria also report their investments at the amortized cost for financial reporting purposes. External Investment Pools that not meet the requirement are required to follow paragraph 16 of GASB Statement No. 31. GASB Statement No. 79 requires additional note disclosures to be made in qualifying external investment pools financial statements. The additional note disclosures are also required to be made in the pool participants financial statements. The adoption of GASB Statement No. 79 did not have a significant impact on the County's financial statements.

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 23. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

GASB Statement No. 82, *Pension Issues (an Amendment of GASB Statements No. 67, No. 68, and No. 73)*

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB Statement No. 84, *Fiduciary Activities*

GASB Statements No. 85, *Omnibus 2017*

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

GASB Statement No. 87, *Leases*

The County will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The County believes that the above listed new GASB pronouncements will not have a significant financial impact to the County or in issuing its financial statements.

NOTE 23. SUBSEQUENT EVENTS

The entity has evaluated subsequent events through November 30, 2017, the date which the financial statements were available to be issued. As of the report date, November 30, 2017, no subsequent events were identified by management.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2017

Pension Liability
 For Last 10 Fiscal Years*
 (Dollars in Thousands)

Fiscal Year Measurement Date	30-Jun		
	2017 2016	2016 2015	2015 2014
County's Proportion of the Net Pension Liability (Asset)	2.77%	2.56%	2.60%
County's Proportionate Share of Net Pension Liability (Asset)	31,280	18,881	\$ 13,782
County's Covered-Employee Payroll	14,613	13,436	\$ 12,700
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	214.06%	140.53%	108.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.18%	76.99%	81.29%

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

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF COUNTY CONTRIBUTIONS
 JUNE 30, 2017

Last Ten Fiscal Years*
 General Division
 (Dollars in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,679	2,319	1,456
Contributions in Relation to the Contractually	<u>1,679</u>	<u>2,319</u>	<u>1,456</u>
Contribution Deficiency (Excess)*	<u>\$ -</u>	<u>-</u>	<u>-</u>

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

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF COUNTY CONTRIBUTIONS
 JUNE 30, 2017

Last Ten Fiscal Years*
 Police Division
 (Dollars in Thousands)

	2017	2016	2015
Contractually Required Contribution	\$ 795	1,609	957
Contributions in Relation to the Contractually	795	1,609	957
Contribution Deficiency (Excess)*	\$ -	-	-

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

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

Changes of Benefit Terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA's CFAR. <https://www.saonm.org>

Assumptions: The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at:
<http://www.nmpera.org/>

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

**STATE OF NEW MEXICO
LEA COUNTY
FUND DESCRIPTIONS
JUNE 30, 2016**

SPECIAL REVENUE FUNDS

Fire Fund (400) - To account for the operations of the County's fire departments. Financing is provided by the State Fire Protection Fund and is restricted to fire protection use as authorized by Section A-53-4, NMSA 1978.

Road Fund (402) - To account for funds used to maintain County roads, included but not limited to administration, operation, maintenance, and capital outlay. Authorized by sections 6-623, 7-1-6-19, 67-3-82.2, and Chapter 113, Laws of 1992, NMSA.

Farm and Range Fund (403) - To account for funds collected under the Taylor Grazing Act for the control of animals specified in Section 6-11-6 NMSA 1978.

Community Centers (404) - To account for revenues from cigarette tax restricted for the maintenance of County parks as specified in Section 7-12-15 NMSA 1978.

Clerk's Recording & Filing (405) - To account for equipment recording fees that shall be expensed for rent, purchase lease, or lease-purchase equipment associated with recording, filing, maintaining or reproducing documents in the County Clerk's office. The fund is authorized by Section 14-8-12.2, NMSA 1978.

Maljamar Fire Department (407) - To account for the operations of the County's fire departments. Financing is provided by the State Fire Protection Fund and is restricted to fire protection use as authorized by Section A-53-4, NMSA 1978.

Knowles Fire Department (408) - To account for the operations of the County's fire departments. Financing is provided by the State Fire Protection Fund and is restricted to fire protection use as authorized by Section A-53-4, NMSA 1978.

Airport Fire Department (409) - To account for the operations of the County's fire departments. Financing is provided by the State Fire Protection Fund and is restricted to fire protection use as authorized by Section A-53-4, NMSA 1978.

Monument Fire Department (410) - To account for the operations of the County's fire departments. Financing is provided by the State Fire Protection Fund and is restricted to fire protection use as authorized by Section A-53-4, NMSA 1978.

Environmental Gross Receipts Tax (411) - To account for revenues provided by one-eighth of one percent of County environmental services gross receipts tax imposed by County Ordinance #59.

DWI Grant (412) - To account for funds received from the state of New Mexico to be spent on the DWI program. The fund is authorized by Sections 11-6A-1 through 11-6A-6, NMSA 1978.

**STATE OF NEW MEXICO
LEA COUNTY
FUND DESCRIPTIONS
JUNE 30, 2016**

SPECIAL REVENUE FUNDS (CONTINUED)

Correction Fees (415) - To account for funds from the state of New Mexico that are restricted to providing care for prisoners in the County detention facility. The fund is authorized by Section 33-3-5, NMSA 1978.

Paving Districts (416) - To account for funds expended in engineering and construction of pavement on Piedras Drive, Baggett Drive and Sandcastle Subdivision. The County chose the Petition Method 4-55A-3(2) to create the District. The fund was authorized by Section 4-55A-1 to 4-55A-43, NMSA 1978.

Revolving Loan Fund (421) - To account for the loan funds received under the 1986 Community Development Block Grant Program (CDBG) #86-C-NR-I-04-GA-091.

EMPG Reimbursement (424) - To account for salary reimbursement for the 2015 Emergency Management Performance Grant Program issued by the NM Department of Homeland Security and Emergency Management. The grant was used to support activities essential to the ability of states, territories, and urban areas to prepare for, prevent and respond to terrorist attacks and other all-hazards events. 2015 Federal Grant No. EMW-2015-EP-00066-S01 CDFR No. 97.042.

Youth Reporting Center (425) - To account for the 2016 Juvenile Justice Advisory Committee Grant from the State of New Mexico Children, Youth, and Families Department. The grant was awarded to Lea County to aid in improving the Juvenile Justice System and decrease the incidences of juvenile delinquency in the community while increasing the emphasis on prevention and early intervention in juvenile justice services. Agreement No. 16-690-18429.

Tire Recycling (426) - To account for the 2015-2016 Recycling and Illegal Dumping Grant expenditures awarded from the State of New Mexico Environment Department. Fund was awarded to reimburse Lea County for development costs to establish a recycling facility for used motor oil. Grant # 16NT-03.

Other Grants (431) - To account for grants and grant expenditures that are subject to tracking requirements, and authorized by various grant agreements.

Jal CDBG Wastewater (433) - To account for revenues and expenditures under the Community Block Development Grant #86-C-NR-1-04-GA-091.

Magistrate Court Security (438) - To account for activity related to security services for the Court, contracted by Lea County and the City of Hobbs. Initial funding was provided by Lea County and the City of Hobbs. Contract continuation is contingent upon sufficient appropriations and authorization being made by the County and the City.

**STATE OF NEW MEXICO
LEA COUNTY
FUND DESCRIPTIONS
JUNE 30, 2016**

SPECIAL REVENUE FUNDS (CONTINUED)

Property Valuation Fund (499) - To account for revenues provided by 2 percent of the property taxes received by the County to be used for appraisal programs presented by the County Assessor and approved by the majority of the County Commissioners. The fund is authorized by Section 7-38-38.1 NMSA 1978.

Stipulation Account (503) - To account for funds expended to complete construction of the Event Center and to receive interest from the non-expendable trust fund investments and use them to defray the cost of operating the Event Center. This fund was created as a result of the court ordered "stipulation for dismissal" in the litigation between certain plaintiffs and the Board of Commissioners of Lea County.

EMS Knowles (604) - To account for funds received from the state of New Mexico to be spent on emergency medical services equipment and operations for the Emergency Medical Services Departments as authorized by 24A-1.

Law Enforcement Protection Grant (605) - To account for the state funds received for law enforcement training and equipment as specified in Section 29-13-1, NMSA 1978.

Lea County Drug Task Force (HIDTA) (609) - Special revenue fund established by resolution to account for revenues and expenditures related to education and local enforcement of the drug program. This program is financed with federal grants aiming to ameliorate High Intensity Drug Trafficking Areas.

EMS Maljamar (613) - To account for funds received from the state of New Mexico to be spent on emergency medical services equipment and operations for the Emergency Medical Services Departments as authorized by 24A-1.

County Fire Marshall (618) - To account for the revenue and expenses of the Office of the County Fire Marshal established per Lea County Resolution 11-JUN026R and funded by the New Mexico State Fire Marshal's Office.

Fire Excise Tax (619) - To account for revenues provided by the imposition of an excise tax to one-fourth of one percent of gross receipts of businesses doing business in the County. The excise tax was approved by the electorate of the County on July 12, 1990, with the tax effective January 1, 1991. The funds are to be used to finance capital outlay costs of Lea County's independent fire districts. This fund is authorized by Sections 7-20E, NMSA 1978.

EMS Monument (621) - To account for funds received from the state of New Mexico to be spent on emergency medical services equipment and operations for the Emergency Medical Services Departments as authorized by 24A-1.

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

ASSETS	Fire Funds 400	Road 402	Farm and Range 403
<i>Current assets:</i>			
Cash and cash equivalents	\$ -	888,897	30,334
Investments	-	-	-
Receivables			
Property tax receivable	-	-	-
Receivable from other governments	-	100,735	-
Other receivables	-	-	-
<i>Total current assets</i>	<u>\$ -</u>	<u>989,632</u>	<u>30,334</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	\$ -	380,465	-
Accrued payroll liabilities	-	32,502	-
<i>Total current liabilities</i>	<u>-</u>	<u>412,967</u>	<u>-</u>
<i>Fund balances (deficit)</i>			
Restricted	-	576,665	30,334
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>-</u>	<u>576,665</u>	<u>30,334</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ -</u>	<u>989,632</u>	<u>30,334</u>

Community Centers 404	Clerk's Recording & Filing 405	Malijmar Fire District 407	Knowles Fire District 408	Airport Fire 409	Monument Fire District 410
33,353	326,420	97,713	29,321	155	75,902
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>33,353</u>	<u>326,420</u>	<u>97,713</u>	<u>29,321</u>	<u>155</u>	<u>75,902</u>
14,323	144	348	658	1,603	7,562
-	-	-	-	635	-
<u>14,323</u>	<u>144</u>	<u>348</u>	<u>658</u>	<u>2,238</u>	<u>7,562</u>
19,030	326,276	97,365	28,663	-	68,340
-	-	-	-	(2,083)	-
<u>19,030</u>	<u>326,276</u>	<u>97,365</u>	<u>28,663</u>	<u>(2,083)</u>	<u>68,340</u>
<u>33,353</u>	<u>326,420</u>	<u>97,713</u>	<u>29,321</u>	<u>155</u>	<u>75,902</u>

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Enviromental Gross Receipts Tax 411	DWI 412	Correction Fees 415
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 3,247,364	438,211	707,849
Investments	-	-	-
Receivables			
Property tax receivable	-	-	-
Receivable from other governments	171,187	-	-
Other receivables	2,711	-	-
<i>Total current assets</i>	<u>3,421,262</u>	<u>438,211</u>	<u>707,849</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	51,559	3,630	5,455
Accrued payroll liabilities	3,210	9,272	-
<i>Total current liabilities</i>	<u>54,769</u>	<u>12,902</u>	<u>5,455</u>
<i>Fund balances (deficit)</i>			
Restricted	3,366,493	425,309	702,394
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>3,366,493</u>	<u>425,309</u>	<u>702,394</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 3,421,262</u>	<u>438,211</u>	<u>707,849</u>

See Notes to Financial Statements

<u>Paving Districts 416</u>	<u>Revolving Loan Fund 421</u>	<u>EMPG Reimbursement 424</u>	<u>Youth Reporting Center 425</u>	<u>Tire Recycling 426</u>	<u>Other Grants 431</u>
2,538	960	34,104	-	1,800	20,848
-	100,145	-	-	-	-
-	-	-	-	-	-
-	-	13,173	-	-	12,500
-	-	-	-	-	-
<u>2,538</u>	<u>101,105</u>	<u>47,277</u>	<u>-</u>	<u>1,800</u>	<u>33,348</u>
-	-	-	-	-	41,007
-	-	681	-	-	-
-	-	681	-	-	41,007
2,538	101,105	46,596	-	1,800	-
-	-	-	-	-	(7,659)
<u>2,538</u>	<u>101,105</u>	<u>46,596</u>	<u>-</u>	<u>1,800</u>	<u>(7,659)</u>
<u>2,538</u>	<u>101,105</u>	<u>47,277</u>	<u>-</u>	<u>1,800</u>	<u>33,348</u>

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Jal CDBG Wastewater 433	Magistrate Court Security 438	Property Valuation Fund 499
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 21,882	-	941,703
Investments	-	-	-
Receivables			
Property tax receivable	-	-	-
Receivable from other governments	-	-	-
Other receivables	-	-	-
<i>Total current assets</i>	<u>\$ 21,882</u>	<u>-</u>	<u>941,703</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	\$ -	-	1,447
Accrued payroll liabilities	-	-	1,523
<i>Total current liabilities</i>	<u>-</u>	<u>-</u>	<u>2,970</u>
<i>Fund balances (deficit)</i>			
Restricted	21,882	-	938,733
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>21,882</u>	<u>-</u>	<u>938,733</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 21,882</u>	<u>-</u>	<u>941,703</u>

See Notes to Financial Statements

Stipulation Account 503	EMS Knowles 604	Law Enforcement Protection Grant 605	High Intensity Drug Trafficking Areas Funds 609	EMS Maljamar 613	County Fire Marshall 618
-	15,233	-	128,899	6,994	56,811
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	254,409	-	-
-	-	-	-	-	-
<u>-</u>	<u>15,233</u>	<u>-</u>	<u>383,308</u>	<u>6,994</u>	<u>56,811</u>
-	185	-	151,618	-	184
-	-	-	2,317	-	-
<u>-</u>	<u>185</u>	<u>-</u>	<u>153,935</u>	<u>-</u>	<u>184</u>
-	15,048	-	229,373	6,994	56,627
-	-	-	-	-	-
<u>-</u>	<u>15,048</u>	<u>-</u>	<u>229,373</u>	<u>6,994</u>	<u>56,627</u>
<u>-</u>	<u>15,233</u>	<u>-</u>	<u>383,308</u>	<u>6,994</u>	<u>56,811</u>

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

ASSETS	Fire Excise Tax 619	EMS Monument 621	Total Non-Major Special Revenue Funds
<i>Current assets:</i>			
Cash and cash equivalents	\$ 897,485	1,017	8,005,793
Investments	-	-	100,145
Receivables			-
Property tax receivable	-	-	-
Receivable from other governments	-	-	552,004
Other receivables	-	-	2,711
<i>Total current assets</i>	<u>\$ 897,485</u>	<u>1,017</u>	<u>8,660,653</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	\$ -	-	660,188
Accrued payroll liabilities	-	-	50,140
<i>Total current liabilities</i>	<u>-</u>	<u>-</u>	<u>710,328</u>
<i>Fund balances (deficit)</i>			
Restricted	897,485	1,017	7,960,067
Unassigned	-	-	(9,742)
<i>Total fund balance (deficit)</i>	<u>897,485</u>	<u>1,017</u>	<u>7,950,325</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 897,485</u>	<u>1,017</u>	<u>8,660,653</u>

See Notes to Financial Statements

<u>Debt Service</u>	
Gross Receipts	Total
Debt Service	Non-Major
658	Funds
1,000,000	9,005,793
-	100,145
-	-
409,770	961,774
-	2,711
<u>1,409,770</u>	<u>10,070,423</u>
-	660,188
-	50,140
-	<u>710,328</u>
1,409,770	9,369,837
-	(9,742)
<u>1,409,770</u>	<u>9,360,095</u>
<u>1,409,770</u>	<u>10,070,423</u>

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES (DEFICIT)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Fire Funds 400	Road 402	Farm and Range 403
Revenues			
Property, sales, and miscellaneous taxes	\$ -	-	-
Payment in lieu of taxes	-	-	-
Licenses and permits	-	-	-
Intergovernmental:			
Federal	-	758,061	20,702
State	-	1,702,137	-
Charges for services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	14,442	-
<i>Total revenues</i>	<u>-</u>	<u>2,474,640</u>	<u>20,702</u>
Expenditures			
Current			
General government	-	-	103,316
Public safety	-	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Public works	-	4,849,178	-
Capital outlay	-	1,938,118	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>6,787,296</u>	<u>103,316</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(4,312,656)</u>	<u>(82,614)</u>
Other financing sources (uses):			
Transfers in	-	3,000,000	112,950
Transfers out	(199,448)	(1,300,000)	-
<i>Total other financing sources (uses)</i>	<u>(199,448)</u>	<u>1,700,000</u>	<u>112,950</u>
Net changes in fund balances	(199,448)	(2,612,656)	30,336
Fund balances (deficit) - beginning of year	<u>199,448</u>	<u>3,189,321</u>	<u>(2)</u>
Fund balances (deficit) - end of year	<u>\$ -</u>	<u>576,665</u>	<u>30,334</u>

See Notes to Financial Statements

Community Centers 404	Clerk's Recording & Filing 405	Malijmar Fire District 407	Knowles Fire District 408	Airport Fire 409	Monument Fire District 410
-	-	-	-	-	-
-	-	-	-	-	-
-	109,812	-	-	-	-
-	-	-	-	-	-
-	-	97,765	75,667	-	108,970
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	109,812	97,765	75,667	-	108,970
-	88,029	38,313	56,549	159,403	45,018
-	-	-	-	-	-
52,603	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	58,638	19,366	-	58,278
-	-	-	-	-	-
-	-	-	-	-	-
52,603	88,029	96,951	75,915	159,403	103,296
(52,603)	21,783	814	(248)	(159,403)	5,674
-	-	96,551	28,911	157,320	62,666
-	-	-	-	-	-
-	-	96,551	28,911	157,320	62,666
(52,603)	21,783	97,365	28,663	(2,083)	68,340
71,633	304,493	-	-	-	-
19,030	326,276	97,365	28,663	(2,083)	68,340

See Notes to Financial Statements

STATE OF NEW MEXICO
LEA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enviromental Gross Receipts Tax 411	DWI 412	Correction Fees 415
Revenues			
Property, sales, and miscellaneous taxes	1,657,751	-	-
Payment in lieu of taxes	-	-	-
Licenses and permits	-	-	-
Intergovernmental:			
Federal	-	-	-
State	-	467,399	180,187
Charges for services	-	291,787	-
Investment earnings	-	-	-
Miscellaneous	36,809	9,638	-
<i>Total revenues</i>	<u>1,694,560</u>	<u>768,824</u>	<u>180,187</u>
Expenditures			
Current			
General government	1,503,723	876,565	178,986
Public safety	-	131,542	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Public works	-	-	-
Capital outlay	137,496	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>1,641,219</u>	<u>1,008,107</u>	<u>178,986</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>53,341</u>	<u>(239,283)</u>	<u>1,201</u>
Other financing sources (uses):			
Transfers in	-	74,000	-
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>74,000</u>	<u>-</u>
Net changes in fund balances	53,341	(165,283)	1,201
Fund balances (deficit) - beginning of year	<u>3,313,152</u>	<u>590,592</u>	<u>701,193</u>
Fund balances (deficit) - end of year	<u><u>3,366,493</u></u>	<u><u>425,309</u></u>	<u><u>702,394</u></u>

See Notes to Financial Statements

Paving Districts 416	Revolving Loan Fund 421	Revolving EMPG Reimbursement 424	Youth Reporting Center 425	Tire Recycling 426	Other Grants 431
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	298,948
-	-	60,710	-	4,985	288,842
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	60,710	-	4,985	587,790
-	-	-	-	-	-
-	-	-	-	4,985	339,119
-	-	37,341	5,245	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	399,644
-	-	-	-	-	-
-	-	-	-	-	-
-	-	37,341	5,245	4,985	738,763
-	-	-	-	-	-
-	-	23,369	(5,245)	-	(150,973)
-	-	-	-	1,800	50,000
-	-	-	(11,276)	-	-
-	-	-	(11,276)	1,800	50,000
-	-	23,369	(16,521)	1,800	(100,973)
2,538	101,105	23,227	16,521	-	93,314
2,538	101,105	46,596	-	1,800	(7,659)

See Notes to Financial Statements

STATE OF NEW MEXICO
LEA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Jal CDBG Wastewater 433	Magistrate Court Security 438	Property Valuation Fund 499
Revenues			
Property, sales, and miscellaneous taxes	\$ -	-	-
Payment in lieu of taxes	-	-	-
Licenses and permits	-	-	-
Intergovernmental:			
Federal	-	-	-
State	-	-	-
Charges for services	-	15,000	450,398
Investment earnings	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>15,000</u>	<u>450,398</u>
Expenditures			
Current			
General government	-	-	262,364
Public safety	-	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Airports	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>262,364</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>15,000</u>	<u>188,034</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	(15,892)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(15,892)</u>	<u>-</u>
Net changes in fund balances	-	(892)	188,034
Fund balances (deficit) - beginning of year	<u>21,882</u>	<u>892</u>	<u>750,699</u>
Fund balances (deficit) - end of year	<u>\$ 21,882</u>	<u>-</u>	<u>938,733</u>

See Notes to Financial Statements

Stipulation Account 503	EMS Knowles 604	Enforcement Protection Grant 605	High Intensity Drug Trafficking Areas Funds 609	EMS Maljamar 613	County Fire Marshall 618
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,321,912	-	-
-	5,118	52,400	-	-	75,667
-	-	-	-	-	-
-	-	-	19	-	-
-	-	-	29	-	-
<u>-</u>	<u>5,118</u>	<u>52,400</u>	<u>1,321,960</u>	<u>-</u>	<u>75,667</u>
-	-	-	-	-	-
-	4,468	109,164	1,238,569	-	59,418
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>4,468</u>	<u>109,164</u>	<u>1,238,569</u>	<u>-</u>	<u>59,418</u>
-	650	(56,764)	83,391	-	16,249
-	-	-	65,000	-	-
<u>(1,336)</u>	<u>-</u>	<u>-</u>	<u>(20,211)</u>	<u>-</u>	<u>-</u>
<u>(1,336)</u>	<u>-</u>	<u>-</u>	<u>44,789</u>	<u>-</u>	<u>-</u>
(1,336)	650	(56,764)	128,180	-	16,249
<u>1,336</u>	<u>14,398</u>	<u>56,764</u>	<u>101,193</u>	<u>6,994</u>	<u>40,378</u>
<u>-</u>	<u>15,048</u>	<u>-</u>	<u>229,373</u>	<u>6,994</u>	<u>56,627</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES (DEFICIT)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Fire Excise Tax 619	EMS Monument 621	Total Non-Major Special Revenue Funds
Revenues			
Property, sales, and miscellaneous taxes	\$ -	-	1,657,751
Payment in lieu of taxes	-	-	-
Licenses and permits	-	-	109,812
Intergovernmental:			
Federal	-	-	2,399,623
State	-	-	3,119,847
Charges for services	-	-	757,185
Investment earnings	2,655	-	2,674
Miscellaneous	-	-	60,918
<i>Total revenues</i>	<u>2,655</u>	<u>-</u>	<u>8,107,810</u>
Expenditures			
Current			-
General government	-	-	3,656,370
Public safety	-	-	1,585,747
Culture and recreation	-	-	52,603
Health and welfare	-	-	-
Airports	-	-	4,849,178
Capital outlay	43,618	-	2,655,158
Debt service			-
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>43,618</u>	<u>-</u>	<u>12,799,056</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(40,963)</u>	<u>-</u>	<u>(4,691,246)</u>
Other financing sources (uses):			
Transfers in	-	-	3,649,198
Transfers out	-	-	(1,548,163)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>2,101,035</u>
Net changes in fund balances	(40,963)	-	(2,590,211)
Fund balances (deficit) - beginning of year	<u>938,448</u>	<u>1,017</u>	<u>10,540,536</u>
Fund balances (deficit) - end of year	<u><u>897,485</u></u>	<u><u>1,017</u></u>	<u><u>7,950,325</u></u>

See Notes to Financial Statements

<u>Debt Service</u> Gross Receipts Debt Service 658	<u>Total Non-Major Funds</u>
4,222,638	5,880,389
-	-
-	109,812
-	-
-	2,399,623
-	3,119,847
-	757,185
1,228	3,902
-	60,918
<u>4,223,866</u>	<u>12,331,676</u>
-	3,656,370
-	1,585,747
-	52,603
-	-
-	4,849,178
-	2,655,158
-	-
720,000	720,000
151,285	151,285
<u>871,285</u>	<u>13,670,341</u>
<u>3,352,581</u>	<u>(1,338,665)</u>
-	3,649,198
<u>(3,608,046)</u>	<u>(5,156,209)</u>
<u>(3,608,046)</u>	<u>(1,507,011)</u>
(255,465)	(2,845,676)
<u>1,665,235</u>	<u>12,205,771</u>
<u>1,409,770</u>	<u>9,360,095</u>

See Notes to Financial Statements

FIDUCIARY FUNDS

STATE OF NEW MEXICO
LEA COUNTY
FIDUCIARY FUNDS DESCRIPTIONS
JUNE 30, 2017

FIDUCIARY FUNDS

Agency Funds – To account for the collection and payment of property taxes and special fees to other governmental agencies. Agency funds are purely custodial and do not involve measurement of results of operations.

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
COUNTY CLERK'S OFFICE				
ASSETS				
Cash and cash equivalents	\$ 35,365	700,334	661,441	74,258
Total assets	<u>35,365</u>	<u>700,334</u>	<u>661,441</u>	<u>74,258</u>
LIABILITIES				
Deposits held in trust for others	35,365	700,334	661,441	74,258
Total liabilities	<u>35,365</u>	<u>700,334</u>	<u>661,441</u>	<u>74,258</u>
COUNTY PROBATE JUDGE'S OFFICE				
ASSETS				
Cash and cash equivalents	390	5,340	5,070	660
Total assets	<u>390</u>	<u>5,340</u>	<u>5,070</u>	<u>660</u>
LIABILITIES				
Deposits held in trust for others	390	5,340	5,070	660
Total liabilities	<u>390</u>	<u>5,340</u>	<u>5,070</u>	<u>660</u>
DETENTION INMATE TRUST				
ASSETS				
Cash and cash equivalents	21,442	676,080	663,140	34,382
Total assets	<u>21,442</u>	<u>676,080</u>	<u>663,140</u>	<u>34,382</u>
LIABILITIES				
Deposits held in trust for others	21,442	676,080	663,140	34,382
Total liabilities	<u>21,442</u>	<u>676,080</u>	<u>663,140</u>	<u>34,382</u>

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
DETENTION BOND ACCOUNT				
ASSETS				
Cash and cash equivalents	\$ 1,183	-	-	1,183
Total assets	<u>1,183</u>	<u>-</u>	<u>-</u>	<u>1,183</u>
LIABILITIES				
Deposits held in trust for others	1,183	-	-	1,183
Total liabilities	<u>1,183</u>	<u>-</u>	<u>-</u>	<u>1,183</u>
COUNTY TREASURER'S OFFICE SUSPENSE FUND (478)				
ASSETS				
Cash and cash equivalents	13,251,775	-	12,479,925	771,850
Total assets	<u>13,251,775</u>	<u>-</u>	<u>12,479,925</u>	<u>771,850</u>
LIABILITIES				
Deposits held in trust for others	13,251,775	-	12,479,925	771,850
Total liabilities	<u>13,251,775</u>	<u>-</u>	<u>12,479,925</u>	<u>771,850</u>
LEA COUNTY WATER USERS ASSOCIATION (635)				
ASSETS				
Cash and cash equivalents	27,556	-	1,000	26,556
Total assets	<u>27,556</u>	<u>-</u>	<u>1,000</u>	<u>26,556</u>
LIABILITIES				
Deposits held in trust for others	27,556	-	1,000	26,556
Total liabilities	<u>27,556</u>	<u>-</u>	<u>1,000</u>	<u>26,556</u>
COUNTY TREASURER'S OFFICE (800 and Various School Funds)				
ASSETS				
Cash and cash equivalents	1,834,619	75,237,985	74,224,656	2,847,948
Receivables - Property taxes	1,615,734	52,416,367	51,701,158	2,330,943
Receivables - Other	275,832	-	275,832	-
Total assets	<u>3,726,185</u>	<u>127,654,352</u>	<u>126,201,646</u>	<u>5,178,891</u>
LIABILITIES				
Deposits held in trust for others	1,834,619	75,237,985	74,224,656	2,847,948
Future taxes collectible	1,615,734	52,416,367	51,701,158	2,330,943
Other liabilities	275,832	-	275,832	-
Total liabilities	<u>3,726,185</u>	<u>127,654,352</u>	<u>126,201,646</u>	<u>5,178,891</u>

STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
AGENCY FUNDS
YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
LEA COUNTY COMMUNICATIONS AUTHORITY (808)				
ASSETS				
Cash and cash equivalents	\$ 9,169	3,599,902	3,046,141	562,930
Total assets	<u>9,169</u>	<u>3,599,902</u>	<u>3,046,141</u>	<u>562,930</u>
LIABILITIES				
Deposits held in trust for others	9,169	3,599,902	3,046,141	562,930
Total liabilities	<u>9,169</u>	<u>3,599,902</u>	<u>3,046,141</u>	<u>562,930</u>
EDDY-LEA ENERGY ALLIANCE (809)				
ASSETS				
Cash and cash equivalents	59,759	59,899	23,587	96,071
Total assets	<u>59,759</u>	<u>59,899</u>	<u>23,587</u>	<u>96,071</u>
LIABILITIES				
Deposits held in trust for others	59,759	59,899	23,587	96,071
Total liabilities	<u>59,759</u>	<u>59,899</u>	<u>23,587</u>	<u>96,071</u>
LEA COUNTY SOLID WASTE AUTHORITY (810 & 811)				
ASSETS				
Cash and cash equivalents	8,058,272	3,307,380	2,876,674	8,488,978
Total assets	<u>8,058,272</u>	<u>3,307,380</u>	<u>2,876,674</u>	<u>8,488,978</u>
LIABILITIES				
Deposits held in trust for others	8,058,272	3,307,380	2,876,674	8,488,978
Total liabilities	<u>8,058,272</u>	<u>3,307,380</u>	<u>2,876,674</u>	<u>8,488,978</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	23,299,530	83,586,920	93,981,634	12,904,816
Receivables - Property taxes	1,615,734	52,416,367	51,701,158	2,330,943
Receivables - Other	275,832	-	275,832	-
Total assets	<u>25,191,096</u>	<u>136,003,287</u>	<u>145,958,624</u>	<u>15,235,759</u>
LIABILITIES				
Deposits held in trust for others	23,299,530	83,586,920	93,981,634	12,904,816
Future taxes collectible	1,615,734	52,416,367	51,701,158	2,330,943
Other liabilities	275,832	-	275,832	-
Total liabilities	<u>25,191,096</u>	<u>136,003,287</u>	<u>145,958,624</u>	<u>15,235,759</u>

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Lea County State Bank	First American Bank	Pioneer Bank	Wells Fargo Bank	Western Commerce Bank	Total
Deposits in Bank or Savings and Loan						
Cash deposits	\$ 137,355	-	-	46,240,492	17,263	46,395,110
Certificates of deposits	10,344,618	8,000,000	2,000,063	-	4,350,000	24,694,681
Total amounts on deposit	10,481,973	8,000,000	2,000,063	46,240,492	4,367,263	71,089,791
Less: FDIC insurance	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(1,250,000)
Total uninsured public funds:	10,231,973	7,750,000	1,750,063	45,990,492	4,117,263	69,839,791
Total repurchase agreement:	-	-	-	2,043,508	-	2,043,508
Collateral requirement - 50%	5,115,987	3,875,000	875,032	22,995,246	2,058,632	34,919,896
Collateral requirement - 102%	-	-	-	2,084,378	-	2,084,378
Total required collateralization	\$ 5,115,987	3,875,000	875,032	25,079,624	2,058,632	37,004,274

Pledged Collateral						
Type of security and security number	CUSIP Number	Maturity Date				
2 ALAMOGORDO NM 4%	011446GX3	8/1/2033	\$	628,952		628,952
2 RUIDOSO, NM ISD 4.125%	781338HD3	8/1/2022		601,710		601,710
2 CHAVEZ CNTY NM 4.1%	162634BP3	8/1/2019		630,030		630,030
2 LOS LUNAS, SD 3.5%	545562NE6	7/15/2017		710,753		710,753
2 DONA ANA CNTY 2%	257579CQ3	9/1/2018		273,245		273,245
2 BERNALILLO, NM 4.0%	085279NX1	8/1/2019		701,918		701,918
2 BLOOMFIELD, NM 5.0%	094077KP8	9/1/2020		733,054		733,054
2 LAS CRUCES NM JT UT 5%	517496ES0	6/1/2023		1,589,230		1,589,230
2 LAS CRUCES NM SD 3%	517534TA1	8/1/2022		642,630		642,630
2 LEA CNTY, NM PSD 2.0%	521513CT6	3/15/2022		504,020		504,020
2 LOVING NM ISD 4.25%	647413CX0	7/15/2023		348,294		348,294
2 NEW MEXICO MILITARY 4%	647183BR2	6/1/2027		953,818		953,818
2 POJOAQUE VY PSD 4%	73085PAT6	8/1/2018		464,013		464,013
2 ROSWELL NM ISD 4%	778550JW4	8/1/2023		584,360		584,360
1 CHAVES CNTY RCPTS	162634BMC	8/1/2017		481,344		481,344
1 CLOVIS SD 1-BLDG NM	189414GM1	8/1/2019		501,420		501,420
1 GALLUP ETC SD 1-BLDG NM 1	364010PD4	8/1/2017		300,966		300,966
1 LEA CNTY PUB SD 8 NM 18	521513BS9	1/15/2018		452,687		452,687
1 HOBBS SD 16 NMNM 21	433866EV8	7/15/2021		668,902		668,902
1 TEXICO SD 2 NM 21	883005CH1	8/21/2021		170,556		170,556
1 LOS LUNAS SD 1 NM 24	545562QY9	7/15/2024		852,064		852,064
1 GNMA 15 YR	3620AQXB4	2/15/2025		170,345		170,345
1 CLOVIS MUN SD 1 NM 25	189414JB2	8/1/2025		917,316		917,316
1 NM FIN C SR LIEN PUB NM 25	64711NGRO	6/1/2028		539,895		539,895
1 DONA ANA CO NM 32	257579DE9	9/1/2032		514,979		514,979
1 GNMA II 30 YR	36189MA57	10/24/2045		1,324,208		1,324,208
1 FHLMC ARM 847032	3128HDY52	7/1/2032		33,685	33,685	33,685
1 FHLMC ARM 789868	31295N6D5	9/1/2032		33,359	33,359	33,359
1 FHLMC 7817212	3134954E0	7/1/2034		354,086	354,086	354,086
1 FHLMC ARM 781086	313495F32	12/1/2033		478,781	478,781	478,781
1 FHLMC 782804	31349UDH8	11/1/2034		76,995	76,995	76,995
1 FHLMC 782847	31349UEU8	11/1/2034		107,553	107,553	107,553
1 FHLMC 782928	31349UHDE	1/1/2035		49,855	49,855	49,855
1 FN AJ1622	3138ASYU0	10/1/2026		200,159	200,159	200,159
1 FNMA ARM 651556	31390NZV7	7/1/2032		130,955	130,955	130,955
1 FNMA ARM 759453	31403VWN5	1/1/2034		65,354	65,354	65,354
1 FNMA ARM 8051152	31406BQD5	1/1/2035		56,656	56,656	56,656
1 FNMA 845529	31408ALJ7	12/1/2035		111,467	111,467	111,467
1 FN ARM 920547	31412BWW3	9/1/2036		79,615	79,615	79,615
3 FMAC FGPC 3.5%	3128MJWL0	6/1/2045			42,547	42,547
3 FNMA FNMS 3%	3138NY4W2	2/1/2043			22,311,620	22,311,620
3 FNMA FNMS 3%	3138WOHU6	2/1/2043			3,479,107	3,479,107
3 FNMA FNMS 3%	3138W1JA6	2/1/2043			401,981	401,981
3 FNMA FNMS 3%	31417EVM0	2/1/2043			2,981,746	2,981,746
1 FNMA POOL 888407	31410GAG8	9/1/2036			146,128	146,128
1 FG G05256	312BM7E51	3/1/2039			157,073	157,073
1 FNMA POOL 705683	31401D6U0	10/1/2033			38,450	38,450
1 FNMA POOL AC2952	31417MH63	9/1/2039			433,105	433,105
1 FNMA MA0819	31417Y4D6	9/1/2033			161,316	161,316
1 FNMA MA1515	31418AVH8	7/1/2041			1,373,304	1,373,304
1 FNMA AA7972	31416RZG1	8/1/2043			836,823	836,823
Totals:	\$ 9,366,027	6,894,682	1,778,520	29,217,001	3,146,199	50,402,429
Total under (over) pledged:	(4,250,041)	(3,019,682)	(903,489)	(4,137,377)	(1,087,568)	(13,398,155)

Name and Location of Safe keeper: 1 Federal Home Loan Bank Dallas, TX 2 The Independent Bankers Bank Dallas, TX 3 BNY Mellon New York, NY

STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2017

Account Type	Account Name	Lea County State Bank	First American Bank	Pioneer Savings Bank	Wells Fargo	Western Commerce Bank	Moreton Capital Markets	Totals
Cash and Cash Equivalents								
Checking	Lea County Treasurer	\$ 21,483	-	-	-	-	-	21,483
Checking	Lea County Clerk	74,258	-	-	-	-	-	74,258
Checking	Lea County Probate Clerk	390	-	-	-	-	-	390
Checking	Lea County Treasurer EFTPS	40,041	-	-	-	-	-	40,041
Checking	Lea County Detention Facility	1,183	-	-	-	-	-	1,183
CD	Lea County Treasurer	2,000,000	-	-	-	-	-	2,000,000
CD	Lea County Treasurer	2,000,000	-	-	-	-	-	2,000,000
CD	Lea County Treasurer	1,000,000	-	-	-	-	-	1,000,000
CD	Lea County Treasurer	1,000,000	-	-	-	-	-	1,000,000
CD	Lea County Treasurer	1,000,000	-	-	-	-	-	1,000,000
CD	Lea County Treasurer	1,001,493	-	-	-	-	-	1,001,493
CD	Lea County Treasurer	1,443,125	-	-	-	-	-	1,443,125
CD	Lea County Treasurer	900,000	-	-	-	-	-	900,000
CD	Lea County Treasurer	-	2,000,000	-	-	-	-	2,000,000
CD	Lea County Treasurer	-	1,000,000	-	-	-	-	1,000,000
CD	Lea County Treasurer	-	1,000,000	-	-	-	-	1,000,000
CD	Lea County Treasurer	-	1,000,000	-	-	-	-	1,000,000
CD	Lea County Treasurer	-	1,000,000	-	-	-	-	1,000,000
CD	Lea County Treasurer	-	1,000,000	-	-	-	-	1,000,000
CD	Lea County Treasurer	-	-	1,000,037	-	-	-	1,000,037
CD	Lea County Treasurer	-	-	1,000,026	-	-	-	1,000,026
Checking	Detention Inmate Trust Account	-	-	-	34,382	-	-	34,382
Checking	Lea County Treasurer	-	-	-	2,043,508	-	-	2,043,508
Checking	Lea County - Debt Service Account	-	-	-	4,608,046	-	-	4,608,046
Savings	Lea County Treasurer	-	-	-	39,554,556	-	-	39,554,556
Checking	LCDTF - HIDTA Travel Fund	-	-	-	-	129	-	129
Checking	LCDTF - State Forfeiture Fund	-	-	-	-	9,002	-	9,002
Checking	LCDTF - Justice Forfeiture Fund	-	-	-	-	8,132	-	8,132
CD	Lea County Treasurer	-	-	-	-	2,000,000	-	2,000,000
CD	Lea County Treasurer	-	-	-	-	850,000	-	850,000
CD	Lea County Treasurer	-	-	-	-	1,000,000	-	1,000,000
CD	Lea County Treasurer	-	-	-	-	500,000	-	500,000
CD	Lea County Treasurer	-	-	-	-	-	250,073	250,073
CD	Lea County Treasurer	-	-	-	-	-	249,750	249,750
CD	Lea County Treasurer	-	-	-	-	-	249,500	249,500
CD	Lea County Treasurer	-	-	-	-	-	249,295	249,295
CD	Lea County Treasurer	-	-	-	-	-	249,685	249,685
CD	Lea County Treasurer	-	-	-	-	-	250,000	250,000
CD	Lea County Treasurer	-	-	-	-	-	250,000	250,000
CD	Lea County Treasurer	-	-	-	-	-	250,000	250,000
CD	Lea County Treasurer	-	-	-	-	-	249,428	249,428
CD	Lea County Treasurer	-	-	-	-	-	250,000	250,000
CD	Lea County Treasurer	-	-	-	-	-	250,000	250,000
CD	Lea County Treasurer	-	-	-	-	-	249,053	249,053
CD	Lea County Treasurer	-	-	-	-	-	250,000	250,000
Total on Deposit		10,481,973	8,000,000	2,000,063	46,240,492	4,367,263	3,496,784	74,586,575
Reconciling Items		10,186	-	-	4,576,415	-	-	4,586,601
Total Reconciled Cash and Cash Equivalents		\$ 10,492,159	8,000,000	2,000,063	50,816,907	4,367,263	3,496,784	79,173,176
Petty Cash								1,000
Total Cash June 30, 2017								79,174,176
Less: Agency Funds								(12,904,816)
Combined Cash Balance Sheet Total June 30, 2017								\$ 66,269,360

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
 JUNE 30, 2017

Account Type	Account Name	Lea County State Bank	First American Bank	Pioneer Savings Bank	Wells Fargo	Western Commerce Bank	Moreton Capital Markets	Totals
Investments								
Treasury Strip	Lea County Treasurer	\$ 100,145	-	-	-	-	-	100,145
CD	Lea County Treasurer	-	1,177,205	-	-	-	-	1,177,205
CD	Lea County Treasurer	-	-	-	-	1,000,000	-	1,000,000
CD	Lea County Treasurer	-	-	-	-	-	247,944	247,944
CD	Lea County Treasurer	-	-	-	-	-	252,558	252,558
CD	Lea County Treasurer	-	-	-	-	-	1,222,900	1,222,900
CD	Lea County Treasurer	-	-	-	-	-	248,243	248,243
CD	Lea County Treasurer	-	-	-	-	-	249,750	249,750
CD	Lea County Treasurer	-	-	-	-	-	996,310	996,310
CD	Lea County Treasurer	-	-	-	-	-	992,660	992,660
CD	Lea County Treasurer	-	-	-	-	-	992,060	992,060
CD	Lea County Treasurer	-	-	-	-	-	986,800	986,800
CD	Lea County Treasurer	-	-	-	-	-	989,020	989,020
CD	Lea County Treasurer	-	-	-	-	-	967,220	967,220
CD	Lea County Treasurer	-	-	-	-	-	981,240	981,240
		\$ <u>100,145</u>	<u>1,177,205</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>9,126,705</u>	<u>11,404,055</u>

STATE OF NEW MEXICO
LEA COUNTY
TAX ROLL RECONCILIATION - CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2017

Property taxes receivable, beginning of year	\$ 1,615,734
Changes to tax roll:	
Net tax charges to treasurer for tax year 2016	52,351,871
Decrease in net tax charges 2007-2016	-
Adjustments:	
Less roll-off of 2005 taxes on ten year schedule	(10,312)
Net increase/(decrease) of taxes receivable	989,446
Unknown increase in receivable	387,587
Total receivable prior to collections	55,334,326
Collections for fiscal year ended June 30, 2017	<u>(52,729,146)</u>
Property taxes receivable at June 30, 2017	<u>\$ 2,605,180</u>
Property taxes are reported as follows	
Governmental funds:	
County portion	806,712
Agency portion	<u>1,798,468</u>
Total property taxes receivable	<u>\$ 2,605,180</u>
Property taxes receivable by years:	
2007-2015	542,873
2016	<u>2,062,307</u>
	<u>\$ 2,605,180</u>

STATE OF NEW MEXICO
 LEA COUNTY
 TREASURERS PROPERTY TAX SCHEDULE
 June 30, 2017

	Property Taxes Levied	Collected In Current Year	Collected To-Date	Distributed In Current Year	Distributed To-Date	Current Amount Decreases	Current Amount Increases	Undistr. At Year End	County Receivable At Year-End
LEA COUNTY:									
Operations									
2007 - 2015	\$ 106,766,732	859,494	106,589,429	1,062,237	106,562,270	-	-	27,158	177,303
2016	15,658,341	15,028,932	15,028,932	14,859,927	14,859,927	-	-	169,006	629,409
Total	122,425,073	15,888,426	121,618,361	15,922,164	121,422,197	-	-	196,164	806,712
CITY OF LOVINGTON									
2007 - 2015	2,867,677	18,308	2,859,087	24,058	2,856,565	-	-	2,521	8,591
2016	423,968	396,601	396,601	388,093	388,093	-	-	8,508	27,367
Total	3,291,645	414,909	3,255,688	412,151	3,244,658	-	-	11,029	35,958
CITY OF EUNICE									
2007 - 2015	1,256,082	10,925	1,251,943	14,169	1,251,602	-	-	342	4,138
2016	191,327	182,243	182,243	178,031	178,031	-	-	4,212	9,085
Total	1,447,409	193,168	1,434,186	192,200	1,429,633	-	-	4,554	13,223
CITY OF HOBBS									
2007 - 2015	17,994,089	120,682	17,964,275	176,012	17,957,523	-	-	6,752	29,814
2016	2,756,023	2,636,525	2,636,525	2,586,747	2,586,747	-	-	49,777	119,498
Total	20,750,112	2,757,207	20,600,800	2,762,759	20,544,270	-	-	56,529	149,312
CITY OF JAL									
2007 - 2015	938,405	19,469	936,718	21,740	936,281	-	-	437	1,687
2016	255,261	245,155	245,155	242,300	242,300	-	-	2,855	10,106
Total	1,193,666	264,624	1,181,873	264,040	1,178,581	-	-	3,292	11,793
TOWN OF TATUM									
2007 - 2015	195,479	3,218	194,615	7,492	194,019	-	-	124	864
2016	29,641	26,500	26,500	26,104	26,104	-	-	396	3,141
Total	225,120	29,718	221,115	33,596	220,123	-	-	520	4,005
NEW MEXICO JUNIOR COLLEGE									
2007 - 2015	51,736,944	417,023	51,649,848	516,489	51,636,259	-	-	13,589	87,096
2016	7,612,287	7,304,607	7,304,607	7,220,887	7,220,887	-	-	83,720	307,680
Total	59,349,231	7,721,630	58,954,455	7,737,376	58,857,146	-	-	97,309	394,776
NOR LEA									
2007 - 2015	9,470,869	40,019	9,453,066	54,586	9,448,464	-	-	4,602	17,804
2016	1,685,303	1,638,954	1,638,954	1,622,895	1,622,895	-	-	16,059	46,348
Total	11,156,172	1,678,973	11,092,020	1,677,481	11,071,359	-	-	20,661	64,152
JAL HOSPITAL									
2007 - 2015	3,396,604	77,647	3,385,947	89,993	3,385,752	-	-	195	10,657
2016	567,982	497,525	497,525	496,125	496,125	-	-	1,400	70,457
Total	3,964,586	575,172	3,883,472	586,118	3,881,877	-	-	1,595	81,114
EUNICE HOSPITAL									
2007 - 2015	2,095,712	25,115	2,094,195	26,354	2,094,040	-	-	155	1,517
2016	283,840	280,264	280,264	277,668	277,668	-	-	2,596	3,576
Total	2,379,552	305,379	2,374,459	304,022	2,371,708	-	-	2,751	5,093

STATE OF NEW MEXICO
 LEA COUNTY
 TREASURERS PROPERTY TAX SCHEDULE (CONTINUED)
 June 30, 2016

	Property Taxes Levied	Collected In Current Year	Collected To-Date	Distributed In Current Year	Distributed To-Date	Current Amount Decreases	Current Amount Increases	Undistr. At Year End	County Receivable At Year-End
STATE OF NEW MEXICO									
2007 - 2015	15,613,043	124,282	15,586,216	157,109	15,530,231	-	-	4,519	26,826
2016	2,415,475	2,320,391	2,320,391	2,292,638	2,292,638	-	-	27,753	95,085
Total	18,028,518	2,444,673	17,906,607	2,449,747	17,822,869	-	-	32,272	121,911
LOVINGTON SCHOOL									
2007 - 2015	16,064,080	87,041	16,027,649	113,193	16,016,870	-	-	10,779	36,431
2016	4,162,581	4,050,189	4,050,189	4,007,591	4,007,591	-	-	42,598	112,392
Total	20,226,661	4,137,230	20,077,838	4,120,784	20,024,461	-	-	53,377	148,823
EUNICE SCHOOL									
2007 - 2015	8,034,660	113,668	8,028,691	118,416	8,028,105	-	-	586	5,969
2016	2,119,513	2,092,280	2,092,280	2,072,750	2,072,750	-	-	19,530	27,233
Total	10,154,173	2,205,948	10,120,971	2,191,166	10,100,855	-	-	20,116	33,202
HOBBS SCHOOLS									
2007 - 2015	57,154,121	413,030	57,047,525	558,348	57,027,391	-	-	20,134	106,595
2016	12,038,648	11,614,801	11,614,801	11,428,564	11,428,564	-	-	186,237	423,897
Total	69,192,769	12,027,831	68,662,326	11,986,912	68,455,955	-	-	206,371	530,442
JAL SCHOOLS									
2007 - 2015	3,655,727	78,048	3,637,595	90,141	3,646,321	-	-	303	18,133
2016	1,154,380	1,011,024	1,011,024	1,008,306	1,008,306	-	-	2,718	143,356
Total	4,810,107	1,089,072	4,648,619	1,098,447	4,654,627	-	-	3,021	161,489
TATUM SCHOOLS									
2007 - 2015	2,213,925	8,326	2,209,374	15,757	2,203,210	-	-	237	4,551
2016	549,006	532,870	532,870	529,970	529,970	-	-	2,900	16,136
Total	2,762,931	541,196	2,742,244	545,727	2,733,180	-	-	3,137	20,687
NONRENDERED									
2007 - 2015	718,900	2,740	718,558	2,759	718,505	-	-	53	343
2016	908	863	863	833	833	-	-	30	45
Total	719,808	3,603	719,421	3,592	719,338	-	-	83	388
1% ASSESSOR									
2007 - 2015	2,502,545	20,546	2,497,991	25,904	2,497,195	-	-	796	4,554
2016	447,387	429,841	429,841	424,421	424,421	-	-	5,420	17,546
Total	2,949,932	450,387	2,927,832	450,325	2,921,616	-	-	6,216	22,100
TOTALS									
2007 - 2015	302,675,594	2,439,581	302,132,722	3,074,757	301,990,603	-	-	93,282	542,873
2016	52,351,871	50,289,565	50,289,565	49,663,850	49,663,850	-	-	625,715	2,062,307
GRAND TOTAL	\$ 355,027,465	52,729,146	352,422,287	52,738,607	351,654,453	-	-	718,997	2,605,180

Presumed paid after ten years per Section 7-38-81(C) NMSA 1978

**STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017**

Federal Grantor or Pass-Through Grantor/Program Title	Pass-through Grant Number	Federal CFDA Number	Federal Expenditures
Department of Homeland Security			
Emergency Management Performance Grants			
Salary Reimbursement	N/A	97.042	\$ <u>43,160</u>
Total Emergency Management Performance Grants			<u>43,160</u>
Homeland Security Grant Program			
2015 State Homeland Security Grant Program	N/A	97.067	<u>42,028</u>
Total Homeland Security Grant Program Grants			<u>42,028</u>
Total Department of Homeland Security			<u>85,188</u>
Executive Office of the President			
High Intensity Drug Trafficking Areas Programs			
Edward Byrne Memorial Justice	N/A	16.807	8,016
High Intensity Drug Trafficking Areas Program - G15SN0017A	N/A	95.001	61,190
High Intensity Drug Trafficking Areas Program - G16SN0017A	N/A	95.001	<u>1,124,941</u>
Total Executive Office of the President			<u>1,194,147</u>
Department of Transportation			
Airport Improvement Programs			
Reconstruction of Apron - Zip Franklin (1)	N/A	20.106	98,150
Airport Development - Jal (1)	N/A	20.106	45,689
Airport Development - Hobbs (1)	N/A	20.106	758,643
Hobbs Runway 12/30 Rehabilitation Design (1)	N/A	20.106	5,421,213
Drainage Master Plan (1)	N/A	20.106	<u>13,065</u>
Total Department of Transportation			<u>6,336,760</u>
Department of Interior			
<i>Passed through State of New Mexico</i>			
Rangeland Resource Management	2016-2017	15.237	<u>103,320</u>
Total Department of Interior			<u>103,320</u>
Department of Justice			
State Criminal Alien Assistance Program	N/A	16.606	<u>3,942</u>
Total Department of Justice			<u>3,942</u>
Department of Energy			
<i>Passed through State of New Mexico</i>			
Rangeland Resource Management	N/A	81.106	<u>260,040</u>
Total Department of Energy			<u>260,040</u>
Total Federal Financial Assistance			<u>\$ 7,983,397</u>

(1) Denotes major federal assistance program

STATE OF NEW MEXICO
 LEA COUNTY
 NOTE TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2017

NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the County under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, and cash flows of the County. Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Subrecipients of Grant Awards

CFDA Number	Program Name	Subrecipient Name	Amount
95.001	High Intensity Drug Trafficking Areas Program	Chaves County	\$ 131,083
95.001	High Intensity Drug Trafficking Areas Program	Lincoln County	133,325
95.001	High Intensity Drug Trafficking Areas Program	Eddy County	<u>517,135</u>
		Total CFDA 95.001	<u>\$ 781,543</u>

COMPLIANCE SECTION

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

To Timothy Keller
New Mexico State Auditor
The Board of County Commissioners
Lea County
Lovington, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and the major special revenue funds of Lea County (the “County”) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and the combining and individual funds and related budgetary comparisons of the County, presented as supplemental information, and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

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

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. *A significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify any deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 is described in the accompanying schedule of findings and responses as item 2016-002.

The County's Response to Findings

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
November 30, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Mr. Timothy Keller
New Mexico State Auditor
The Board of County Commissioners
Lea County
Lovington, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Lea County (the "County") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

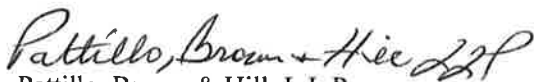
Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Pattillo, Brown & Hill, L.L.P.

Albuquerque, New Mexico

November 30, 2017

**STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting: Material Weakness reported?	No
Significant deficiencies reported not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses reported?	No
Significant deficiencies reported not considered to be material weaknesses?	None
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Identification of major programs: Airport Improvement Programs – CFDA #20.106	
Dollar threshold used to distinguish Between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**STATE OF NEW MEXICO
LEA COUNTY
STATUS OF PRIOR YEAR FINDINGS
Year Ended June 30, 2017**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

2016-002 – Controls Surrounding Cash Disbursements (Other Matter)

CONDITION: During our test of controls over cash disbursements we noted that 23 out of a sample of 40 purchase orders totaling \$36,012 were created subsequent to the purchases being made. During May of 2017 this was corrected were purchase orders are now required prior to the purchase being made. The County has made progress in resolving this finding.

CRITERIA: 6-6-2.J NMAC 1978 states that expenditures must be monitored to ensure expenditures are made within budgetary constraints and to ensure expenditures are legal.

The Committee of Sponsoring Organization of the Treadway Commission (COSO) define internal control as a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives related to operations, reporting, and compliance.

EFFECT: Purchases could be made in excess of the budget or unpermitted purchases could be made.

CAUSE: The County has not sufficiently designed internal controls over the cash disbursements process and there was a breakdown in the controls.

RECOMMENDATION: We recommend the County require all purchase order to be approved prior to purchases being made. Additionally, the County should monitor internal controls to ensure they are working properly.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS: Lea County implemented a new requisition module in May 2017. This requisition module requires each department to encumber the funds, before a purchase can be made. The requisition must be approved by the department head. Any requisition over \$10,000 require the department heads signature as well as the Chief Procurement Officer before the requisition can be approved. All requisitions over \$50,000 require the department heads signature, Finance Director and the County Managers signatures before the purchase can be made.

**STATE OF NEW MEXICO
LEA COUNTY
STATUS OF PRIOR YEAR FINDINGS
Year Ended June 30, 2017**

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

None

**STATE OF NEW MEXICO
LEA COUNTY
STATUS OF PRIOR YEAR FINDINGS
Year Ended June 30, 2017**

STATUS OF PRIOR YEAR FINDINGS

	Description	Status
2016-001	IT General Controls	Resolved
2016-002	Controls Surrounding Cash Disbursements	Revised and Repeated
2016-003	Controls Surrounding Payroll Disbursements	Resolved
2016-004	Manual Journal Entry Review	Resolved
2016-005	Non-Compliance with Travel and Per Diem	Resolved
2016-006	Reporting	Resolved

**STATE OF NEW MEXICO
LEA COUNTY
EXIT CONFERENCE
JUNE 30, 2017**

EXIT CONFERENCE

An exit conference was conducted on November 30, 2017, with the following individuals:

Lea County

Ron Black, County Commissioner
Michael Gallagher, County Manager
Henry C. Low, Jr., CPA, Director of Finance
Tai Etcheverry, CPA, Assistant Director of Finance

Pattillo, Brown & Hill, LLP

Chris Garner, CPA

Auditor Prepared Financial Statements

Pattillo, Brown & Hill, LLP prepared the GAAP-basis financial statements, related footnotes and supporting schedules from the original books and records provided to them by the management of the County. The County's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements, and the County accepts responsibility for the financial statements.