

**STATE OF NEW MEXICO
LEA COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**



INTRODUCTORY SECTION

**STATE OF NEW MEXICO
LEA COUNTY
OFFICIAL ROSTER
JUNE 30, 2018**

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

**STATE OF NEW MEXICO
LEA COUNTY
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JUNE 30, 2018**

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LEA COUNTY
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FINANCIAL SECTION



Independent Auditor's Report

To the County Commission
Lea County
And Mr. Wayne Johnson
New Mexico State Auditor

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 major special revenue funds of Lea County, New Mexico (the "County") as of and for the year ended June 30, 2018, 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

The County's 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.

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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, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the general fund, major special revenue funds and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20, during the year ended June 30, 2018 the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No 75 *Accounting and Financial Reporting for postemployment Benefits Other Than Pension*. The beginning balance of Net Position has been restated due to the implementation. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedule of County's Proportionate Share of the Net Pension Liability, Schedule of County Pension Contributions, Schedule of County's Proportionate Share of the Net OPEB Liability, and Schedule of County OPEB Contributions* on pages 61-65 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 financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other schedules as required by 2.2.2 NMAC as noted in the table of contents, 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 and other schedules required by Section 2.2.2 NMAC as noted in the table of contents, 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 other schedules required by Section 2.2.2 NMAC as noted in the table of contents, 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 29, 2018 on our consideration of 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 29, 2018

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LEA COUNTY
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current:</i>			
Cash and cash equivalents	\$ 63,950,280	354,707	64,304,987
Investments	11,138,037	-	11,138,037
Property tax receivables	984,917	-	984,917
Due from other governments	6,466,149	-	6,466,149
Other receivables	143,603	-	143,603
<i>Total current assets</i>	<u>82,682,986</u>	<u>354,707</u>	<u>83,037,693</u>
<i>Noncurrent assets:</i>			
Capital assets, net accumulated depreciation	192,777,314	2,923,009	195,700,323
<i>Total noncurrent assets</i>	<u>192,777,314</u>	<u>2,923,009</u>	<u>195,700,323</u>
<i>Total assets</i>	<u>275,460,300</u>	<u>3,277,716</u>	<u>278,738,016</u>
DEFERRED OUTFLOWS			
Pension related	8,165,782	-	8,165,782
OPEB related	450,482	-	450,482
<i>Total deferred outflows</i>	<u>8,616,264</u>	<u>-</u>	<u>8,616,264</u>
<i>Total assets and deferred outflows</i>	<u>\$ 284,076,564</u>	<u>3,277,716</u>	<u>287,354,280</u>

STATE OF NEW MEXICO
LEA COUNTY
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	2,100,610	-	2,100,610
Accrued payroll liabilities	300,412	-	300,412
Interest payable	10,040	-	10,040
Debt due within one year	755,000	-	755,000
Current portion of compensated absences	200,662	-	200,662
<i>Total current liabilities</i>	<u>3,366,724</u>	<u>-</u>	<u>3,366,724</u>
<i>Noncurrent liabilities:</i>			
Debt due in more than more one year	4,875,000	-	4,875,000
Long term portion of compensated absences	601,987	-	601,987
Net pension liability	25,634,685	-	25,634,685
Net OPEB liability	15,977,320	-	15,977,320
<i>Total noncurrent liabilities</i>	<u>47,088,992</u>	<u>-</u>	<u>47,088,992</u>
<i>Total liabilities</i>	<u>50,455,716</u>	<u>-</u>	<u>50,455,716</u>
DEFERRED INFLOWS			
Pension related	3,213,975	-	3,213,975
OBEP related	3,636,401	-	3,636,401
<i>Total deferred inflows</i>	<u>6,850,376</u>	<u>-</u>	<u>6,850,376</u>
NET POSITION			
Net investment in capital assets	187,147,314	2,923,009	190,070,323
Restricted for:			
Special revenues	23,766,834	-	23,766,834
Debt Service	3,488,865	-	3,488,865
Unrestricted	12,367,459	354,707	12,722,166
<i>Total net position</i>	<u>226,770,472</u>	<u>3,277,716</u>	<u>230,048,188</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 284,076,564</u>	<u>3,277,716</u>	<u>287,354,280</u>

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 18,549,274	1,445,770	272,047	-
Public safety	23,505,422	2,238,491	2,580,719	-
Culture and recreation	3,150,253	1,068,836	-	-
Health and welfare	7,217,969	-	-	-
Public works	8,083,337	178,652	3,724,929	280,647
Interest relating to long-term debt	134,901	-	-	-
<i>Total Governmental Activities</i>	<u>60,641,156</u>	<u>4,931,749</u>	<u>6,577,695</u>	<u>280,647</u>
Business-type Activities:				
Water service proprietary fund	79	-	-	-
<i>Total Business-type Activities</i>	<u>79</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>60,641,235</u>	<u>4,931,749</u>	<u>6,577,695</u>	<u>280,647</u>

General Revenues:

Property taxes
 Payment in lieu of taxes
 Investment earnings
 Miscellaneous

Total general revenues

Change in net position

Net position - beginning as previously stated

 Prior period restatements (Note 23)

Net positions - beginning as restated

Net position - ending

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
(16,831,457)	-	(16,831,457)
(18,686,212)	-	(18,686,212)
(2,081,417)	-	(2,081,417)
(7,217,969)	-	(7,217,969)
(3,899,109)	-	(3,899,109)
(134,901)	-	(134,901)
<u>(48,851,065)</u>	<u>-</u>	<u>(48,851,065)</u>
<u>-</u>	<u>(79)</u>	<u>(79)</u>
<u>-</u>	<u>(79)</u>	<u>(79)</u>
<u>(48,851,065)</u>	<u>(79)</u>	<u>(48,851,144)</u>
66,661,705	-	66,661,705
3,056,061	-	3,056,061
123,055	-	123,055
675,316	-	675,316
<u>70,516,137</u>	<u>-</u>	<u>70,516,137</u>
<u>21,665,072</u>	<u>(79)</u>	<u>21,664,993</u>
224,083,910	3,277,795	227,361,705
(18,978,510)	-	(18,978,510)
<u>205,105,400</u>	<u>3,277,795</u>	<u>208,383,195</u>
<u>\$ 226,770,472</u>	<u>3,277,716</u>	<u>230,048,188</u>

STATE OF NEW MEXICO
 LEA COUNTY
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	General Fund 401	Road 402	Detention Facility 418
ASSETS			
<i>Current:</i>			
Cash and temporary investments	\$ 46,319,740	1,000,000	320,490
Investments	11,037,892	-	-
Receivables			
Property taxes receivable	984,917	-	-
Receivable from other governments	3,465,054	101,043	159,386
Other receivables	112,088	-	8,116
<i>Total current assets</i>	<u>\$ 61,919,691</u>	<u>1,101,043</u>	<u>487,992</u>
LIABILITIES AND FUND BALANCE			
<i>Current liabilities:</i>			
Accounts payable	\$ 765,129	43,717	337,184
Accrued payroll liabilities	157,519	30,924	75,728
<i>Total current liabilities</i>	<u>922,648</u>	<u>74,641</u>	<u>412,912</u>
DEFERRED INFLOWS			
Unavailable revenue	644,498	-	-
<i>Total deferred inflows</i>	<u>644,498</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)			
Nonspendable:			
Restricted	7,840,991	1,026,402	75,080
Unassigned	52,511,554	-	-
<i>Total fund balance (deficit)</i>	<u>60,352,545</u>	<u>1,026,402</u>	<u>75,080</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 61,919,691</u>	<u>1,101,043</u>	<u>487,992</u>

See Notes to Financial Statements

Capital Projects 430	Nonmajor Governmental Funds	Total Governmental Funds
4,384,941	11,925,109	63,950,280
-	100,145	11,138,037
-	-	984,917
-	2,740,666	6,466,149
-	23,399	143,603
<u>4,384,941</u>	<u>14,789,319</u>	<u>82,682,986</u>
218,898	735,682	2,100,610
-	36,241	300,412
<u>218,898</u>	<u>771,923</u>	<u>2,401,022</u>
-	-	644,498
-	-	644,498
4,166,043	14,147,183	27,255,699
-	(129,787)	52,381,767
<u>4,166,043</u>	<u>14,017,396</u>	<u>79,637,466</u>
<u>4,384,941</u>	<u>14,789,319</u>	<u>82,682,986</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, 2018

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

Fund balances - total governmental funds	\$ 79,637,466
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	192,777,314
Defined benefit pension and OPEB plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	8,616,264
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Property taxes	644,498
Long-term liabilities, are not due in the current period and, therefore, are not reported in the funds	
Net pension liability	(25,634,685)
Net OPEB liability	(15,977,320)
Bond payable	(5,630,000)
Interest payable	(10,040)
Compensated absences	(802,649)
Defined benefit pension and OPEB plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,850,376)</u>
Total net position	<u>\$ 226,770,472</u>

See Notes to Financial Statements

**STATE OF NEW MEXICO
LEA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund 401	Road 402	Detention Facility 418
<i>Revenues:</i>			
Property, sales, and miscellaneous taxes	\$ 50,870,780	-	-
Payment in lieu of taxes	3,056,061	-	-
Licenses and permits	199,087	-	-
Intergovernmental:			
Federal	-	-	-
State	272,047	1,545,233	-
Charges for services	979,311	-	2,019,356
Investment earnings	107,597	-	-
Miscellaneous	408,081	3,927	653
Total revenues	55,892,964	1,549,160	2,020,009
<i>Expenditures:</i>			
Current			
General government	13,913,438	-	-
Public safety	8,707,078	-	9,555,828
Culture and recreation	127,606	-	-
Health and welfare	-	-	-
Public works	-	5,361,936	-
Capital outlay	-	3,543,493	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	22,748,122	8,905,429	9,555,828
Excess (deficiency) of revenues over expenditures	33,144,842	(7,356,269)	(7,535,819)
<i>Other financing sources (uses):</i>			
Transfers in	3,196,764	7,806,006	7,277,786
Transfers out	(44,524,124)	-	-
Total other financing sources (uses)	(41,327,360)	7,806,006	7,277,786
Net change in fund balances	(8,182,518)	449,737	(258,033)
Fund balances (deficit)- beginning of year	68,535,063	576,665	333,113
Fund balances (deficit) - end of year	\$ 60,352,545	1,026,402	75,080

See Notes to Financial Statements

Capital Projects 430	Nonmajor Governmental Funds	Total Governmental Funds
-	15,709,376	66,580,156
-	-	3,056,061
-	141,199	340,286
-	3,353,010	3,353,010
-	1,688,052	3,505,332
-	1,933,082	4,931,749
-	15,458	123,055
-	341,084	753,745
-	23,181,261	82,643,394
-	750,137	14,663,575
-	3,022,095	21,285,001
-	3,022,647	3,150,253
-	6,996,124	6,996,124
-	531,946	5,893,882
21,894,702	3,851,009	29,289,204
-	735,000	735,000
-	136,212	136,212
21,894,702	19,045,170	82,149,251
(21,894,702)	4,136,091	494,143
26,072,293	3,368,039	47,720,888
-	(3,196,764)	(47,720,888)
26,072,293	171,275	-
4,177,591	4,307,366	494,143
(11,548)	9,710,030	79,143,323
4,166,043	14,017,396	79,637,466

**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, 2018**

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

Net change in fund balances - total governmental funds	\$ 494,143
Net pension expense	(1,676,390)
Net OBEP expense	(184,729)
Decrease in interest payable	1,311

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	29,289,204
Depreciation expense	(6,569,651)
Loss on disposal of capital assets	(418,715)

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	81,549
Increase in accrued compensated absences	(86,650)
Principal payments on notes	<u>735,000</u>

Change in net position	<u>\$ 21,665,072</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property, sales, and miscellaneous taxes	\$ 40,387,885	40,887,885	46,991,040	6,103,155
Payment in lieu of taxes	3,481,566	3,481,566	3,056,061	(425,505)
Licenses and permits	150,250	150,250	198,287	48,037
Intergovernmental:				
State and local	150,000	242,580	248,348	5,768
Charges for services	666,000	666,000	975,953	309,953
Investment earnings	270,025	270,025	107,597	(162,428)
Miscellaneous	5,000	5,000	398,117	393,117
<i>Total revenues</i>	<u>45,110,726</u>	<u>45,703,306</u>	<u>51,975,403</u>	<u>6,272,097</u>
Expenditures				
Current				
General government	19,836,207	18,320,649	13,140,239	5,180,410
Public safety	8,339,817	9,322,533	8,557,629	764,904
Culture and recreation	100,000	225,000	127,606	97,394
<i>Total expenditures</i>	<u>28,276,024</u>	<u>27,868,182</u>	<u>21,825,474</u>	<u>6,042,708</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>16,834,702</u>	<u>17,835,124</u>	<u>30,149,929</u>	<u>12,314,805</u>
Other financing sources (uses):				
Transfers in	-	-	3,196,764	3,196,764
Transfers out	(77,184,511)	(78,004,484)	(44,524,124)	33,480,360
<i>Total other financing sources (uses)</i>	<u>(77,184,511)</u>	<u>(78,004,484)</u>	<u>(41,327,360)</u>	<u>36,677,124</u>
Net changes in fund balances	\$ <u>(60,349,809)</u>	<u>(60,169,360)</u>	<u>(11,177,431)</u>	<u>48,991,929</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			3,917,561	
Adjustments to expenditures			(922,648)	
Net Change in Fund Balances (GAAP Basis)			\$ <u>(8,182,518)</u>	

STATE OF NEW MEXICO
LEA COUNTY
ROAD FUND (402)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
State	1,588,811	1,588,811	1,444,190	(144,621)
Miscellaneous	-	-	3,927	3,927
<i>Total revenues</i>	<u>1,588,811</u>	<u>1,588,811</u>	<u>1,448,117</u>	<u>(140,694)</u>
Expenditures				
Public works	11,316,196	11,340,269	8,830,788	2,509,481
<i>Total expenditures</i>	<u>11,316,196</u>	<u>11,340,269</u>	<u>8,830,788</u>	<u>2,509,481</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(9,727,385)</u>	<u>(9,751,458)</u>	<u>(7,382,671)</u>	<u>2,368,787</u>
Other financing sources (uses):				
Transfers in	9,922,909	9,922,909	7,806,006	(2,116,903)
Transfers out	-	(114,689)	-	114,689
<i>Total other financing sources (uses)</i>	<u>9,922,909</u>	<u>9,808,220</u>	<u>7,806,006</u>	<u>(2,002,214)</u>
Net changes in fund balances	\$ <u>195,524</u>	<u>56,762</u>	<u>423,335</u>	<u>366,573</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			101,043	
Adjustments to expenditures			<u>(74,641)</u>	
Net Change in Fund Balances (GAAP Basis)			\$ <u>449,737</u>	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 2,286,935	2,286,935	1,851,854	(435,081)
Miscellaneous	-	-	653	653
<i>Total revenues</i>	<u>2,286,935</u>	<u>2,286,935</u>	<u>1,852,507</u>	<u>(434,428)</u>
Expenditures				
Current				
Public safety	9,741,410	10,066,042	9,142,916	923,126
<i>Total expenditures</i>	<u>9,741,410</u>	<u>10,066,042</u>	<u>9,142,916</u>	<u>923,126</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(7,454,475)</u>	<u>(7,779,107)</u>	<u>(7,290,409)</u>	<u>488,698</u>
Other financing sources (uses):				
Transfers in	7,277,786	7,477,786	7,277,786	(200,000)
Transfers out	-	(15,000)	-	15,000
<i>Total other financing sources (uses)</i>	<u>7,277,786</u>	<u>7,462,786</u>	<u>7,277,786</u>	<u>(185,000)</u>
Prior year cash balance budgeted	<u>335,117</u>	<u>335,117</u>		
Net changes in fund balances	\$ <u><u>158,428</u></u>	<u><u>18,796</u></u>	<u>(12,623)</u>	<u>(31,419)</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			167,502	
Adjustments to expenditures			<u>(412,912)</u>	
Net Change in Fund Balances (GAAP Basis)			\$ <u><u>(258,033)</u></u>	

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF NET POSITION - PROPRIETARY FUND
 June 30, 2018

	Water Service Enterprise Fund (675)
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 354,707
Total current assets	<u>354,707</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>3,277,716</u>
LIABILITIES	
Current Liabilities	
Other liabilities	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	
Net investment in capital assets	2,923,009
Unrestricted	<u>354,707</u>
Total net position	<u>\$ 3,277,716</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, 2018

	Water Service Enterprise Fund (675)
Operating Revenues	
Charges for services	\$ <u> -</u>
Total operating revenues	<u> -</u>
Operating Expenses	
Operating expenses	<u> 79</u>
Total operating expenses	<u> 79</u>
(Loss) income before contributions and transfers	(79)
Transfers	
Transfers, out	<u> -</u>
Change in net position	(79)
Net position, beginning of year	<u> 3,277,795</u>
Net position, end of year	\$ <u><u> 3,277,716</u></u>

See Notes to Financial Statements

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 Year Ended June 30, 2018

	Water Service Enterprise Fund (675)
Cash Flows From Operating Activities	
Cash received from customers and others	\$ -
Cash paid for goods and services	(513)
Net cash provided by operating activities	(513)
Cash Flows From Non-Capital Financing	
Activities Operating transfers, net	-
Net cash used by non-capital financing activities	-
Net (decrease) increase in cash and cash equivalents	(513)
Cash and restricted cash and cash equivalents, beginning of year	355,220
Cash and restricted cash and cash equivalents, end of year	\$ 354,707
Reconciliation of Operating (Loss) Income to Net	
Cash Provided by Operating Activities	
Operating (loss) income	\$ (79)
Adjustments to operating (loss) income to net cash provided by operating activities:	
Change in assets and liabilities:	
Other liabilities	(434)
Net cash provided by operating activities	\$ (513)

See Notes to Financial Statements

STATE OF NEW MEXICO
LEA COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2018

	Balance <u>June 30, 2018</u>
ASSETS	
Cash and cash equivalents	\$ 17,274,400
Taxes receivable	<u>952</u>
<i>Total assets</i>	<u>\$ 17,275,352</u>
LIABILITIES	
Deposits held in trust for others	\$ 17,274,400
Future taxes collectible	<u>952</u>
<i>Total liabilities</i>	<u>\$ 17,275,352</u>

See Notes to Financial Statements

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

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.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

The Road Fund (402) is used 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.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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:

The Water Service Enterprise Fund (675) is 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.

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.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables (Continued)

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.

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.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2018.

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.

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2018.

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. 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.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments 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.

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.

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.

At June 30, 2018, the carrying amount of the County's unrestricted deposits were \$64,304,987 excluding cash held as fiduciary of \$17,274,400. Total cash and cash equivalents balance per the financial institutions of \$53,033,158 consisted of demand deposits and certificates of deposit and \$25,000,000 is a money market held by a brokerage firm. Of the demand deposits and certificates of deposit, \$1,250,000 was covered by federal depository insurance and \$50,009,539 was covered by

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

collateral held in joint safekeeping by a third party. A money market account of \$25,000,000 was held at a brokerage firm and is covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000.

	<u>Lea County State Bank</u>	<u>First American Bank</u>	<u>Pioneer Bank</u>	<u>Wells Fargo Bank</u>	<u>Western Commerce Bank</u>	<u>Total</u>
Deposits in Bank or Savings and Loan						
Cash deposits	\$ 434,970	-	-	29,711,295	16,563	30,162,828
CDs	9,343,125	7,177,205	2,000,000	-	4,350,000	22,870,330
Total amounts on deposit	<u>9,778,095</u>	<u>7,177,205</u>	<u>2,000,000</u>	<u>29,711,295</u>	<u>4,366,563</u>	<u>53,033,158</u>
Less: FDIC insurance	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(1,250,000)
Total uninsured public funds	<u>9,528,095</u>	<u>6,927,205</u>	<u>1,750,000</u>	<u>29,461,295</u>	<u>4,116,563</u>	<u>51,783,158</u>
Collateral requirement – 50%	<u>4,764,048</u>	<u>3,463,603</u>	<u>875,000</u>	<u>14,730,648</u>	<u>2,058,282</u>	<u>25,891,579</u>
Total required collateralization	<u>\$ 4,764,048</u>	<u>3,463,603</u>	<u>875,000</u>	<u>14,730,648</u>	<u>2,058,282</u>	<u>25,891,579</u>

Total amounts on deposit at financial institutions	\$ 53,033,158
Money market held at brokerage firm	<u>25,000,000</u>
Total amounts on deposit	<u>\$ 78,033,158</u>

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, 2018, \$1,773,619 of the County's bank balance of \$53,033,158 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent. As of June 30, 2018, \$24,500,000 of the County's money market held by a brokerage firm was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3. INVESTMENTS (CONTINUED)

investment policy that further limits its investments. At June 30, 2018, Lea County had long-term investments with Moreton Capital Markets, and Lea County State Bank of \$11,037,892 and \$100,145 respectively. The \$11,138,037 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, 2018, \$11,138,037 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 99% 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, 2018**

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, 2018:

	Investment Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Investment in				
Morton Capital	\$ 11,037,892	-	-	11,037,892
Lea County State Bank	<u>100,145</u>	<u>-</u>	<u>-</u>	<u>100,145</u>
Total Assets at fair value	<u>\$ 11,138,037</u>	<u>-</u>	<u>-</u>	<u>11,138,037</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, 2018

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, 2018 are considered to be fully collectible and are composed as follows:

	Governmental Activities
Other Receivables:	
Fees	\$ 33,093
Refunds	9,588
Interest Receivable	100,922
Totals	\$ <u>143,603</u>

NOTE 6. DUE FROM OTHER GOVERNMENTS

The amounts due from other governments at June 30, 2018 are considered to be fully collectible and are composed of the following:

	Governmental Activities
Gross Receipts Tax	\$ 5,679,011
Motor Vehicle Tax	123,847
Grants Receivable	503,905
Detention Facility Fees	159,386
Totals	\$ <u>6,466,149</u>

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018.

Transfers from the General Fund to Special Revenue funds are made to support the fund's 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 \$2,855,567 in the Debt Service Fund at June 30, 2018, 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.

Transfers for the year ended June 30, 2018 were as follows:

Transfers Out:

General Fund- 401:	
To Road Fund - 402	\$ 7,806,006
To Farm & Range Fund - 403	92,950
To Recreation Fund - 404	200,000
To Airport Fund - 409	218,855
To Detention Fund - 418	7,277,786
To Capital Projects Fund - 430	26,072,293
To Other Grants Fund - 431	20,000
To County Airport Fund - 455	392,460
To Lea County Fairgrounds Fund - 460	1,778,383
To Lea County Event Center - 463	665,391
Gross Receipts Debt Service Fund - 658	
To General Fund - 401	3,196,764
Total Transfers Out	<u>47,720,888</u>

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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

Transfers In:

General Fund	
From Gross Receipts Debt Service Fund - 658	(3,196,764)
Road Fund- 402	
From General Fund- 401	(7,806,006)
Farm & Range Fund- 403	
From General Fund	(92,950)
Recreation Fund- 404	
From General Fund- 401	(200,000)
Airport Fund- 409	
From General Fund- 401	(218,855)
Detention Fund- 418	
From General Fund- 401	(7,277,786)
Capital Projects Fund- 430	
From General Fund- 401	(26,072,293)
Other Grants Fund- 431	
From General Fund- 401	(20,000)
County Airport Fund- 455	
From General Fund- 401	(392,460)
Lea County Fairgrounds Fund -460	
From General Fund - 460	(631,462)
Lea County Fair & Rodeo Fund - 461	
From General Fund - 401	(1,000,000)
Hispanic Heritage Fund - 462	
From General Fund - 401	(146,921)
Lea County Event Center - 463	
From General Fund - 401	(665,391)
Total Transfers In	<u>(47,720,888)</u>
Total Governmental Activities Transfers	\$ <u><u>-</u></u>

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018

NOTE 10. CHANGES IN CAPITAL ASSETS

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital Assets, not depreciated:					
Land	\$ 9,626,519	-	(342,076)	-	9,284,443
Construction in progress	8,632,887	20,451,273	-	-	29,084,160
Total not depreciated	<u>18,259,406</u>	<u>20,451,273</u>	<u>(342,076)</u>	-	<u>38,368,603</u>
Capital Assets, depreciated:					
Buildings	80,664,748	1,004,148	(21,152)	-	81,647,744
Other Improvements	8,027,784	364,033	(25,726)	-	8,366,091
Furniture and Equipment	18,687,386	630,573	(637,996)	-	18,679,963
Infrastructure	100,730,707	5,850,006	-	-	106,580,713
Vehicles	11,655,881	989,171	(77,636)	-	12,567,416
Total depreciated	<u>219,766,506</u>	<u>8,837,931</u>	<u>(762,510)</u>	-	<u>227,841,927</u>
 Total Capital Assets	 <u>238,025,912</u>	 <u>29,289,204</u>	 <u>(1,104,586)</u>	 -	 <u>266,210,530</u>
 Buildings	 26,423,956	 2,478,851	 (19,036)	 -	 28,883,771
Other Improvements	2,260,507	328,400	(23,288)	-	2,565,619
Furniture and Equipment	13,985,487	732,880	(573,676)	-	14,144,691
Infrastructure	17,559,897	2,108,767	-	-	19,668,664
Vehicles	7,319,589	920,753	(69,871)	-	8,170,471
Total depreciated	<u>67,549,436</u>	<u>6,569,651</u>	<u>(685,871)</u>	-	<u>73,433,216</u>
 Total Capital Assets	 \$ <u>170,476,476</u>	 <u>22,719,553</u>	 <u>(418,715)</u>	 -	 <u>192,777,314</u>

Depreciation expense for the year ended June 30, 2018 was charged to the following functions and funds:

General Government	\$ 3,394,814
Public Works	2,170,009
Public Safety	<u>1,004,738</u>
 Total depreciation expense: governmental activities	 <u>\$ 6,569,561</u>

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10. CHANGES IN CAPITAL ASSETS (CONTINUED)

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</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, 2018 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.

Long-term liability for the year ended June 30, 2018 was as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
Gross receipts Revenue Bonds					
Series: June 30, 2013	\$ 6,365,000	-	(735,000)	5,630,000	755,000
Compensated Absences	715,999	720,653	(634,002)	802,649	200,662
Total Long-Term Debt	<u>\$ 7,080,999</u>	<u>720,653</u>	<u>(1,369,002)</u>	<u>6,432,649</u>	<u>955,662</u>

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 11. LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity, including principal and interest for long-term debt as of June 30, 2018, are as follows:

Year Ending June 30,	Gross Receipts Bonds Series 2013		
	Interest	Principal	Total Debt Service
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	53,821	820,000	873,821
2024-2025	54,574	1,695,000	1,749,574
Total	\$ <u>491,884</u>	<u>5,630,000</u>	<u>6,121,884</u>

The County paid interest on long-term debt of \$136,212 during fiscal year 2018.

Compensated Absence: Employees of the County are able to accrue a limited amount of vacation during the year. The compensated absences liability increased \$86,650 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. Public Employees Retirement 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 Officers, 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), 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.

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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, 2018

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, 2017						
	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	
Coverage Plan						
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
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 PLANS 1 - 5						
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 PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	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						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	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, 2018

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, 2018, the County reported a liability of \$25,634,685 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. 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.

For PERA Fund Division Municipal Plan 2, at June 30, 2018, the County reported a liability of \$17,008,419 for its proportionate share of the net pension liability. At June 30, 2017, the County’s proportion was 1,2378% percent, which decreased 0.0268% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized PERA Fund General Division Municipal Plan 2 pension expense of \$1,135,959. At June 30, 2018, the Village reported PERA Fund Division Municipal Plan 2 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 668,316	(871,121)
Changes in assumptions	784,341	(175,759)
Net difference between projected and actual earnings on pension plan investments	1,395,438	-
Changes in proportion and differences between County’s contributions and proportionate share of contributions	410,034	(227,776)
County’s contributions subsequent to the measurement date	<u>1,736,061</u>	<u>-</u>
Total	<u>\$ 4,994,190</u>	<u>(1,274,656)</u>

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

\$1,135,959 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:	
2019	\$ 655,241
2020	1,566,120
2021	169,920
2022	(407,808)
2023	-
Thereafter	-

For PERA Fund Division Municipal Police Plan 5, at June 30, 2018, the County reported a liability of \$8,626,266 for its proportionate share of the net pension liability. At June 30, 2017, the County’s proportion was 0.1034% percent, which increased 0.0098% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized PERA Fund Division Municipal Police Plan 5 pension expense of \$540,431. At June 30, 2018, the County reported PERA Fund Division Municipal Police Plan 5 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 523,916	(1,611,734)
Changes in assumptions	694,728	(200,589)
Net difference between projected and actual earnings on pension plan investments	581,119	-
Changes in proportion and differences between County’s contributions and proportionate share of contributions	513,234	(126,996)
County’s contributions subsequent to the measurement date	858,595	-
Total	<u>\$ 3,171,592</u>	<u>(1,939,319)</u>

STATE OF NEW MEXICO
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 NOTES TO FINANCIAL STATEMENTS
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NOTE 12. – PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

\$540,431 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date June 30, 2017 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:	
2019	\$ 115,164
2020	641,065
2021	(179,422)
2022	(203,129)
2023	-
Thereafter	-

Actuarial assumptions: The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level of percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed market value
Actuarial assumptions	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years 2.75% all other years
Mortality assumption	RP-2000 Mortality Tables (Combined table for health post-retirements, Employee table for active members, 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, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from

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JUNE 30, 2018

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

the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 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 summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	7.39%
Risk Reduction & Mitigation	21.5%	1.79%
Credit Oriented Fixed Income	15.0%	5.77%
Real Assets	20.0%	7.35%
Total	<u>100.0%</u>	

Discount rate: A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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 periods 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 7.51 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 (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

PERA Fund Division Municipal Plan 2

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
County’s proportionate share of the net pension liability	\$ <u>26,657,810</u>	<u>17,008,419</u>	<u>8,983,609</u>

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 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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

PERA Fund Division Municipal Police Plan 5

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
County's proportionate share of the net pension liability	\$ 13,756,502	8,626,266	4,416,149

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in separately issued PERA financial reports.

Payables to the pension plan: At June 30, 2018 the County had no outstanding contributions to the pension plan and therefore, had no payables reported as of June 30, 2018.

NOTE 13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description - Employees for the Center are provided with OPEB through the Retiree Health Care Fund (the Fund) - a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits provided – The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

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**NOTE 13. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN
 (CONTINUED)**

Employees covered by benefit terms – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>97,349</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the County were \$450,482 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2018, the County reported a liability of \$15,977,320 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of the date. The County’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the County’s proportion was 0.35257 percent.

For the year ended June 30, 2018, the County recognized OPEB expense of \$635,207. At June 30, 2018 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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**NOTE 13. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN
 (CONTINUED)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(613,125)
Changes in assumptions	-	(2,793,431)
Net difference between projected and actual earnings on OPEB plan investments	-	(229,845)
Employer contributions subsequent to the measurement date	<u>450,482</u>	<u>-</u>
Total	\$ <u>450,482</u>	<u>(3,636,401)</u>

Deferred outflows of resources totaling \$450,482 represent County contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (773,124)
2020	(773,124)
2021	(773,124)
2022	(773,124)
2023	<u>(543,905)</u>
Total	<u>\$ (3,636,401)</u>

Valuation Date	June 30,2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation

STATE OF NEW MEXICO
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**NOTE 13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
 (CONTINUED)**

Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

Rate of Return – The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	4.1%
U.S. equity – large cap	9.1
Non U.S. – emerging markets	12.2
Non U.S. – developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity – small/mid cap	9.1

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

STATE OF NEW MEXICO
 LEA COUNTY
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**NOTE 13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
 (CONTINUED)**

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the County, as well as what the County’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate; percent) than the current rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
\$	<u>19,380,240</u>	<u>15,977,320</u>	<u>13,307,423</u>

The following presents the net OPEB liability of the County, as well as what the County’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rates	1% Increase
\$	<u>13,589,811</u>	<u>15,977,320</u>	<u>17,838,986</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

Payables changes in the net OPEB liability. At June 30, 2018, the County did not accrue any payables for OPEB.

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.

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.

**STATE OF NEW MEXICO
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NOTE 14. DEFERRED COMPENSATION PLAN (CONTINUED)

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 2018.

Lea County contributed \$470,845 to EDC under the above described agreement for the fiscal year ended June 30, 2018.

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.

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

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NOTE 16. CONDUIT DEBT OBLIGATION (CONTINUED)

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, 2018:

<u>Fund</u>		<u>Deficit Balance</u>
Community Centers (404)	\$	(61,842)
Lea County Event Center (463)		(22,849)
Other Grants (431)		(45,096)
Total	\$	<u>(129,787)</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, 2018.

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NOTE 18. 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 and Article VIII, Section 3 of the State Constitution and NMSA 1978, Section 7-36-3. 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, 2018, the County abated property taxes under the County Industrial Revenue Bond Act including the following tax abatement agreements:

DCP Midstream, LP was granted an 80% Ad Valorem Property Tax Exemption, to construct facilities to process natural gas. The amount of the exemption will be an 80% reduction off the tax due that would have been applicable for each tax year. The abatement of property taxes for fiscal year 2018 was \$446,269 with an \$111,567 PILT due to the County. A portion of the abated taxes and the PILT affect the New Mexico Junior College, Nor-Lea Hospital, the Lovington School District, Jal Public Schools, Hobbs Public Schools, the Eunice School District, Jal Hospital and the Eunice Hospital.

Urenco was granted an 80% Ad Valorem Property Tax Exemption, to construct and operate a uranium enrichment plant. The amount of the exemption will be an 80% reduction off the tax due that would have been applicable for each tax year. The abatement of property taxes for fiscal year 2018 was \$17,742,413 with a \$4,435,603 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.

Urenco was granted an 80% Ad Valorem Property Tax Exemption, to expand a uranium enrichment plant through construction. The amount of the exemption will be an 80% reduction off the tax due that would have been applicable for each tax year. The abatement of property taxes for fiscal year 2018 was \$1,468,919 with a \$367,227 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.

Wildcat Wind LLC was granted a 30% Ad Valorem Property Tax Exemption, to construct wind power generating facilities. The amount of the exemption will be a 30% reduction off the tax due that would have been applicable for each tax year. The abatement of property taxes for fiscal year 2018 was \$26,500.

Sun Edison 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 2018 was \$66,991.

AEM Wind, LLC 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 2018 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.

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LEA COUNTY
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NOTE 19. JOINT POWERS AGREEMENTS

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, 2018.

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 19. 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.

On April 28, 2016, the County established a joint powers agreement with the Lea County Communication Authority, City of Hobbs, City of Lovington, City of Jal, City of Eunice, and the City of Tatum to operate and maintain a P25 800 MHz radio system to more effectively and efficiently provide radio and communication services. The agreement will remain in effect, subject to written amendments, until terminated by a party.

NOTE 20. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. GASB Statement No. 75 was effective for periods after June 15, 2017. The County has adopted this statement for the year ending June 30, 2018.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interest. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. GASB Statement No. 81 was effective for periods beginning after December 15, 2016. The County adopted this statement; however, there are no irrevocable split-interest agreements and the implementation of this statement had no effect on the County's financial statements.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 20. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during the implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, good will, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 was effective for periods beginning after

June 15, 2017. The adoption of GASB Statement No. 85 did not have a significant impact of the County's Financial Statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment issues*. This statement establishes essentially the same requirements as GASB Statement No.7, for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to the financial statements in the period of defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains at period-end should be disclosed. GASB Statement No. 86 was effective for periods beginning after June 15, 2017. The County adopted this statement; however, there were no debt extinguishments and the implementation of this statement had no effect on the County's financial statements.

NOTE 21. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2018.

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

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

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.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 22. SUBSEQUENT EVENTS

The entity has evaluated subsequent events through November 30, 2018, the date which the financial statements were available to be issued. As of the report date, November 30, 2018, no subsequent events were identified by management.

NOTE 23. PRIOR YEAR RESTATEMENT

Beginning net position at June 30, 2018 was restated in the amount of \$18,978,510. This restatement was due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2018

	Pension Liability For Last 10 Fiscal Years* (Dollars in Thousands)			
	2018 2017	2017 2016	2016 2015	2015 2014
	30-Jun			
County's Proportion of the Net Pension Liability (Asset)	2.79%	2.77%	2.56%	2.60%
County's Proportionate Share of Net Pension Liability (Asset)	25,634	31,279	18,881	\$ 13,782
County's Covered-Employee Payroll	15,259	14,613	13,436	\$ 12,700
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	167.99%	214.05%	140.53%	108.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	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, 2018

	Last Ten Fiscal Years*			
	2018	2017	2016	2015
	\$	1,115	1,679	2,319
Contractually Required Contribution				1,456
Contributions in Relation to the Contractually Required Contribution	1,736	1,679	2,319	1,456
Contribution Deficiency (Excess)*	(621)	-	-	-

*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, 2018

	Last Ten Fiscal Years*			
	2018	2017	2016	2015
	Police Division (Dollars in Thousands)			
Contractually Required Contribution	\$ 678	795	1,609	957
Contributions in Relation to the Contractually Required Contribution	859	795	1,609	957
Contribution Deficiency (Excess)*	(181)	-	-	-

*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 THE COUNTY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 June 30, 2018

New Mexico Retiree Health Care Authority
 For Last 10 Fiscal Years*
 (Dollars in Thousands)

	Fiscal Year Measurement Date	<u>30-Jun</u> 2018 2017
County's Proportion of the Net OPEB liability (Asset)		0.35257%
County's Proportionate Share of Net Pension Liability (Asset)	\$	15,977,320
County's Covered-Employee Payroll	\$	14,686,823
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		108.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for available years.

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF COUNTY CONTRIBUTIONS
 June 30, 2018

New Mexico Retiree Health Care Authority
 Last Ten Fiscal Years*
 (Dollar Amounts in Thousands)

	<u>2018</u>
Contractually Required Contribution	\$ 1,119,575
Contributions in Relation to the Contractually Required Contribution	<u>561,902</u>
Contribution Deficiency (Excess)	<u>\$ 557,673</u>
Employer's covered-employee payroll	\$ 14,686,823
Contributions as a percentage of covered-employee payroll	3.80%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for available years.

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO PENSION AND OPEB REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in NMERB benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

Changes in NMERB assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

Changes of benefit terms. The Retiree Health Care Authority (RHCA) COLA and age eligibility benefits changes in recent years are described in the Notes to the RHCA FY18 audit available at <http://saonm.org/> using the Audit Search function for agency 343.

Changes of assumptions. The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2017 report is available at <http://saonm.org/> using the Audit Search function for agency 343.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

**STATE OF NEW MEXICO
LEA COUNTY
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

SPECIAL REVENUE FUNDS

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.

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.

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.

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.

STATE OF NEW MEXICO
LEA COUNTY
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018

SPECIAL REVENUE FUNDS (CONTINUED)

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 CDFA No. 97.042.

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.

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

County Airport Fund (455) - is used to account for revenues and expenses related to the operation of the County Airports as per 49 CFR Section 18 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

Fairgrounds (460) – Special revenue fund established by resolution to account for revenues and expenses related to the operation of the County’s fairgrounds.

Event Center (463) – Special revenue fund established by resolution to account for revenues and expenses related to the operation of the Event Center.

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.

**STATE OF NEW MEXICO
LEA COUNTY
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

SPECIAL REVENUE FUNDS (CONTINUED)

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.

DEBT SERVICE FUND

Gross Receipts Debt Service (658) - To account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources provided by gross receipts tax revenue bonds.

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 JUNE 30, 2018

	Farm and Range 403	Community Centers 404	Clerk's Recording & Filing 405
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 22,015	12,122	299,054
Investments	-	-	-
Receivables			
Receivable from other governments	-	-	-
Other receivables	-	-	10,174
<i>Total current assets</i>	<u>\$ 22,015</u>	<u>12,122</u>	<u>309,228</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	\$ -	73,964	924
Accrued payroll liabilities	-	-	-
<i>Total current liabilities</i>	<u>-</u>	<u>73,964</u>	<u>924</u>
<i>Deferred inflows:</i>			
Unavailable revenue	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	-
Restricted	22,015	-	308,304
Unassigned	-	(61,842)	-
<i>Total fund balance (deficit)</i>	<u>22,015</u>	<u>(61,842)</u>	<u>308,304</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 22,015</u>	<u>12,122</u>	<u>309,228</u>

See Notes to Financial Statements

Indigent Fund 406	Malijmar Fire District 407	Knowles Fire District 408	Airport Fire 409	Monument Fire District 410	Enviromental Gross Receipts Tax 411
851,051	108,203	46,544	50,328	100,910	3,400,479
-	-	-	-	-	-
1,188,238	-	-	-	-	416,120
-	-	-	-	-	-
<u>2,039,289</u>	<u>108,203</u>	<u>46,544</u>	<u>50,328</u>	<u>100,910</u>	<u>3,816,599</u>
3,260	328	416	10,489	4,206	103,757
-	-	-	693	-	6,230
<u>3,260</u>	<u>328</u>	<u>416</u>	<u>11,182</u>	<u>4,206</u>	<u>109,987</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,036,029	107,875	46,128	39,146	96,704	3,706,612
-	-	-	-	-	-
<u>2,036,029</u>	<u>107,875</u>	<u>46,128</u>	<u>39,146</u>	<u>96,704</u>	<u>3,706,612</u>
<u>2,039,289</u>	<u>108,203</u>	<u>46,544</u>	<u>50,328</u>	<u>100,910</u>	<u>3,816,599</u>

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 JUNE 30, 2018

	DWI 412	Correction Fees 415	Paving Districts 416
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 385,944	761,605	2,538
Investments	-	-	-
Receivables			
Receivable from other governments	28,633	-	-
Other receivables	-	-	-
<i>Total current assets</i>	<u>414,577</u>	<u>761,605</u>	<u>2,538</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	5,737	2,872	-
Accrued payroll liabilities	9,957	-	-
<i>Total current liabilities</i>	<u>15,694</u>	<u>2,872</u>	<u>-</u>
<i>Deferred inflows:</i>			
Unavailable revenue	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	-
Restricted	398,883	758,733	2,538
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>398,883</u>	<u>758,733</u>	<u>2,538</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 414,577</u>	<u>761,605</u>	<u>2,538</u>

See Notes to Financial Statements

Revolving Loan Fund 421	EMPG Reimbursement 424	Tire Recycling 426	Other Grants 431	Jal CDBG Wastewater 433	Lea Region Airport 454
960	32,906	1,800	20,101	21,882	49,132
100,145	-	-	-	-	-
-	-	-	8,250	-	161,550
-	-	-	-	-	-
<u>101,105</u>	<u>32,906</u>	<u>1,800</u>	<u>28,351</u>	<u>21,882</u>	<u>210,682</u>
-	-	-	73,447	-	22,886
-	719	-	-	-	1,683
-	719	-	73,447	-	24,569
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
101,105	32,187	1,800	-	21,882	186,113
-	-	-	(45,096)	-	-
<u>101,105</u>	<u>32,187</u>	<u>1,800</u>	<u>(45,096)</u>	<u>21,882</u>	<u>186,113</u>
<u>101,105</u>	<u>32,906</u>	<u>1,800</u>	<u>28,351</u>	<u>21,882</u>	<u>210,682</u>

STATE OF NEW MEXICO
LEA COUNTY
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2018

	County Airports 455	Lea County Fairgrounds 460	Lea County Event Center 463
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 207,554	382,504	25,250
Investments	-	-	-
Receivables			
Receivable from other governments	4,655	-	-
Other receivables	-	-	13,225
<i>Total current assets</i>	<u>\$ 212,209</u>	<u>382,504</u>	<u>38,475</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	\$ 974	151,029	57,937
Accrued payroll liabilities	1,684	6,004	3,387
<i>Total current liabilities</i>	<u>2,658</u>	<u>157,033</u>	<u>61,324</u>
<i>Deferred inflows:</i>			
Unavailable revenue	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	-
Restricted	209,551	225,471	-
Unassigned	-	-	(22,849)
<i>Total fund balance (deficit)</i>	<u>209,551</u>	<u>225,471</u>	<u>(22,849)</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 212,209</u>	<u>382,504</u>	<u>38,475</u>

See Notes to Financial Statements

Property Valuation Fund 499	EMS Knowles 604	Law Enforcement Protection Grant 605	High Intensity Drug Trafficking Areas Funds 609	EMS Maljamar 613	County Fire Marshall 618
1,160,789	15,740	3,382	137,091	6,994	52,336
-	-	-	-	-	-
-	-	-	299,922	-	-
-	-	-	-	-	-
<u>1,160,789</u>	<u>15,740</u>	<u>3,382</u>	<u>437,013</u>	<u>6,994</u>	<u>52,336</u>
6,337	537	-	216,574	-	8
<u>2,142</u>	<u>-</u>	<u>-</u>	<u>3,742</u>	<u>-</u>	<u>-</u>
<u>8,479</u>	<u>537</u>	<u>-</u>	<u>220,316</u>	<u>-</u>	<u>8</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,152,310	15,203	3,382	216,697	6,994	52,328
-	-	-	-	-	-
<u>1,152,310</u>	<u>15,203</u>	<u>3,382</u>	<u>216,697</u>	<u>6,994</u>	<u>52,328</u>
<u>1,160,789</u>	<u>15,740</u>	<u>3,382</u>	<u>437,013</u>	<u>6,994</u>	<u>52,336</u>

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 JUNE 30, 2018

ASSETS	Fire Excise Tax 619	EMS Monument 621	Total Non-Major Special Revenue Funds
<i>Current assets:</i>			
Cash and cash equivalents	\$ 909,311	1,017	9,069,542
Investments	-	-	100,145
Receivables			-
Receivable from other governments	-	-	2,107,368
Other receivables	-	-	23,399
<i>Total current assets</i>	<u>\$ 909,311</u>	<u>1,017</u>	<u>11,300,454</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	\$ -	-	735,682
Accrued payroll liabilities	-	-	36,241
<i>Total current liabilities</i>	<u>-</u>	<u>-</u>	<u>771,923</u>
<i>Deferred inflows:</i>			
Unavailable revenue	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	-
Restricted	909,311	1,017	10,658,318
Unassigned	-	-	(129,787)
<i>Total fund balance (deficit)</i>	<u>909,311</u>	<u>1,017</u>	<u>10,528,531</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 909,311</u>	<u>1,017</u>	<u>11,300,454</u>

See Notes to Financial Statements

<u>Debt Service</u>	
Gross Receipts	Total
Debt Service	Non-Major
658	Funds
2,855,567	11,925,109
-	100,145
633,298	2,740,666
-	23,399
<u>3,488,865</u>	<u>14,789,319</u>
-	735,682
<u>-</u>	<u>36,241</u>
<u>-</u>	<u>771,923</u>
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
-	-
3,488,865	14,147,183
-	(129,787)
<u>3,488,865</u>	<u>14,017,396</u>
<u>3,488,865</u>	<u>14,789,319</u>

STATE OF NEW MEXICO
LEA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Farm and Range 403	Community Centers 404	Clerk's Recording & Filing 405
Revenues			
Property, sales, and miscellaneous taxes	\$ -	-	-
Licenses and permits	-	-	141,199
Federal	21,310	-	-
State	-	-	-
Charges for services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>21,310</u>	<u>-</u>	<u>141,199</u>
Expenditures			
Current			
General government	-	-	159,171
Public safety	122,579	-	-
Culture and recreation	-	55,629	-
Health and welfare	-	-	-
Public works	-	-	-
Capital outlay	-	225,243	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>122,579</u>	<u>280,872</u>	<u>159,171</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(101,269)</u>	<u>(280,872)</u>	<u>(17,972)</u>
Other financing sources (uses):			
Transfers in	92,950	200,000	-
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>92,950</u>	<u>200,000</u>	<u>-</u>
Net changes in fund balances	(8,319)	(80,872)	(17,972)
Fund balances (deficit) - beginning of year	<u>30,334</u>	<u>19,030</u>	<u>326,276</u>
Fund balances (deficit) - end of year	\$ <u><u>22,015</u></u>	<u><u>(61,842)</u></u>	<u><u>308,304</u></u>

See Notes to Financial Statements

Indigent Fund 406	Malijmar Fire District 407	Knowles Fire District 408	Airport Fire 409	Monument Fire District 410	Enviromental Gross Receipts Tax 411
6,698,266	-	-	-	-	2,867,654
-	-	-	-	-	-
-	-	-	-	-	-
-	75,091	79,262	-	83,433	-
-	-	-	-	-	-
-	-	-	-	-	-
1,111	-	-	-	-	251,755
<u>6,699,377</u>	<u>75,091</u>	<u>79,262</u>	<u>-</u>	<u>83,433</u>	<u>3,119,409</u>
-	-	-	-	-	-
-	64,581	61,797	177,626	55,069	-
-	-	-	-	-	-
5,304,862	-	-	-	-	1,691,262
-	-	-	-	-	-
-	-	-	-	-	1,088,028
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,304,862</u>	<u>64,581</u>	<u>61,797</u>	<u>177,626</u>	<u>55,069</u>	<u>2,779,290</u>
<u>1,394,515</u>	<u>10,510</u>	<u>17,465</u>	<u>(177,626)</u>	<u>28,364</u>	<u>340,119</u>
-	-	-	218,855	-	-
-	-	-	-	-	-
-	-	-	<u>218,855</u>	-	-
1,394,515	10,510	17,465	41,229	28,364	340,119
641,514	97,365	28,663	(2,083)	68,340	3,366,493
<u>2,036,029</u>	<u>107,875</u>	<u>46,128</u>	<u>39,146</u>	<u>96,704</u>	<u>3,706,612</u>

STATE OF NEW MEXICO
LEA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	DWI 412	Correction Fees 415	Paving Districts 416
Revenues			
Property, sales, and miscellaneous taxes	\$ -	-	-
Licenses and permits	-	-	-
Federal	-	-	-
State	608,098	178,251	-
Charges for services	219,135	-	-
Investment earnings	-	-	-
Miscellaneous	1,585	-	-
<i>Total revenues</i>	<u>828,818</u>	<u>178,251</u>	<u>-</u>
Expenditures			
Current			
General government	-	-	-
Public safety	855,244	121,912	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Public works	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>855,244</u>	<u>121,912</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(26,426)</u>	<u>56,339</u>	<u>-</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(26,426)	56,339	-
Fund balances (deficit) - beginning of year	<u>425,309</u>	<u>702,394</u>	<u>2,538</u>
Fund balances (deficit) - end of year	<u>\$ 398,883</u>	<u>758,733</u>	<u>2,538</u>

See Notes to Financial Statements

Revolving Loan Fund 421	Revolving EMPG Reimbursement 424	Tire Recycling 426	Other Grants 431	Jal CDBG Wastewater 433	Lea Region Airport 454
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,440,468
-	36,723	-	280,647	-	207,928
-	-	-	-	-	178,652
-	-	-	-	-	-
-	-	-	-	-	-
-	36,723	-	280,647	-	1,827,048
-	-	-	338,084	-	-
-	51,132	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	348,193
-	-	-	-	-	1,577,828
-	-	-	-	-	-
-	-	-	-	-	-
-	51,132	-	338,084	-	1,926,021
-	(14,409)	-	(57,437)	-	(98,973)
-	-	-	20,000	-	-
-	-	-	-	-	-
-	-	-	20,000	-	-
-	(14,409)	-	(37,437)	-	(98,973)
101,105	46,596	1,800	(7,659)	21,882	285,086
101,105	32,187	1,800	(45,096)	21,882	186,113

STATE OF NEW MEXICO
LEA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	County Airports 455	Lea County Fairgrounds 460	Lea County Event Center 463
Revenues			
Property, sales, and miscellaneous taxes	\$ -	-	-
Licenses and permits	-	-	-
Federal	531,300	-	-
State	-	-	-
Charges for services	-	808,810	260,026
Investment earnings	-	-	-
Miscellaneous	-	86,456	28
<i>Total revenues</i>	<u>531,300</u>	<u>895,266</u>	<u>260,054</u>
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Culture and recreation	-	2,448,178	518,840
Health and welfare	-	-	-
Public works	183,753	-	-
Capital outlay	530,456	-	429,454
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>714,209</u>	<u>2,448,178</u>	<u>948,294</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(182,909)</u>	<u>(1,552,912)</u>	<u>(688,240)</u>
Other financing sources (uses):			
Transfers in	392,460	1,778,383	665,391
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>392,460</u>	<u>1,778,383</u>	<u>665,391</u>
Net changes in fund balances	209,551	225,471	(22,849)
Fund balances (deficit) - beginning of year	-	-	-
Fund balances (deficit) - end of year	<u>\$ 209,551</u>	<u>225,471</u>	<u>(22,849)</u>

See Notes to Financial Statements

Property Valuation Fund 499	EMS Knowles 604	Enforcement Protection Grant 605	High Intensity Drug Trafficking Areas Funds 609	EMS Maljamar 613	County Fire Marshall 618
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,359,932	-	-
-	5,157	54,200	-	-	79,262
466,459	-	-	-	-	-
-	-	-	17	-	-
-	-	-	149	-	-
<u>466,459</u>	<u>5,157</u>	<u>54,200</u>	<u>1,360,098</u>	<u>-</u>	<u>79,262</u>
252,882	-	-	-	-	-
-	5,002	50,818	1,372,774	-	83,561
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>252,882</u>	<u>5,002</u>	<u>50,818</u>	<u>1,372,774</u>	<u>-</u>	<u>83,561</u>
<u>213,577</u>	<u>155</u>	<u>3,382</u>	<u>(12,676)</u>	<u>-</u>	<u>(4,299)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
213,577	155	3,382	(12,676)	-	(4,299)
938,733	15,048	-	229,373	6,994	56,627
<u>1,152,310</u>	<u>15,203</u>	<u>3,382</u>	<u>216,697</u>	<u>6,994</u>	<u>52,328</u>

STATE OF NEW MEXICO
LEA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Fire Excise Tax 619	EMS Monument 621	Total Non-Major Special Revenue Funds
Revenues			
Property, sales, and miscellaneous taxes	\$ -	-	9,565,920
Licenses and permits	-	-	141,199
Federal	-	-	3,353,010
State	-	-	1,688,052
Charges for services	-	-	1,933,082
Investment earnings	11,826	-	11,843
Miscellaneous	-	-	341,084
<i>Total revenues</i>	<u>11,826</u>	<u>-</u>	<u>17,034,190</u>
Expenditures			
Current			-
General government	-	-	750,137
Public safety	-	-	3,022,095
Culture and recreation	-	-	3,022,647
Health and welfare	-	-	6,996,124
Public works	-	-	531,946
Capital outlay	-	-	3,851,009
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>18,173,958</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>11,826</u>	<u>-</u>	<u>(1,139,768)</u>
Other financing sources (uses):			
Transfers in	-	-	3,368,039
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>3,368,039</u>
Net changes in fund balances	11,826	-	2,228,271
Fund balances (deficit) - beginning of year	<u>897,485</u>	<u>1,017</u>	<u>8,300,260</u>
Fund balances (deficit) - end of year	<u><u>909,311</u></u>	<u><u>1,017</u></u>	<u><u>10,528,531</u></u>

See Notes to Financial Statements

<u>Debt Service</u>	
Gross Receipts	Total
Debt Service	Non-Major
658	Funds
<u> </u>	<u> </u>
6,143,456	15,709,376
-	141,199
-	3,353,010
-	1,688,052
-	1,933,082
3,615	15,458
-	341,084
<u>6,147,071</u>	<u>23,181,261</u>
-	750,137
-	3,022,095
-	3,022,647
-	6,996,124
-	531,946
-	3,851,009
735,000	735,000
<u>136,212</u>	<u>136,212</u>
<u>871,212</u>	<u>19,045,170</u>
<u>5,275,859</u>	<u>4,136,091</u>
-	3,368,039
<u>(3,196,764)</u>	<u>(3,196,764)</u>
<u>(3,196,764)</u>	<u>171,275</u>
2,079,095	4,307,366
<u>1,409,770</u>	<u>9,710,030</u>
<u>3,488,865</u>	<u>14,017,396</u>

FIDUCIARY FUNDS

STATE OF NEW MEXICO
LEA COUNTY
FIDUCIARY FUNDS DESCRIPTIONS
JUNE 30, 2018

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, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
COUNTY CLERK'S OFFICE				
ASSETS				
Cash and cash equivalents	\$ 74,258	774,955	786,669	62,544
Total assets	<u>74,258</u>	<u>774,955</u>	<u>786,669</u>	<u>62,544</u>
LIABILITIES				
Deposits held in trust for others	74,258	774,955	786,669	62,544
Total liabilities	<u>74,258</u>	<u>774,955</u>	<u>786,669</u>	<u>62,544</u>
COUNTY PROBATE JUDGE'S OFFICE				
ASSETS				
Cash and cash equivalents	660	5,070	5,340	390
Total assets	<u>660</u>	<u>5,070</u>	<u>5,340</u>	<u>390</u>
LIABILITIES				
Deposits held in trust for others	660	5,070	5,340	390
Total liabilities	<u>660</u>	<u>5,070</u>	<u>5,340</u>	<u>390</u>
DETENTION INMATE TRUST				
ASSETS				
Cash and cash equivalents	34,382	789,523	762,329	61,576
Total assets	<u>34,382</u>	<u>789,523</u>	<u>762,329</u>	<u>61,576</u>
LIABILITIES				
Deposits held in trust for others	34,382	789,523	762,329	61,576
Total liabilities	<u>34,382</u>	<u>789,523</u>	<u>762,329</u>	<u>61,576</u>

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
DETENTION BOND ACCOUNT				
ASSETS				
Cash and cash equivalents	\$ 1,183	-	1,000	183
Total assets	<u>1,183</u>	<u>-</u>	<u>1,000</u>	<u>183</u>
LIABILITIES				
Deposits held in trust for others	1,183	-	1,000	183
Total liabilities	<u>1,183</u>	<u>-</u>	<u>1,000</u>	<u>183</u>
COUNTY TREASURER'S OFFICE SUSPENSE FUND (478)				
ASSETS				
Cash and cash equivalents	771,850	1,159	-	773,009
Total assets	<u>771,850</u>	<u>1,159</u>	<u>-</u>	<u>773,009</u>
LIABILITIES				
Deposits held in trust for others	771,850	1,159	-	773,009
Total liabilities	<u>771,850</u>	<u>1,159</u>	<u>-</u>	<u>773,009</u>
LEA COUNTY WATER USERS ASSOCIATION (635)				
ASSETS				
Cash and cash equivalents	26,556	-	1,101	25,455
Total assets	<u>26,556</u>	<u>-</u>	<u>1,101</u>	<u>25,455</u>
LIABILITIES				
Deposits held in trust for others	26,556	-	1,101	25,455
Total liabilities	<u>26,556</u>	<u>-</u>	<u>1,101</u>	<u>25,455</u>
COUNTY TREASURER'S OFFICE (800 and Various School Funds)				
ASSETS				
Cash and cash equivalents	2,847,948	99,983,943	96,744,617	6,087,274
Receivables - Property taxes	2,330,943	36,787,324	39,117,315	952
Total assets	<u>5,178,891</u>	<u>136,771,267</u>	<u>135,861,932</u>	<u>6,088,226</u>
LIABILITIES				
Deposits held in trust for others	2,847,948	99,983,943	96,744,617	6,087,274
Future taxes collectible	2,330,943	36,787,324	39,117,315	952
Total liabilities	<u>5,178,891</u>	<u>136,771,267</u>	<u>135,861,932</u>	<u>6,088,226</u>

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
LEA COUNTY COMMUNICATIONS AUTHORITY (808)				
ASSETS				
Cash and cash equivalents	\$ 562,930	2,984,261	2,695,989	851,202
Total assets	<u>562,930</u>	<u>2,984,261</u>	<u>2,695,989</u>	<u>851,202</u>
LIABILITIES				
Deposits held in trust for others	562,930	2,984,261	2,695,989	851,202
Total liabilities	<u>562,930</u>	<u>2,984,261</u>	<u>2,695,989</u>	<u>851,202</u>
EDDY-LEA ENERGY ALLIANCE (809)				
ASSETS				
Cash and cash equivalents	96,071	11,065	8,636	98,500
Total assets	<u>96,071</u>	<u>11,065</u>	<u>8,636</u>	<u>98,500</u>
LIABILITIES				
Deposits held in trust for others	96,071	11,065	8,636	98,500
Total liabilities	<u>96,071</u>	<u>11,065</u>	<u>8,636</u>	<u>98,500</u>
LEA COUNTY SOLID WASTE AUTHORITY (810 & 811)				
ASSETS				
Cash and cash equivalents	8,488,978	3,245,503	2,420,214	9,314,267
Total assets	<u>8,488,978</u>	<u>3,245,503</u>	<u>2,420,214</u>	<u>9,314,267</u>
LIABILITIES				
Deposits held in trust for others	8,488,978	3,245,503	2,420,214	9,314,267
Total liabilities	<u>8,488,978</u>	<u>3,245,503</u>	<u>2,420,214</u>	<u>9,314,267</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	12,904,816	107,795,479	103,425,895	17,274,400
Receivables - Property taxes	2,330,943	36,787,324	39,117,315	952
Total assets	<u>15,235,759</u>	<u>144,582,803</u>	<u>142,543,210</u>	<u>17,275,352</u>
LIABILITIES				
Deposits held in trust for others	12,904,816	107,795,479	103,425,895	17,274,400
Future taxes collectible	2,330,943	36,787,324	39,117,315	952
Total liabilities	<u>15,235,759</u>	<u>144,582,803</u>	<u>142,543,210</u>	<u>17,275,352</u>

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ 434,970	-	-	29,711,295	16,563	30,162,828
Certificates of deposits	9,343,125	7,177,205	2,000,000	-	4,350,000	22,870,330
Total amounts on deposit	9,778,095	7,177,205	2,000,000	29,711,295	4,366,563	53,033,158
Less: FDIC insurance	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(1,250,000)
Total uninsured public funds:	9,528,095	6,927,205	1,750,000	29,461,295	4,116,563	51,783,158
Collateral requirement - 50%	4,764,048	3,463,603	875,000	14,730,648	2,058,282	25,891,579
Total required collateralization	\$ 4,764,048	3,463,603	875,000	14,730,648	2,058,282	25,891,579

Pledged Collateral									
Type of security and security number	CUSIP Number	Maturity Date							
2 ALAMOGORDO NM 4%	011446GX3	8/1/2033	\$	620,934		620,934			
2 BLOOMFIELD NM 5.0%	094077KP8	9/1/2020		704,382		704,382			
2 CHAVES CNTY NM 4.1%	162634BP3	8/1/2019		609,978		609,978			
2 DEXTER NM SD 5%	252345E22	8/1/2020		195,575		195,575			
2 DONA ANA CNTY 2%	257579CQ3	9/1/2018		270,270		270,270			
2 GRANTS & CIBOLA NM 2.5%	388240HC0	10/1/2023		250,027		250,027			
2 HOBBS NM SD 3.5%	433866FZ8	9/15/2022		227,547		227,547			
2 LAS CRUCES NM JT UT 5.0%	517496ES0	6/1/2023		1,508,885		1,508,885			
2 LAS CRUCES NM SD 3.0%	517534TA1	8/1/2022		662,440		662,440			
2 LEA COUNTY NM PSD 2%	521513CT6	3/15/2022		500,135		500,135			
2 LOVING NM ISD 4.25%	547413CX0	7/15/2023		330,465		330,465			
2 NEW MEXICO MILITARY 4.0%	647183BR2	6/1/2027		917,938		917,938			
2 POJOAQUE VY PSD 4.0%	73085PAT6	8/1/2018		450,945		450,945			
2 ROSWELL NM ISD 4.0%	778550JW4	8/1/2023		580,191		580,191			
1 FHLB HOBBS SD #16 NM21	433866EV8	7/15/2021		659,139		659,139			
1 FHLB TEXICO SD #2 NM21	883005CH1	8/1/2021		170,333		170,333			
1 FHLB LOS LUNAS SD 1 NM 24	545562QY9	7/15/2024		824,880		824,880			
1 FHLB GNMA 15YR	3620AQXB4	2/15/2025		133,696		133,696			
1 FHLB CLOVIS MUN SD #1 NM	189414JB2	8/1/2025		892,746		892,746			
1 FHLB NM FIN-C-SR LIEN PUB	64711NGR0	6/1/2028		516,890		516,890			
1 FHLB DONA ANACO NM 32	257579DE9	9/1/2032		501,044		501,044			
1 FHLB FNMA 20 YR	31418BPS9	4/1/2035		1,595,560		1,595,560			
1 FHLB GNMA II 30YR	36189MA57	10/20/2045		966,748		966,748			
1 FHLMC 847032	3128HDY52	7/1/2032			25,117	25,117			
1 FHLMC ARM 789868	31295N6D5	9/1/2032			31,701	31,701			
1 FHLMC ARM 781721	3134954E0	7/1/2034			250,347	250,347			
1 FHLMC ARM POOL 781086	313495F32	12/1/2033			396,714	396,714			
1 FHLMC POOL 782804	31349UDH8	11/1/2034			64,901	64,901			
1 FHLMC ARM 782847	31349UEU8	11/1/2034			90,793	90,793			
1 FHLMC ARM 782928	31349UHD3	1/1/2035			43,208	43,208			
1 FNMA AJ1622	3138ASYU0	10/1/2026			148,933	148,933			
1 FNMA ARM 651556	31390NZV7	7/1/2032			123,773	123,773			
1 FNMA ARM 759453	31403VWN5	1/1/2034			50,496	50,496			
1 FNMA ARM 805152	31406BQD5	1/1/2035			53,772	53,772			
1 FNMA ARM 845529	31408ALJ7	12/1/2035			88,463	88,463			
1 FNMA ARM 920547	31412BWG3	9/1/2036			60,657	60,657			
3 FMAC FGPC 3%	3128P8CQ2	6/1/2036			20,384,484	20,384,484			
3 FNMA FNMS 3%	3138NXV53	12/1/2042			6,395,790	6,395,790			
1 FNMA Pool #MA1515	31418AVH8	8/1/2043			1,948,222	1,948,222			
1 FNMA Pool #MA0819	31417Y4D6	7/1/2041			372,439	372,439			
1 FNMA Pool #AA7942	31416RZG1	9/1/2033			1,505,326	1,505,326			
1 FNMA Pool #AC2952	31417MH63	9/1/2039			1,461,609	1,461,609			
1 FNMA Pool #705683	31401D6U0	10/1/2033			140,836	140,836			
1 FHLMC Pool #G05256	3128M7E51	3/1/2039			1,067,354	1,067,354			
1 FNMA Pool #888407	31410GAG8	9/1/2036			1,213,856	1,213,856			
Totals:			\$	7,829,712	6,261,036	1,428,875	26,780,274	7,709,642	50,009,539
Total under (over) pledged:	(3,065,665)	(2,797,434)	(553,875)	(12,049,627)	(5,651,361)	(24,117,960)			

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

See Notes to Financial Statements

STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2018

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	\$ 343,092						343,092
Checking	Lea County Clerk	62,544						62,544
Checking	Lea County Probate Clerk	390						390
Checking	Lea County Treasurer EFTPS	28,761						28,761
Checking	Lea County Detention Facility	183						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	1,443,125						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		1,177,205					1,177,205
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			1,000,000				1,000,000
CD	Lea County Treasurer					850,000		850,000
CD	Lea County Treasurer					2,000,000		2,000,000
CD	Lea County Treasurer					250,000		250,000
CD	Lea County Treasurer					750,000		750,000
CD	Lea County Treasurer					500,000		500,000
Checking	Detention Inmate Trust Account				61,576			61,576
Checking	Lea County Treasurer				2,000,000			2,000,000
Checking	Lea County - Debt Service Account				6,052,331			6,052,331
Savings	Lea County Treasurer				21,597,388			21,597,388
Checking	LCDTF - State Forfeiture Fund					9,030		9,030
Checking	LCDTF - Justice Forfeiture Fund					7,533		7,533
Money Market	Lea County Treasurer						25,000,000	25,000,000
	Total on Deposit	9,778,095	7,177,205	2,000,000	29,711,295	4,366,563	25,000,000	78,033,158
	Reconciling Items	22,954	-	-	3,522,275	-	-	3,545,229
Total Reconciled Cash and Cash Equivalents		\$ 9,801,049	7,177,205	2,000,000	33,233,570	4,366,563	25,000,000	81,578,387
Petty Cash								1,000
Total Cash June 30, 2018								81,579,387
Less: Agency Funds								(17,274,400)
Combined Cash Balance Sheet Total June 30, 2018								\$ 64,304,987

See Notes to Financial Statements

STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2018

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						250,000	250,000
CD	Lea County Treasurer						250,000	250,000
CD	Lea County Treasurer						250,000	250,000
CD	Lea County Treasurer						245,663	245,663
CD	Lea County Treasurer						247,558	247,558
CD	Lea County Treasurer						244,810	244,810
CD	Lea County Treasurer						247,113	247,113
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						250,000	250,000
CD	Lea County Treasurer						250,000	250,000
FHLB	Lea County Treasurer						980,280	980,280
FFCB	Lea County Treasurer						992,840	992,840
FFCB	Lea County Treasurer						998,650	998,650
FHLB	Lea County Treasurer						1,214,800	1,214,800
FHLB	Lea County Treasurer						959,620	959,620
FFCB	Lea County Treasurer						959,200	959,200
FFCB	Lea County Treasurer						972,569	972,569
FHLB	Lea County Treasurer						974,789	974,789
		\$ <u>100,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,037,892</u>	<u>11,138,037</u>

STATE OF NEW MEXICO
LEA COUNTY
TAX ROLL RECONCILIATION - CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2018

Property taxes receivable, beginning of year	\$	2,605,180
Changes to tax roll:		
Net tax charges to treasurer for tax year 2017		53,420,401
Decrease in net tax charges 2008-2017		-
Adjustments:		
Less roll-off of 2006 taxes on ten year schedule		(18,856)
Net increase/(decrease) of taxes receivable		-
Unknown increase in receivable		1,903,416
Total receivable prior to collections		<u>57,910,141</u>
Collections for fiscal year ended June 30, 2018		<u>(54,882,592)</u>
Property taxes receivable at June 30, 2018	\$	<u><u>3,027,549</u></u>
Property taxes are reported as follows		
Governmental funds:		
County portion		984,917
Agency portion		<u>2,042,632</u>
Total property taxes receivable	\$	<u><u>3,027,549</u></u>
Property taxes receivable by years:		
2008-2016		1,303,278
2017		<u>1,724,271</u>
	\$	<u><u>3,027,549</u></u>

STATE OF NEW MEXICO
 LEA COUNTY
 TREASURERS PROPERTY TAX SCHEDULE
 June 30, 2018

	Property Taxes Levied	Collected In Current Year	Collected To-Date	Distributed In Current Year	Distributed To-Date	Undistr. At Year End	County Receivable At Year-End
LEA COUNTY:							
Operations							
2008 - 2016	\$ 113,963,034	463,770	113,510,689	633,749	97,247,831	26,184	452,345
2017	16,984,988	16,452,416	16,452,416	16,236,673	16,236,673	215,743	532,572
Total	130,948,022	16,916,186	129,963,105	16,870,422	113,484,504	241,927	984,917
CITY OF LOVINGTON							
2008 - 2016	3,037,619	21,865	3,023,697	29,953	3,020,756	2,941	13,922
2017	438,211	411,738	411,738	396,835	396,835	14,903	26,473
Total	3,475,830	433,603	3,435,435	426,788	3,417,591	17,844	40,395
CITY OF EUNICE							
2008 - 2016	1,360,716	9,309	1,356,760	12,921	1,355,818	943	3,956
2017	193,119	186,115	186,115	180,598	180,598	5,516	7,004
Total	1,553,835	195,424	1,542,875	193,519	1,536,416	6,459	10,960
CITY OF HOBBS							
2008 - 2016	19,312,028	101,708	19,264,490	152,105	19,258,357	6,133	47,537
2017	2,676,615	2,588,453	2,588,453	2,527,773	2,527,773	60,680	88,162
Total	21,988,643	2,690,161	21,852,943	2,679,878	21,786,130	66,813	135,699
CITY OF JAL							
2008 - 2016	1,119,288	10,207	1,117,711	4,635	1,108,848	378	1,577
2017	174,188	169,312	169,312	8,485	8,485	2,999	4,876
Total	1,293,476	179,519	1,287,023	13,120	1,117,333	3,377	6,453
TOWN OF TATUM							
2008 - 2016	211,834	3,669	211,498	4,098	211,406	92	337
2017	28,459	27,100	27,100	26,243	26,243	857	1,359
Total	240,293	30,769	238,598	30,341	237,649	949	1,696
NEW MEXICO JUNIOR COLLEGE							
2008 - 2016	55,252,406	228,674	55,034,081	312,758	55,020,857	13,224	218,325
2017	8,247,817	7,986,643	7,986,643	7,879,571	7,879,571	107,073	261,174
Total	63,500,223	8,215,317	63,020,724	8,192,329	62,900,428	120,297	479,499
NOR LEA							
2008 - 2016	10,456,719	60,734	10,432,183	47,069	10,397,858	4,537	24,536
2017	1,842,123	1,796,201	1,796,201	30,082	30,082	28,449	45,922
Total	12,298,842	1,856,935	12,228,384	77,151	10,427,940	32,986	70,458
JAL HOSPITAL							
2008 - 2016	3,633,671	6,941	3,557,351	8,345	3,557,161	190	76,320
2017	763,822	702,237	702,237	699,725	699,725	2,512	61,585
Total	4,397,493	709,178	4,259,588	708,070	4,256,886	2,702	137,905
EUNICE HOSPITAL							
2008 - 2016	2,190,984	6,007	2,189,495	8,404	2,189,140	354	1,490
2017	306,076	303,067	303,067	300,992	300,992	2,075	3,009
Total	2,497,060	309,074	2,492,562	309,396	2,490,132	2,429	4,499

STATE OF NEW MEXICO
 LEA COUNTY
 TREASURERS PROPERTY TAX SCHEDULE (CONTINUED)
 June 30, 2018

	Property Taxes Levied	Collected In Current Year	Collected To-Date	Distributed In Current Year	Distributed To-Date	Undistr. At Year End	County Receivable At Year-End
STATE OF NEW MEXICO							
2008 - 2016	16,897,189	73,309	16,834,357	100,940	16,778,229	4,642	62,832
2017	2,599,771	2,517,695	2,517,695	2,480,033	2,480,033	35,332	82,076
Total	19,496,960	2,591,004	19,352,052	2,580,973	19,258,262	39,974	144,908
LOVINGTON SCHOOL							
2008 - 2016	19,112,157	138,700	19,056,651	181,017	19,045,591	11,060	55,507
2017	4,444,364	4,322,619	4,322,619	4,256,519	4,256,519	66,100	121,744
Total	23,556,521	4,461,319	23,379,270	4,437,536	23,302,110	77,160	177,251
EUNICE SCHOOL							
2008 - 2016	9,736,994	34,877	9,727,757	52,418	9,725,181	2,575	9,237
2017	2,279,846	2,256,924	2,256,924	2,241,153	2,241,153	15,771	22,922
Total	12,016,840	2,291,801	11,984,681	2,293,571	11,966,334	18,346	32,159
HOBBS SCHOOLS							
2008 - 2016	65,777,034	400,181	65,612,840	582,135	65,588,423	24,418	164,194
2017	11,383,894	11,065,598	11,065,598	10,860,965	10,860,965	204,633	318,296
Total	77,160,928	11,465,779	76,678,438	11,443,100	76,449,388	229,051	482,490
JAL SCHOOLS							
2008 - 2016	4,606,425	12,611	4,328,390	15,282	4,335,733	350	152,352
2017	-	1,432,914	1,432,914	1,427,827	1,427,827	5,087	125,683
Total	4,606,425	1,445,525	5,761,304	1,443,109	5,763,560	5,437	278,035
TATUM SCHOOLS							
2008 - 2016	2,631,438	14,218	2,623,659	9,941	2,616,593	1,140	7,778
2017	588,578	582,260	582,260	575,265	575,265	10,132	6,318
Total	3,220,016	596,478	3,205,919	585,206	3,191,858	11,272	14,096
NONRENDERED							
2008 - 2016	574,440	27,368	574,255	27,336	574,140	115	185
2017	1,233	763	763	725	725	38	470
Total	575,673	28,131	575,018	28,061	574,865	153	655
1% ASSESSOR							
2008 - 2016	2,767,234	13,718	2,756,387	19,066	2,755,519	868	10,848
2017	467,300	452,673	452,673	445,874	445,874	6,800	14,626
Total	3,234,534	466,391	3,209,060	464,940	3,201,393	7,668	25,474
TOTALS							
2008 - 2016	332,641,210	1,627,866	331,212,251	2,202,172	314,787,441	100,144	1,303,278
2017	53,420,404	53,254,728	53,254,728	50,575,338	50,575,338	784,700	1,724,271
GRAND TOTAL	\$ 386,061,614	54,882,594	384,466,979	52,777,510	365,362,779	884,844	3,027,549

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, 2018

Federal Grantor or Pass-Through Grantor/Program Title	Pass-through Grant Number	Federal CFDA Number	Federal Expenditures
Department of Homeland Security			
<i>Passed through State of New Mexico</i>			
Emergency Management Performance Grants			
Salary Reimbursement	N/A	97.042	\$ 44,839
Total Emergency Management Performance Grants			<u>44,839</u>
<i>Passed through State of New Mexico</i>			
Homeland Security Grant Program			
2016 State Homeland Security Grant Program	N/A	97.067	47,890
2017 State Homeland Security Grant Program	N/A	97.067	168,665
Total Homeland Security Grant Program Grants			<u>216,555</u>
Total Department of Homeland Security			<u>261,394</u>
Executive Office of the President			
High Intensity Drug Trafficking Areas Programs			
High Intensity Drug Trafficking Areas Program - G16SN0017A	N/A	95.001	90,527
High Intensity Drug Trafficking Areas Program - G17SN0017A	N/A	95.001	1,073,614
Total Executive Office of the President			<u>1,164,141</u>
Department of Transportation			
Airport Improvement Programs			
RSA Improvements	N/A	20.106 (1)	105,362
Hobbs Runway 12/30 Reconstruction	N/A	20.106 (1)	129,041
Hobbs Security Fence	N/A	20.106 (1)	72,040
Jal Security Fence	N/A	20.106 (1)	33,119
Zip Franklin Security Fence	N/A	20.106 (1)	54,868
Reconstruct Apron	N/A	20.106 (1)	207,468
Hanger Access Road	N/A	20.106 (1)	164,265
Rehab Apron	N/A	20.106 (1)	646,558
Total Department of Transportation			<u>1,412,721</u>
Department of Health and Human Services			
<i>Passed through State of New Mexico</i>			
Public Health Emergency Preparedness	N/A	93.069	2,500
Epidemiology and Laboratory Capacity ofr Infectious Diseases (ELC)	N/A	93.323	11,928
Total Department of Health and Human Services			14,428
Department of Interior			
<i>Passed through State of New Mexico</i>			
Taylor Grazing Act Wildlife - 14	N/A	15.237	61,380
Total Department of Interior			<u>61,380</u>
Total Federal Financial Assistance			<u>\$ 2,914,064</u>

(1) Denotes major federal assistance program

STATE OF NEW MEXICO
 LEA COUNTY
 NOTE TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2018

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, 2018. The information in this Schedule is presented in accordance with 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). Because the Schedule presents only a selected portion of the operations of the county, it is not intended and does not present the financial position or changes in net position of the County.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Subrecipients of Grant Awards

CFDA Number	Program Name	Subrecipient Name	Amount
95.001	High Intensity Drug Trafficking Areas Program	Chaves County	\$ 165,965
95.001	High Intensity Drug Trafficking Areas Program	Lincoln County	134,224
95.001	High Intensity Drug Trafficking Areas Program	Pecos Valley	366,626
95.001	High Intensity Drug Trafficking Areas Program	Region VI	<u>216,856</u>
		Total CFDA 95.001	<u>\$ 883,671</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 the County Commission
Lea County
And Mr. Wayne Johnson
New Mexico State Auditor

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of Lea County (the “County”) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated November 29, 2018.

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's Response to Findings

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
November 29, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the County Commission Lea County
And Mr. Wayne Johnson
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited Lea County's (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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 major federal programs for the year ended June 30, 2018.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is listed as finding 2018-001 in the schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 29, 2018

**STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

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?	No
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: High Intensity Drug Trafficking Areas Program – CFDA #95.001	
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
SCHEDULE OF FINDINGS AND QUUESTIONED COSTS
Year Ended June 30, 2018**

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

None

**STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF FINDINGS AND QUUESTIONED COSTS
Year Ended June 30, 2018**

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

2018-001 Conflict of Interest Policy Requirements (Other Non-Compliance)

CONDITION: The County has not established written procedures to implement the conflict of interest requirements of *2 CFR Section 200.318 (c)(1) and (2)*.

Funding Agency:	Executive Office of the President
	High Intensity Drug Trafficking Areas Program
CFDA #:	95.001
Questioned costs:	None

CRITERIA: *Title 2 CFR Section 200.318 (c)(1) and (2) of the Uniform Guidance* requires non-Federal entities to establish and maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts, and covering organizational conflicts of interest.

EFFECT: The County has not complied with the specific requirements for written procedures over conflicts of interest as described in the *Uniform Guidance*.

CAUSE: The County's procedures did not ensure the required written procedures were developed and implemented in accordance with the *Uniform Guidance*.

RECOMMENDATION: We recommend the County review its policies and procedures, and formalize written procedures related to conflict of interests within *2 CFR Section 200.318*.

MANAGEMENT RESPONSE: Lea County will prepare and submit a written conflict of interest policy to the Lea County Board of Commissioners for review and approval in accordance with *2 CFR 200.318*.

RESPONSIBLE PARTY / TIMELINE TO CORRECT: The Lea County Finance Director and County Attorney will be responsible for presenting the policy. IT will be submitted to the County Commission for approval by the end of January 2019.

**STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF FINDINGS AND QUUESTIONED COSTS
Year Ended June 30, 2018**

**SECTION IV – OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978**

None

**STATE OF NEW MEXICO
LEA COUNTY
STATUS OF PRIOR YEAR FINDINGS
Year Ended June 30, 2018**

STATUS OF PRIOR YEAR FINDINGS

Description		Status
2016-002	Controls Surrounding Cash Disbursements	Resolved

**STATE OF NEW MEXICO
LEA COUNTY
EXIT CONFERENCE
JUNE 30, 2018**

EXIT CONFERENCE

An exit conference was conducted on November 29, 2018, with the following individuals:

Lea County

Ron Black, County Commissioner
Michael Gallagher, County Manager
Henry C. Low, Jr., CPA, 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.