

**STATE OF NEW MEXICO
LEA COUNTY**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019



PATTILLO, BROWN & HILL, LLP

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

(This page intentionally left blank)

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
LEA COUNTY
OFFICIAL ROSTER
JUNE 30, 2019**

Board of County Commissioners

Name	Title
Rebecca Long	Chairman
Dean Jackson	Commission Vice-Chairman
Richard Don Jones	Member
Jonathan Sena	Member
Gary Eidson	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
TABLE OF CONTENTS
JUNE 30, 2019**

	Page
INTRODUCTORY SECTION	
Official Roster	i
Table of Contents	ii-iii
FINANCIAL SECTION	
Independent Auditor’s Report	1-3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	4-5
Statement of Activities	6-7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8-9
Reconciliation of the Balance Sheet to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11-12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual- General Fund - 401	14
Road Fund - 402	15
Detention Facility - 418	16
Lea County Fairgrounds – 460	17
Statement of Net Position – Proprietary Fund	18
Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund	19
Statement of Cash Flows – Proprietary Fund	20
Statement of Fiduciary Assets and Liabilities – Agency Funds	21
Notes to Financial Statements	22-59
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the County’s Proportionate Share of the Net Pension Liability	60
Schedule of County Contributions	61-62
Schedule of the County’s Proportionate Share of the Net OPEB Liability	63
Schedule of County Contributions	64
Notes to Pension Required Supplementary Information	65
SUPPLEMENTARY INFORMATION	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Fund Descriptions	66-68
Combining Balance Sheet – Nonmajor Funds	69-76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Funds	77-84

**STATE OF NEW MEXICO
LEA COUNTY
TABLE OF CONTENTS
JUNE 30, 2019**

	Page
SUPPLEMENTARY INFORMATION	
Fiduciary Funds Descriptions	85
Schedule of Changes in Assets and Liabilities – Agency Funds	86-88
SUPPORTING SCHEDULES	
Schedule of Collateral Pledged by Depository for Public Funds	89
Schedule of Cash and Temporary Investment Accounts	90-91
Tax Roll Reconciliation – Changes in Property Tax Receivable	92
Treasurer’s Property Tax Schedule	93-94
Schedule of Expenditures of Federal Awards	95
Notes to Supplemental Schedule of Expenditures of Federal Awards	96
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 <i>Government Auditing Standards</i>	97-98
Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	99-100
Schedule of Findings and Questioned Costs	101-104
Prior Year Audit Findings	105
Exit Conference	106

FINANCIAL SECTION



Independent Auditors' Report

To Brian S. Colòn, Esq.
New Mexico State Auditor

The County Commission
Lea County

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, 2019, 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.

OFFICE LOCATIONS

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2019, and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedules of the County's Proportionate Share of the Net Pension Liability and Net OPEB Liability*, and *Schedules of County Contributions* on pages 60-65 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 the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
November 26, 2019

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LEA COUNTY
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current:</i>			
Cash and cash equivalents	\$ 78,083,269	343,121	78,426,390
Investments	19,494,122	-	19,494,122
Property tax receivables	841,203	-	841,203
Due from other governments	7,173,843	-	7,173,843
Other receivables	241,932	-	241,932
<i>Total current assets</i>	<u>105,834,369</u>	<u>343,121</u>	<u>106,177,490</u>
<i>Noncurrent assets:</i>			
Capital assets, net accumulated depreciation	211,812,499	2,923,009	214,735,508
<i>Total noncurrent assets</i>	<u>211,812,499</u>	<u>2,923,009</u>	<u>214,735,508</u>
<i>Total assets</i>	<u>317,646,868</u>	<u>3,266,130</u>	<u>320,912,998</u>
DEFERRED OUTFLOWS			
Pension related	10,973,873	-	10,973,873
OPEB related	635,009	-	635,009
<i>Total deferred outflows</i>	<u>11,608,882</u>	<u>-</u>	<u>11,608,882</u>
<i>Total assets and deferred outflows</i>	<u>\$ 329,255,750</u>	<u>3,266,130</u>	<u>332,521,880</u>

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF NET POSITION
 June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	2,495,677	-	2,495,677
Accrued payroll liabilities	333,547	-	333,547
Interest payable	10,040	-	10,040
Debt due within one year	775,000	-	775,000
Current portion of compensated absences	222,388	-	222,388
<i>Total current liabilities</i>	<u>3,836,652</u>	<u>-</u>	<u>3,836,652</u>
<i>Noncurrent liabilities:</i>			
Debt due in more than more one year	4,100,000	-	4,100,000
Long term portion of compensated absences	667,164	-	667,164
Net pension liability	32,318,494	-	32,318,494
Net OPEB liability	15,504,929	-	15,504,929
<i>Total noncurrent liabilities</i>	<u>52,590,587</u>	<u>-</u>	<u>52,590,587</u>
<i>Total liabilities</i>	<u>56,427,239</u>	<u>-</u>	<u>56,427,239</u>
DEFERRED INFLOWS			
Pension related	2,054,706	-	2,054,706
OBEP related	4,006,188	-	4,006,188
<i>Total deferred inflows</i>	<u>6,060,894</u>	<u>-</u>	<u>6,060,894</u>
NET POSITION			
Net investment in capital assets	206,937,499	2,923,009	209,860,508
Restricted for:			
Special revenues	24,449,847	-	24,449,847
Debt Service	1,704,372	-	1,704,372
Unrestricted	33,675,899	343,121	34,019,020
<i>Total net position</i>	<u>266,767,617</u>	<u>3,266,130</u>	<u>270,033,747</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 329,255,750</u>	<u>3,266,130</u>	<u>332,521,880</u>

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 18,712,334	2,470,953	294,053	-
Public safety	25,235,684	2,261,738	2,501,378	-
Culture and recreation	3,349,472	315,002	-	100,000
Health and welfare	10,911,550	-	-	-
Public works	8,514,005	209,276	2,520,114	325,880
Capital Outlay	792,526	-	-	-
Interest relating to long-term debt	120,481	-	-	-
Total Governmental Activities	67,636,052	5,256,969	5,315,545	425,880
Business-type Activities:				
Water service proprietary fund	11,586	-	-	-
Total Business-type Activities	11,586	-	-	-
	\$ 67,647,638	5,256,969	5,315,545	425,880

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

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>
(15,947,328)	-	(15,947,328)
(20,472,568)	-	(20,472,568)
(2,934,470)	-	(2,934,470)
(10,911,550)	-	(10,911,550)
(5,458,735)	-	(5,458,735)
(792,526)	-	(792,526)
(120,481)	-	(120,481)
<u>(56,637,658)</u>	<u>-</u>	<u>(56,637,658)</u>
<u>-</u>	<u>(11,586)</u>	<u>(11,586)</u>
<u>-</u>	<u>(11,586)</u>	<u>(11,586)</u>
<u>(56,637,658)</u>	<u>(11,586)</u>	<u>(56,649,244)</u>
89,874,591	-	89,874,591
4,056,216	-	4,056,216
1,947,898	-	1,947,898
756,098	-	756,098
<u>96,634,803</u>	<u>-</u>	<u>96,634,803</u>
39,997,145	(11,586)	39,985,559
<u>226,770,472</u>	<u>3,277,716</u>	<u>230,048,188</u>
<u>\$ 266,767,617</u>	<u>3,266,130</u>	<u>270,033,747</u>

STATE OF NEW MEXICO
 LEA COUNTY
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	General Fund 401	Road 402	Detention Facility 418
ASSETS			
<i>Current:</i>			
Cash and temporary investments	\$ 61,761,235	1,132,889	835,428
Investments	19,393,977	-	-
Receivables			
Property taxes receivable	841,203	-	-
Receivable from other governments	4,545,756	103,123	166,392
Due from other funds	-	-	-
Other receivables	195,186	-	3,801
<i>Total current assets</i>	<u>\$ 86,737,357</u>	<u>1,236,012</u>	<u>1,005,621</u>
LIABILITIES AND FUND BALANCE			
<i>Current liabilities:</i>			
Accounts payable	\$ 667,559	371,530	147,156
Accrued payroll liabilities	189,513	28,552	79,221
Interest payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
<i>Total current liabilities</i>	<u>857,072</u>	<u>400,082</u>	<u>226,377</u>
DEFERRED INFLOWS			
Unavailable revenue	554,661	-	-
<i>Total deferred inflows</i>	<u>554,661</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)			
Nonspendable:			
Restricted	9,029,359	835,930	779,244
Unassigned	76,296,265	-	-
<i>Total fund balance (deficit)</i>	<u>85,325,624</u>	<u>835,930</u>	<u>779,244</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 86,737,357</u>	<u>1,236,012</u>	<u>1,005,621</u>

See Notes to Financial Statements

Lea County Fairgrounds 460	Capital Projects 430	Nonmajor Governmental Funds	Total Governmental Funds
804,700	1,156,434	12,392,583	78,083,269
-	-	100,145	19,494,122
-	-	-	841,203
-	-	2,358,572	7,173,843
-	-	-	-
-	-	42,945	241,932
<u>804,700</u>	<u>1,156,434</u>	<u>14,894,245</u>	<u>105,834,369</u>
441,149	497,286	370,997	2,495,677
5,394	-	30,867	333,547
-	-	-	-
-	-	-	-
-	-	-	-
<u>446,543</u>	<u>497,286</u>	<u>401,864</u>	<u>2,829,224</u>
-	-	-	554,661
-	-	-	554,661
358,157	659,148	14,492,381	26,154,219
-	-	-	76,296,265
<u>358,157</u>	<u>659,148</u>	<u>14,492,381</u>	<u>102,450,484</u>
<u>804,700</u>	<u>1,156,434</u>	<u>14,894,245</u>	<u>105,834,369</u>

(This page intentionally left blank)

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, 2019

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

Fund balances - total governmental funds	\$ 102,450,484
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	211,812,499
Defined benefit pension and OPEB plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	11,608,882
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Property taxes	554,661
Long-term liabilities, are not due in the current period and, therefore, are not reported in the funds	
Net pension liability	(32,318,494)
Net OPEB liability	(15,504,929)
Bond payable	(4,875,000)
Interest payable	(10,040)
Compensated absences	(889,552)
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>(6,060,894)</u>
Total net position	<u>\$ 266,767,617</u>

STATE OF NEW MEXICO
LEA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund 401	Road 402	Detention Facility 418	Lea County Fairgrounds 460
<i>Revenues:</i>				
Property, sales, and miscellaneous taxes	\$ 67,985,106	-	-	-
Payment in lieu of taxes	4,056,216	-	-	-
Licenses and permits	60,276	-	-	-
Intergovernmental:				
Federal	27,042	-	-	-
State	267,011	1,924,505	-	-
Charges for services	1,150,844	-	2,084,750	818,057
Investment earnings	1,924,833	-	-	-
Miscellaneous	577,815	629	1,340	180,687
Total revenues	76,049,143	1,925,134	2,086,090	998,744
<i>Expenditures:</i>				
Current				
General government	12,793,271	-	-	-
Public safety	9,439,530	-	9,481,926	-
Culture and recreation	-	-	-	2,358,867
Health and welfare	-	-	-	-
Public works	-	5,016,789	-	-
Capital outlay	2,171,689	6,915,915	-	3,534,191
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	24,404,490	11,932,704	9,481,926	5,893,058
Excess (deficiency) of revenues over expenditures	51,644,653	(10,007,570)	(7,395,836)	(4,894,314)
<i>Other financing sources (uses):</i>				
Proceeds from debt	-	-	-	-
Transfers in	3,270,523	9,817,098	8,100,000	5,027,000
Transfers out	(29,942,097)	-	-	-
Total other financing sources (uses)	(26,671,574)	9,817,098	8,100,000	5,027,000
Net change in fund balances	24,973,079	(190,472)	704,164	132,686
Fund balances (deficit)- beginning of year	60,352,545	1,026,402	75,080	225,471
Fund balances (deficit) - end of year	\$ 85,325,624	835,930	779,244	358,157

Capital Projects 430	Nonmajor Governmental Funds	Total Governmental Funds
-	21,979,322	89,964,428
-	-	4,056,216
-	127,117	187,393
-	1,818,446	1,845,488
100,000	1,604,421	3,895,937
-	1,203,318	5,256,969
-	23,065	1,947,898
-	105,197	865,668
<u>100,000</u>	<u>26,860,886</u>	<u>108,019,997</u>
-	1,192,229	13,985,500
-	3,440,688	22,362,144
-	979,909	3,338,776
-	10,621,975	10,621,975
-	825,660	5,842,449
13,606,895	1,951,964	28,180,654
-	755,000	755,000
-	120,481	120,481
<u>13,606,895</u>	<u>19,887,906</u>	<u>85,206,979</u>
<u>(13,506,895)</u>	<u>6,972,980</u>	<u>22,813,018</u>
-	-	-
10,000,000	3,264,408	39,479,029
-	(9,536,932)	(39,479,029)
<u>10,000,000</u>	<u>(6,272,524)</u>	<u>-</u>
(3,506,895)	700,456	22,813,018
<u>4,166,043</u>	<u>13,791,925</u>	<u>79,637,466</u>
<u>659,148</u>	<u>14,492,381</u>	<u>102,450,484</u>

See Notes to Financial Statements

(This page intentionally left blank)

**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, 2019**

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

Net change in fund balances - total governmental funds	\$ 22,813,018
Net pension expense	(2,716,449)
Net OBEP expense	287,131

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	27,388,128
Depreciation expense	(8,055,980)
Loss on disposal of capital assets	(296,963)

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	(89,837)
Increase in accrued compensated absences	(86,903)
Principal payments on notes	<u>755,000</u>

Change in net position	\$ <u><u>39,997,145</u></u>
------------------------	-----------------------------

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property, sales, and miscellaneous taxes	\$ 50,936,166	52,065,081	66,965,020	14,899,939
Payment in lieu of taxes	3,600,000	3,600,000	4,056,216	456,216
Licenses and permits	150,250	150,250	60,276	(89,974)
Intergovernmental:				
Federal	-	-	27,042	27,042
State and local	250,000	250,000	267,011	17,011
Charges for services	582,000	582,000	1,150,844	568,844
Investment earnings	-	-	1,870,203	1,870,203
Miscellaneous	200,725	280,725	577,815	297,090
Total revenues	55,719,141	56,928,056	74,974,427	18,046,371
Expenditures				
Current				
General government	20,878,724	21,291,790	14,032,844	7,258,946
Public safety	10,485,241	11,600,156	10,437,222	1,162,934
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	31,363,965	32,891,946	24,470,066	8,421,880
<i>Excess (deficiency) of revenues over expenditures</i>	<u>24,355,176</u>	<u>24,036,110</u>	<u>50,504,361</u>	<u>26,468,251</u>
Other financing sources (uses):				
Transfers in	-	3,623,843	3,270,523	(353,320)
Transfers out	(72,969,915)	(72,989,915)	(29,942,097)	43,047,818
Total other financing sources (uses)	<u>(72,969,915)</u>	<u>(69,366,072)</u>	<u>(26,671,574)</u>	<u>42,694,498</u>
Net changes in fund balances	\$ <u>(48,614,739)</u>	<u>(45,329,962)</u>	23,832,787	<u>69,162,749</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			1,074,716	
Adjustments to expenditures			65,576	
Net Change in Fund Balances (GAAP Basis)			\$ <u>24,973,079</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property, sales, and miscellaneous taxes	\$ -	-	-	-
Payment in lieu of taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Federal	-	-	-	-
State	1,823,980	1,823,980	1,922,425	98,445
Miscellaneous	-	-	629	629
<i>Total revenues</i>	<u>1,823,980</u>	<u>1,823,980</u>	<u>1,923,054</u>	<u>99,074</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	13,474,431	13,474,431	4,691,348	8,783,083
Capital outlay	-	-	6,915,915	(6,915,915)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>13,474,431</u>	<u>13,474,431</u>	<u>11,607,263</u>	<u>1,867,168</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(11,650,451)</u>	<u>(11,650,451)</u>	<u>(9,684,209)</u>	<u>1,966,242</u>
Other financing sources (uses):				
Transfers in	11,774,000	11,774,000	9,817,098	(1,956,902)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>11,774,000</u>	<u>11,774,000</u>	<u>9,817,098</u>	<u>(1,956,902)</u>
Net changes in fund balances	\$ <u>123,549</u>	<u>123,549</u>	<u>132,889</u>	<u>9,340</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			2,080	
Adjustments to expenditures			(325,441)	
Net Change in Fund Balances (GAAP Basis)			\$ <u>(190,472)</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property, sales, and miscellaneous taxes	\$ -	-	-	-
Payment in lieu of taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Charges for services	\$ 2,156,212	2,156,212	2,082,059	(74,153)
Investment earnings	-	-	-	-
Miscellaneous	-	-	1,340	1,340
Total revenues	2,156,212	2,156,212	2,083,399	(72,813)
Expenditures				
Current				
General government	-	-	-	-
Public safety	10,830,586	13,792,260	9,668,461	4,123,799
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	10,830,586	13,792,260	9,668,461	4,123,799
Excess (deficiency) of revenues over expenditures	(8,674,374)	(11,636,048)	(7,585,062)	4,050,986
Other financing sources (uses):				
Transfers in	7,277,786	7,477,786	8,100,000	622,214
Transfers out	-	(15,000)	-	15,000
Total other financing sources (uses)	7,277,786	7,462,786	8,100,000	637,214
Prior year cash balance budgeted	320,490	320,490		
Net changes in fund balances	\$ (1,076,098)	(3,852,772)	514,938	4,367,710
Reconciliation to GAAP basis:				
Adjustments to revenues			2,691	
Adjustments to expenditures			186,535	
Net Change in Fund Balances (GAAP Basis)			\$ 704,164	

STATE OF NEW MEXICO
LEA COUNTY
LEA COUNTY FAIRGROUNDS - SPECIAL REVENUE FUND (460)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property, sales, and miscellaneous taxes	\$ -	-	-	-
Payment in lieu of taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Charges for services	\$ 59,005	59,005	818,057	759,052
Investment earnings	-	-	-	-
Miscellaneous	-	-	180,687	180,687
Total revenues	59,005	59,005	998,744	939,739
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	1,430,724	1,447,974	2,069,357	(621,383)
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	3,000,000	5,900,000	3,534,191	2,365,809
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	4,430,724	7,347,974	5,603,548	1,744,426
<i>Excess (deficiency) of revenues over expenditures</i>	<i>(4,371,719)</i>	<i>(7,288,969)</i>	<i>(4,604,804)</i>	<i>2,684,165</i>
Other financing sources (uses):				
Transfers in	4,400,000	7,300,000	5,027,000	(2,273,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	4,400,000	7,300,000	5,027,000	(2,273,000)
Prior year cash balance budgeted	320,490	320,490		
Net changes in fund balances	\$ 348,771	331,521	422,196	90,675
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			(289,510)	
Net Change in Fund Balances (GAAP Basis)			\$ 132,686	

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF NET POSITION - PROPRIETARY FUND
 June 30, 2019

	Water Service Enterprise Fund (675)
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 343,121
Total current assets	<u>343,121</u>
Noncurrent Assets	
Capital assets:	
Land and improvements, not being depreciated	575,000
Construction in progress, not being depreciated	2,348,009
Total noncurrent assets	<u>2,923,009</u>
Total assets	<u>3,266,130</u>
LIABILITIES	
Current Liabilities	
Other liabilities	-
Total liabilities	<u>-</u>
NET POSITION	
Net investment in capital assets	2,923,009
Unrestricted	343,121
Total net position	<u>\$ 3,266,130</u>

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
 NET POSITION - PROPRIETARY FUNDS
 Year Ended June 30, 2019

	<u>Water Service Enterprise Fund (675)</u>
Operating Revenues	
Charges for services	\$ <u> -</u>
Total operating revenues	<u> -</u>
Operating Expenses	
Operating expenses	<u> 11,586</u>
Total operating expenses	<u> 11,586</u>
(Loss) income before contributions and transfers	(11,586)
Transfers	
Transfers, out	<u> -</u>
Change in net position	(11,586)
Net position, beginning of year	<u> 3,277,716</u>
Net position, end of year	\$ <u><u> 3,266,130</u></u>

STATE OF NEW MEXICO
 LEA COUNTY
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 Year Ended June 30, 2019

	Water Service Enterprise Fund (675)
Cash Flows From Operating Activities	
Cash received from customers and others	\$ -
Cash paid for goods and services	<u>(11,586)</u>
Net cash provided by operating activities	<u>(11,586)</u>
Cash Flows From Non-Capital Financing	
Activities Operating transfers, net	<u>-</u>
Net cash used by non-capital financing activities	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(11,586)
Cash and restricted cash and cash equivalents, beginning of year	<u>354,707</u>
Cash and restricted cash and cash equivalents, end of year	<u><u>\$ 343,121</u></u>
Reconciliation of Operating (Loss) Income to Net Cash Provided by Operating Activities	
Operating (loss) income	\$ (11,586)
Adjustments to operating (loss) income to net cash provided by operating activities:	
Change in assets and liabilities:	
Other liabilities	<u>-</u>
Net cash provided by operating activities	<u><u>\$ (11,586)</u></u>

STATE OF NEW MEXICO
LEA COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2019

	Balance <u>June 30, 2019</u>
ASSETS	
Cash and cash equivalents	\$ 19,157,214
Taxes receivable	<u>95</u>
<i>Total assets</i>	<u>\$ 19,157,309</u>
LIABILITIES	
Deposits held in trust for others	\$ 19,157,214
Future taxes collectible	<u>95</u>
<i>Total liabilities</i>	<u>\$ 19,157,309</u>

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019**

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, 2019**

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, 2019**

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 Lea County Fairgrounds Fund (460) was established by resolution to account for revenues and expenses related to the operation of the County's fairgrounds.

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, 2019**

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, 2019**

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, 2019

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, 2019**

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, 2019

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, 2019.

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, 2019

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, 2019.

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 fund's 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, 2019**

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, County 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, 2019, the carrying amount of the County's unrestricted deposits were \$88,299,982 excluding cash held as fiduciary of \$19,157,214. Total cash and cash equivalents balance per the financial institutions of \$83,735,888 consisted of demand deposits, repurchase agreements and certificates of deposit and \$25,040,707 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

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

\$76,465,665 was covered by collateral held in joint safekeeping by a third party. A money market account of \$25,040,707 was held at a brokerage firm and is covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000.

	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	\$ 776,981	-	-	53,317,900	19,660	54,114,541
Repurchase agreements	-	-	-	9,928,222	-	9,928,222
CDs	9,343,125	4,000,000	2,000,000	-	4,350,000	19,693,125
Total amounts on deposit	<u>10,120,106</u>	<u>4,000,000</u>	<u>2,000,000</u>	<u>63,246,122</u>	<u>4,369,660</u>	<u>83,735,888</u>
Less: FDIC insurance	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(1,250,000)
Total uninsured public funds	<u>9,870,106</u>	<u>3,750,000</u>	<u>1,750,000</u>	<u>62,996,122</u>	<u>4,119,660</u>	<u>82,485,888</u>
Collateral requirement – 50%	4,935,053	1,875,000	875,000	26,658,950	2,059,830	36,403,833
Collateral requirement – 102%	-	-	-	10,126,786	-	10,126,786
Total required collateralization	<u>\$ 4,935,053</u>	<u>1,875,000</u>	<u>875,000</u>	<u>36,785,736</u>	<u>2,059,830</u>	<u>46,530,619</u>
				\$ 83,735,888		
				(9,928,222)		
				<u>25,040,707</u>		
				<u>\$ 98,848,373</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, 2019, \$8,077,421 of the County's bank balance of \$83,735,888 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, 2019, \$25,040,707 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

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. INVESTMENTS (CONTINUED)

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 County which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not

defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding. The County does not have an additional investment policy that further limits its investments. At June 30, 2019, Lea County had long-term investments with Moreton Capital Markets, and Lea County State Bank of \$9,465,755 and \$100,145 respectively. The \$9,565,900 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, 2019, \$9,565,900 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, 2019

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 held at fair value as of June 30, 2019:

	Investment Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Investment in				
Morton Capital	\$ 9,465,755	-	-	9,465,755
Lea County State Bank	100,145	-	-	100,145
Total Assets at fair value	\$ 9,565,900	-	-	9,565,900

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, 2019

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, 2019 are considered to be fully collectible and are composed as follows:

	Governmental Activities
Other Receivables:	
Fees	\$ 183,223
Refunds	4,079
Interest Receivable	54,630
Totals	\$ <u>241,932</u>

NOTE 6. DUE FROM OTHER GOVERNMENTS

The amounts due from other governments at June 30, 2019 are considered to be fully collectible and are composed of the following:

	Governmental Activities
Gross Receipts Tax	\$ 6,654,450
Motor Vehicle Tax	93,631
Grants Receivable	259,370
Detention Facility Fees	166,392
Totals	\$ <u>7,173,843</u>

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019.

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 \$1,000,001 in the Debt Service Fund at June 30, 2019, 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, 2019 were as follows:

Transfers Out:

General Fund – 401:

To Road Fund - 402	\$	9,817,098
To Farm & Range Fund - 403		122,000
To Community Centers Fund - 404		400,000
To Airport Fund - 409		190,000
To Detention Fund - 418		8,100,000
To Capital Projects Fund - 430		3,733,591
To DWI Fund – 412		12,003
To Other Grants Fund - 431		100,000
To Lea Region Airport Fund – 454		1,500,000
To County Airports Fund – 455		186,000
To Lea County Fairgrounds Fund - 460		5,027,000
To Lea County Event Center - 463		754,405

Gross Receipts Debt Service Fund - 658

To General Fund - 401	3,270,523
To Capital Projects Fund - 430	6,266,409

Total Transfers Out	39,479,029
----------------------------	------------

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

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

Transfers In:

General Fund	
From Gross Receipts Debt Service Fund - 658	(3,270,523)
Road Fund- 402	
From General Fund- 401	(9,817,098)
Farm & Range Fund- 403	
From General Fund	(122,000)
Community Centers Fund- 404	
From General Fund- 401	(400,000)
Airport Fund- 409	
From General Fund- 401	(190,000)
DWI Fund - 412	
From General Fund - 401	(12,003)
Detention Fund- 418	
From General Fund- 401	(8,100,000)
Capital Projects Fund- 430	
From General Fund- 401	(3,733,591)
From Gross Receipts Debt Service Fund - 658	(6,266,409)
Other Grants Fund- 431	
From General Fund- 401	(100,000)
Lea Region Airport - 454	
From General Fund – 401	(1,500,000)
County Airport Fund- 455	
From General Fund- 401	(186,000)
Lea County Fairgrounds Fund -460	
From General Fund - 460	(5,027,000)
Lea County Event Center - 463	
From General Fund - 401	(754,405)
Total Transfers In	<u>(39,479,029)</u>
Total Governmental Activities Transfers	\$ <u><u>-</u></u>

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019

NOTE 10. CHANGES IN CAPITAL ASSETS

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital Assets, not depreciated:					
Land	\$ 9,284,443	235,000	-	-	9,519,443
Construction in progress	29,084,160	15,975,111	-	(1,061,850)	43,997,421
Total not depreciated	<u>38,368,603</u>	<u>16,210,111</u>	<u>-</u>	<u>(1,061,850)</u>	<u>53,516,864</u>
Capital Assets, depreciated:					
Buildings	81,647,744	1,238,231	(13,829)	307,636	83,179,782
Other Improvements	8,366,091	-	(145,670)	14,202	8,234,623
Furniture and Equipment	18,679,963	915,628	(978,297)	-	18,617,294
Infrastructure	106,580,713	6,402,487	(9,571)	740,012	113,713,641
Vehicles	12,567,416	2,621,671	(758,358)	-	14,430,729
Total depreciated	<u>227,841,927</u>	<u>11,178,017</u>	<u>(1,905,725)</u>	<u>1,061,850</u>	<u>238,176,069</u>
Total Capital Assets	<u>266,210,530</u>	<u>27,388,128</u>	<u>(1,905,725)</u>	<u>-</u>	<u>291,692,933</u>
Buildings	28,883,771	2,512,674	(3,086)	-	31,393,359
Other Improvements	2,565,619	340,816	(96,158)	-	2,810,277
Furniture and Equipment	14,144,691	778,347	(836,533)	-	14,086,505
Infrastructure	19,668,664	3,255,666	(3,369)	-	22,920,961
Vehicles	8,170,471	1,168,477	(669,616)	-	8,669,332
Total depreciated	<u>73,433,216</u>	<u>8,055,980</u>	<u>(1,608,762)</u>	<u>-</u>	<u>79,880,434</u>
Total Capital Assets	\$ <u>192,777,314</u>	<u>19,332,148</u>	<u>(296,963)</u>	<u>-</u>	<u>211,812,499</u>

Depreciation expense for the year ended June 30, 2019 was charged to the following functions and funds:

General Government	\$ 4,122,979
Public Works	2,646,291
Public Safety	<u>1,286,710</u>
Total depreciation expense: governmental activities	<u>\$ 8,055,980</u>

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 10. CHANGES IN CAPITAL ASSETS (CONTINUED)

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</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, 2019 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, 2019, the County had \$1,000,001 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, 2019 was as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Gross receipts Revenue Bonds					
Series: June 30, 2013	\$ 5,630,000	-	(755,000)	4,875,000	775,000
Compensated Absences	802,649	1,197,408	(1,110,505)	889,552	222,388
Total Long-Term Debt	<u>\$ 6,432,649</u>	<u>1,197,408</u>	<u>(1,865,505)</u>	<u>5,764,552</u>	<u>997,388</u>

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

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, 2019, are as follows:

Year Ending June 30,	Gross Receipts Bonds Series 2013		
	Interest	Principal	Total Debt Service
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	36,274	840,000	876,274
2025	18,300	855,000	873,300
Total	\$ <u>371,402</u>	<u>4,875,000</u>	<u>5,246,402</u>

The County paid interest on long-term debt of \$120,481 during fiscal year 2019.

Compensated Absence: Employees of the County are able to accrue a limited amount of vacation during the year. The compensated absences liability increased \$86,903 from the prior year. The General Fund is typically used for liquidation of compensated absences.

NOTE 12. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan description. The 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/Audit 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 PERA 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), 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 PERA Fund, unless specifically excluded.

Benefits provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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. 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 contributions 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, 2019

NOTE 12. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Contributions. See PERA's compressive annual financial report for contribution provided description.

PERA Contribution Rates and Pension Factors in effect during FY18						
	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, 2019

NOTE 12. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the County reported a liability of \$32,318,494 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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.

PERA Fund Municipal General Division. At June 30, 2018, the County's proportion was 0.13006%, which was an increase of 0.06280%, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$1,827,997. At June 30, 2019, the County reported 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	\$ 599,323	544,427
Changes in assumptions	1,880,046	119,226
Net difference between projected and actual earnings on pension plan investments	1,537,915	-
Changes in proportion and differences between County's contributions and proportionate share of contributions	738,583	148,411
County's contributions subsequent to the measurement date	<u>1,675,693</u>	<u>-</u>
Total	<u>\$ 6,431,560</u>	<u>812,064</u>

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 12. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

\$1,675,693 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, 2019. 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:		
2020	\$	2,465,274
2021		1,004,722
2022		394,719
2023		79,088
2024		-
Thereafter		-

PERA Fund Municipal Police Division. At June 30, 2018, the County's proportion was 1.69750%, which was an increase of 0.66350%, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$888,452. At June 30, 2019, the County reported 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	\$ 567,007	1,148,088
Changes in assumptions	1,321,535	70,806
Net difference between projected and actual earnings on pension plan investments	797,014	-
Changes in proportion and differences between County's contributions and proportionate share of contributions	938,992	23,748
County's contributions subsequent to the measurement date	<u>917,765</u>	<u>-</u>
Total	<u>\$ 4,542,313</u>	<u>1,242,642</u>

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 12. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

\$917,765 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, 2019. 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:	
2020	\$ 1,374,302
2021	491,282
2022	472,629
2023	43,693
2024	-
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
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	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
Mortality assumption	The mortality assumptions are based on the RPD-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 20, 2018 (economic)

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 12. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 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%	7.48%
Risk Reduction & Mitigation	21.5%	2.37%
Credit Oriented Fixed Income	15.0%	5.47%
Real Assets	20.0%	6.48%
Total	100.0%	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 12. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability	\$ <u>49,761,909</u>	<u>32,318,494</u>	<u>17,969,845</u>

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

Payables to the pension plan: At June 30, 2019 the County had no outstanding contributions to the pension plan and therefore, had no payables reported as of June 30, 2019.

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

Plan Description - Employees for the County 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.

Employees covered by benefit terms – At June 30, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

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

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</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 \$451,389 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2019, the County reported a liability of \$15,504,929 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The County’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2019, the County’s proportion was 0.35657 percent.

For the year ended June 30, 2019, the County recognized OPEB expense of \$18,294. At June 30, 2019 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

**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	\$ -	917,991
Changes in assumptions	-	2,894,701
Changes in proportion	183,620	-
Net difference between projected and actual earnings on OPEB plan investments	-	193,496
Employer contributions subsequent to the measurement date	451,389	-
Total	\$ 635,009	4,006,188

Deferred outflows of resources totaling \$451,389 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, 2020. 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	\$	(978,983)
2020		(978,983)
2021		(978,983)
2022		(747,162)
2023		(138,457)
Total	\$	<u>(3,822,568)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

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 members; 2.25% for PERA members

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

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

Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
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
Mortality	ERB member: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females). PERA members: RP-2000 Combined Healthy Mortality.

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:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity – large cap	7.1
Non U.S. – emerging markets	10.2
Non U.S. – developed equities	7.8
Private equity	11.8
Credit and structured finance	5.3
Real estate	4.9
Absolute return	4.1
U.S. equity – small/mid cap	7.1

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. 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

STATE OF NEW MEXICO
 LEA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

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

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, 2029. 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, 4.08% is the blended discount rate.

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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	<u>1% Decrease (3.08%)</u>	<u>Current Discount Rate (4.08%)</u>	<u>1% Increase (5.08%)</u>
\$	<u>18,764,615</u>	<u>15,504,929</u>	<u>12,935,570</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:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$	<u>13,107,101</u>	<u>15,504,929</u>	<u>17,384,880</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, 2018.

Payables changes in the net OPEB liability. At June 30, 2019, 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 County 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 County 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.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14. DEFERRED COMPENSATION PLAN (CONTINUED)

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

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

NOTE 15. CONTINGENT LIABILITIES

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

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

The County has provided EDC with an irrevocable standby letter of credit for \$900,000 as guaranty for performance of this agreement and stand by letter of credit will remain in effect for the term of the Air Services Contract. No amounts were charged against the letter of credit during fiscal year 2019.

Lea County contributed \$470,845 to EDC under the above described agreement for the fiscal year ended June 30, 2019.

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

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 16. CONDUIT DEBT OBLIGATION (CONTINUED)

bonds are secured by all tangible personal property located in Lea County, New Mexico used in connection with manufacturing and processing of potash including but not necessarily limited to all the costs of which are financed or reimbursed with the proceeds of the Lea County, New Mexico, Taxable Industrial Revenue Bond.

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

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

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

NOTE 17. 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, 2019, the County abated property taxes under the County Industrial Revenue Bond Act including the following tax abatement agreements:

DGP 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 2019 was \$363,795 with a \$90,949 PILT due to the County. Lea County is the only entity that is foregoing revenue under this agreement.

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 2019 was \$162,951 with a \$282,099 PILT due to the County. Lea County is the only entity that is foregoing revenue under this agreement.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 17. TAX ABATEMENTS (CONTINUED)

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 2019 was \$33,451 with a \$213,493 PILT due to the County. Lea County is the only entity that is foregoing revenue under this agreement.

Middle Daisy was granted a 100% Ad Valorem Property Tax Exemption, to construct a solar panel plant. The amount of the exemption will be a 100% reduction off the tax due that would have been applicable for each tax year. The abatement of property taxes for fiscal year 2019 was \$24,185 with a \$41,868 PILT due to the County. Lea County is the only entity that is foregoing revenue under this agreement.

AEM Wind, LLC was granted a PILT in an amount equal to 30% of the total property tax due, 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 2019 was \$60,020 with a \$446,261 PILT due to the County. Lea County is the only entity that is foregoing revenue under this agreement.

NOTE 18. 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, 2019.

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.

**STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 18. JOINT POWERS AGREEMENTS (CONTINUED)

The County also established a joint powers agreement with the Hobbs Municipal School County, City of Hobbs, New Mexico Junior College, City of Lovington, Eunice Municipal School County, Tatum Municipal School County and Jal Municipal School County 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 power's agreement with the Southeastern New Mexico Economic Development County/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.

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 County.

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.

STATE OF NEW MEXICO
LEA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Note disclosure about AROs are also addressed. GASB Statement No. 83 was effective for periods beginning after June 15, 2018. The County has adopted this statement for the year ending June 30, 2019; however, there were no AROs and the implementation of this statement had no effect on the County's financial statements.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB Statement No. 88 was effective for periods beginning after June 15, 2018. The County adopted this statement and the County has properly disclosed all debt in accordance with the new pronouncement.

NOTE 20. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued but are not yet effective at June 30, 2019.

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

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

GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 91, *Conduit Debt Obligations*.

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, 2019**

NOTE 21. SUBSEQUENT EVENTS

The entity has evaluated subsequent events through November 26, 2019, the date which the financial statements were available to be issued. As of the report date, November 26, 2019, no subsequent events were identified by management.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF THE COUNTY'S PROPORATIONATE SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2019

		Pension Liability For Last 10 Fiscal Years* (Dollars in Thousands)				
		30-Jun				
Fiscal Year		2019	2018	2017	2016	2015
Measurement Date		2018	2017	2016	2015	2014
County's Proportion of the Net Pension Liability (Asset)		3.00%	2.79%	2.77%	2.56%	2.60%
County's Proportionate Share of Net Pension Liability (Asset)	\$	32,318	25,634	31,279	18,881	13,782
County's Covered-Employee Payroll	\$	15,100	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		214.03%	167.99%	214.05%	140.53%	108.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		71.13%	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, 2019

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

	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ <u>1,076</u>	<u>1,115</u>	<u>1,679</u>	<u>2,319</u>	<u>1,456</u>
Contributions in Relation to the Contractually Required Contribution	<u>1,676</u>	<u>1,736</u>	<u>1,679</u>	<u>2,319</u>	<u>1,456</u>
Contribution Deficiency (Excess)*	\$ <u><u>(600)</u></u>	<u><u>(621)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF COUNTY CONTRIBUTIONS
 JUNE 30, 2019

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

	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 725	678	795	1,609	957
Contributions in Relation to the Contractually Required Contribution	918	859	795	1,609	957
Contribution Deficiency (Excess)*	\$ (193)	(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, 2019

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

	Fiscal Year Measurement Date	30-Jun	
		2019 2018	2018 2017
County's Proportion of the Net OPEB liability (Asset)		3.56570%	0.35257%
County's Proportionate Share of Net Pension Liability (Asset)	\$	15,049,299	15,977,320
County's Covered-Employee Payroll	\$	15,299,052	14,686,823
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		101.66%	108.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		13.14%	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, 2019

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

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 557,200	1,119,575
Contributions in Relation to the Contractually Required Contribution	<u>550,397</u>	<u>561,902</u>
Contribution Deficiency (Excess)	\$ <u>6,803</u>	<u>557,673</u>
Employer's covered-employee payroll	\$ 15,299,052	14,686,823
Contributions as a percentage of covered-employee payroll	3.60%	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, 2019

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, 2018.

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 FY19 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, 2018 report is available at <http://saonm.org/> using the Audit Search function for agency 343.

(This page intentionally left blank)

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

**STATE OF NEW MEXICO
LEA COUNTY
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2019**

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, 2019**

SPECIAL REVENUE FUNDS (CONTINUED)

Paving Countys (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 County. 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.

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, 2019**

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 County's. 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, 2019

ASSETS	Farm and Range 403	Community Centers 404	Clerk's Recording & Filing 405
<i>Current assets:</i>			
Cash and cash equivalents	\$ 22,765	37,908	249,560
Investments	-	-	-
Receivables			
Receivable from other governments	16,544	-	-
Other receivables	-	-	9,674
<i>Total current assets</i>	<u>\$ 39,309</u>	<u>37,908</u>	<u>259,234</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	\$ -	1,766	2,573
Accrued payroll liabilities	-	-	-
<i>Total current liabilities</i>	<u>-</u>	<u>1,766</u>	<u>2,573</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	39,309	36,142	256,661
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>39,309</u>	<u>36,142</u>	<u>256,661</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 39,309</u>	<u>37,908</u>	<u>259,234</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
1,582,444	129,224	65,213	17,222	132,100	5,679,848
-	-	-	-	-	-
704,371	-	-	-	-	373,175
-	-	-	-	-	-
<u>2,286,815</u>	<u>129,224</u>	<u>65,213</u>	<u>17,222</u>	<u>132,100</u>	<u>6,053,023</u>
-	273	1,131	2,811	1,880	93,257
-	-	-	714	-	5,589
-	<u>273</u>	<u>1,131</u>	<u>3,525</u>	<u>1,880</u>	<u>98,846</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,286,815	128,951	64,082	13,697	130,220	5,954,177
-	-	-	-	-	-
<u>2,286,815</u>	<u>128,951</u>	<u>64,082</u>	<u>13,697</u>	<u>130,220</u>	<u>5,954,177</u>
<u>2,286,815</u>	<u>129,224</u>	<u>65,213</u>	<u>17,222</u>	<u>132,100</u>	<u>6,053,023</u>

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 JUNE 30, 2019

ASSETS	DWI 412	Correction Fees 415	Paving Districts 416
<i>Current assets:</i>			
Cash and cash equivalents	\$ 221,336	808,067	2,538
Investments	-	-	-
Receivables			
Receivable from other governments	53,801	-	-
Other receivables	6,459	-	-
<i>Total current assets</i>	<u>281,596</u>	<u>808,067</u>	<u>2,538</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	4,278	3,748	-
Accrued payroll liabilities	9,280	-	-
<i>Total current liabilities</i>	<u>13,558</u>	<u>3,748</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	268,038	804,319	2,538
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>268,038</u>	<u>804,319</u>	<u>2,538</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 281,596</u>	<u>808,067</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	23,536	1,800	193,683	21,882	31,106
100,145	-	-	-	-	-
-	-	-	39,040	-	226,540
-	-	-	-	-	14,870
<u>101,105</u>	<u>23,536</u>	<u>1,800</u>	<u>232,723</u>	<u>21,882</u>	<u>272,516</u>
-	-	-	-	-	18,695
-	530	-	-	-	1,730
-	530	-	-	-	20,425
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
101,105	23,006	1,800	232,723	21,882	252,091
-	-	-	-	-	-
<u>101,105</u>	<u>23,006</u>	<u>1,800</u>	<u>232,723</u>	<u>21,882</u>	<u>252,091</u>
<u>101,105</u>	<u>23,536</u>	<u>1,800</u>	<u>232,723</u>	<u>21,882</u>	<u>272,516</u>

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 JUNE 30, 2019

ASSETS	County Airports 455	Lea County Event Center 463
<i>Current assets:</i>		
Cash and cash equivalents	\$ 187,305	100,000
Investments	-	-
Receivables		
Receivable from other governments	-	-
Other receivables	-	11,942
<i>Total current assets</i>	<u>\$ 187,305</u>	<u>111,942</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
<i>Current liabilities:</i>		
Accounts payable	\$ 1,611	65,611
Accrued payroll liabilities	1,730	3,418
<i>Total current liabilities</i>	<u>3,341</u>	<u>69,029</u>
 <i>Deferred inflows:</i>		
Unavailable revenue	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>
 <i>Fund balances (deficit)</i>		
Nonspendable	-	-
Restricted	183,964	42,913
Unassigned	-	-
<i>Total fund balance (deficit)</i>	<u>183,964</u>	<u>42,913</u>
 <i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	 <u>\$ 187,305</u>	 <u>111,942</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
1,108,641	18,820	30,050	171,032	6,994	99,984
-	-	-	-	-	-
-	-	-	240,730	-	-
-	-	-	-	-	-
<u>1,108,641</u>	<u>18,820</u>	<u>30,050</u>	<u>411,762</u>	<u>6,994</u>	<u>99,984</u>
5,473	-	8,950	158,554	-	386
3,335	-	-	4,541	-	-
<u>8,808</u>	<u>-</u>	<u>8,950</u>	<u>163,095</u>	<u>-</u>	<u>386</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,099,833	18,820	21,100	248,667	6,994	99,598
-	-	-	-	-	-
<u>1,099,833</u>	<u>18,820</u>	<u>21,100</u>	<u>248,667</u>	<u>6,994</u>	<u>99,598</u>
<u>1,108,641</u>	<u>18,820</u>	<u>30,050</u>	<u>411,762</u>	<u>6,994</u>	<u>99,984</u>

STATE OF NEW MEXICO
 LEA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 JUNE 30, 2019

ASSETS	Fire Excise Tax 619	EMS Monument 621	Total Non-Major Special Revenue Funds
<i>Current assets:</i>			
Cash and cash equivalents	\$ 447,547	1,017	11,392,582
Investments	-	-	100,145
Receivables			-
Receivable from other governments	-	-	1,654,201
Other receivables	-	-	42,945
<i>Total current assets</i>	<u>\$ 447,547</u>	<u>1,017</u>	<u>13,189,873</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	\$ -	-	370,997
Accrued payroll liabilities	-	-	30,867
<i>Total current liabilities</i>	<u>-</u>	<u>-</u>	<u>401,864</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	447,547	1,017	12,788,009
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>447,547</u>	<u>1,017</u>	<u>12,788,009</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 447,547</u>	<u>1,017</u>	<u>13,189,873</u>

See Notes to Financial Statements

Debt Service Gross Receipts Debt Service 658	Total Non-Major Funds
1,000,001	12,392,583
-	100,145
704,371	2,358,572
-	42,945
<u>1,704,372</u>	<u>14,894,245</u>
-	370,997
-	30,867
-	<u>401,864</u>
-	-
-	-
-	-
-	-
1,704,372	14,492,381
-	-
<u>1,704,372</u>	<u>14,492,381</u>
<u>1,704,372</u>	<u>14,894,245</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, 2019

	Farm and Range 403	Community Centers 404	Clerk's Recording & Filing 405
Revenues			
Property, sales, and miscellaneous taxes	\$ -	-	-
Payment in lieu of taxes	-	-	-
Licenses and permits	-	-	127,117
Intergovernmental:			
Federal	16,544	-	-
State	-	-	-
Charges for services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>16,544</u>	<u>-</u>	<u>127,117</u>
Expenditures			
Current			
General government	-	-	178,760
Public safety	121,250	-	-
Culture and recreation	-	15,918	-
Health and welfare	-	-	-
Public works	-	-	-
Capital outlay	-	286,098	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>121,250</u>	<u>302,016</u>	<u>178,760</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(104,706)</u>	<u>(302,016)</u>	<u>(51,643)</u>
Other financing sources (uses):			
Transfers in	122,000	400,000	-
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>122,000</u>	<u>400,000</u>	<u>-</u>
Net changes in fund balances	17,294	97,984	(51,643)
Fund balances (deficit) - beginning of year	<u>22,015</u>	<u>(61,842)</u>	<u>308,304</u>
Fund balances (deficit) - end of year	<u>\$ 39,309</u>	<u>36,142</u>	<u>256,661</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
8,378,486	-	-	-	-	4,667,540
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	112,693	142,127	-	85,172	-
-	-	-	-	-	-
-	-	-	-	-	-
850	-	2,773	-	-	73,450
<u>8,379,336</u>	<u>112,693</u>	<u>144,900</u>	<u>-</u>	<u>85,172</u>	<u>4,740,990</u>
-	-	-	-	-	-
-	91,617	126,946	215,449	51,656	-
-	-	-	-	-	-
8,128,550	-	-	-	-	2,493,425
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,128,550</u>	<u>91,617</u>	<u>126,946</u>	<u>215,449</u>	<u>51,656</u>	<u>2,493,425</u>
<u>250,786</u>	<u>21,076</u>	<u>17,954</u>	<u>(215,449)</u>	<u>33,516</u>	<u>2,247,565</u>
-	-	-	190,000	-	-
-	-	-	-	-	-
-	-	-	190,000	-	-
250,786	21,076	17,954	(25,449)	33,516	2,247,565
<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>2,286,815</u>	<u>128,951</u>	<u>64,082</u>	<u>13,697</u>	<u>130,220</u>	<u>5,954,177</u>

See Notes to Financial Statements

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, 2019

	DWI 412	Correction Fees 415	Paving Districts 416
Revenues			
Property, sales, and miscellaneous taxes	\$ -	-	-
Payment in lieu of taxes	-	-	-
Licenses and permits	-	-	-
Intergovernmental:			
Federal	-	-	-
State	544,191	184,346	-
Charges for services	176,988	-	-
Investment earnings	-	-	-
Miscellaneous	6,353	-	-
<i>Total revenues</i>	<u>727,532</u>	<u>184,346</u>	<u>-</u>
Expenditures			
Current			
General government	-	-	-
Public safety	870,380	138,760	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Public works	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>870,380</u>	<u>138,760</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(142,848)</u>	<u>45,586</u>	<u>-</u>
Other financing sources (uses):			
Transfers in	12,003	-	-
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>12,003</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(130,845)	45,586	-
Fund balances (deficit) - beginning of year	<u>398,883</u>	<u>758,733</u>	<u>2,538</u>
Fund balances (deficit) - end of year	<u>\$ 268,038</u>	<u>804,319</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
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	896	-	343,165
-	25,310	-	324,984	-	3,527
-	-	-	-	-	209,276
-	-	-	-	-	-
-	-	-	-	-	-
-	25,310	-	325,880	-	555,968
-	-	-	-	-	-
-	-	-	148,061	-	-
-	34,491	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	413,561
-	-	-	-	-	1,576,429
-	-	-	-	-	-
-	-	-	-	-	-
-	34,491	-	148,061	-	1,989,990
-	-	-	-	-	-
-	(9,181)	-	177,819	-	(1,434,022)
-	-	-	-	-	-
-	-	-	100,000	-	1,500,000
-	-	-	-	-	-
-	-	-	100,000	-	1,500,000
-	-	-	-	-	-
-	(9,181)	-	277,819	-	65,978
101,105	32,187	1,800	(45,096)	21,882	186,113
101,105	23,006	1,800	232,723	21,882	252,091

See Notes to Financial Statements

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, 2019

	County Airports 455	Lea County Event Center 463
Revenues		
Property, sales, and miscellaneous taxes	\$ -	-
Payment in lieu of taxes	-	-
Licenses and permits	-	-
Intergovernmental:		
Federal	209,429	-
State	39,488	-
Charges for services	-	315,002
Investment earnings	-	-
Miscellaneous	-	1,378
<i>Total revenues</i>	<u>248,917</u>	<u>316,380</u>
Expenditures		
Current		
General government	-	-
Public safety	-	-
Culture and recreation	-	963,991
Health and welfare	-	-
Public works	412,099	-
Capital outlay	48,405	41,032
Debt service		
Principal	-	-
Interest	-	-
<i>Total expenditures</i>	<u>460,504</u>	<u>1,005,023</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(211,587)</u>	<u>(688,643)</u>
Other financing sources (uses):		
Transfers in	186,000	754,405
Transfers out	-	-
<i>Total other financing sources (uses)</i>	<u>186,000</u>	<u>754,405</u>
Net changes in fund balances	(25,587)	65,762
Fund balances (deficit) - beginning of year	<u>209,551</u>	<u>(22,849)</u>
Fund balances (deficit) - end of year	<u>\$ 183,964</u>	<u>42,913</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
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,248,412	-	-
-	5,069	56,600	-	-	80,914
502,052	-	-	-	-	-
-	-	-	12	-	-
-	-	-	20,393	-	-
<u>502,052</u>	<u>5,069</u>	<u>56,600</u>	<u>1,268,817</u>	<u>-</u>	<u>80,914</u>
554,529	-	-	-	-	-
-	1,452	38,882	1,236,847	-	33,644
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>554,529</u>	<u>1,452</u>	<u>38,882</u>	<u>1,236,847</u>	<u>-</u>	<u>33,644</u>
<u>(52,477)</u>	<u>3,617</u>	<u>17,718</u>	<u>31,970</u>	<u>-</u>	<u>47,270</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(52,477)	3,617	17,718	31,970	-	47,270
<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>1,099,833</u>	<u>18,820</u>	<u>21,100</u>	<u>248,667</u>	<u>6,994</u>	<u>99,598</u>

See Notes to Financial Statements

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, 2019

	Fire Excise Tax 619	EMS Monument 621	Total Non-Major Special Revenue Funds
Revenues			
Property, sales, and miscellaneous taxes	\$ -	-	13,046,026
Payment in lieu of taxes	-	-	-
Licenses and permits	-	-	127,117
Intergovernmental:			
Federal	-	-	1,818,446
State	-	-	1,604,421
Charges for services	-	-	1,203,318
Investment earnings	17,550	-	17,562
Miscellaneous	-	-	105,197
<i>Total revenues</i>	<u>17,550</u>	<u>-</u>	<u>17,922,087</u>
Expenditures			
Current			
General government	-	-	881,350
Public safety	479,314	-	3,440,688
Culture and recreation	-	-	979,909
Health and welfare	-	-	10,621,975
Public works	-	-	825,660
Capital outlay	-	-	1,951,964
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>479,314</u>	<u>-</u>	<u>18,701,546</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(461,764)</u>	<u>-</u>	<u>(779,459)</u>
Other financing sources (uses):			
Transfers in	-	-	3,264,408
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>3,264,408</u>
Net changes in fund balances	(461,764)	-	2,484,949
Fund balances (deficit) - beginning of year	<u>909,311</u>	<u>1,017</u>	<u>10,303,060</u>
Fund balances (deficit) - end of year	<u><u>447,547</u></u>	<u><u>1,017</u></u>	<u><u>12,788,009</u></u>

See Notes to Financial Statements

<u>Debt Service</u>	
Gross Receipts Debt Service 658	Total Non-Major Funds
8,933,296	21,979,322
-	-
-	127,117
-	1,818,446
-	1,604,421
-	1,203,318
5,503	23,065
-	105,197
<u>8,938,799</u>	<u>26,860,886</u>
310,879	1,192,229
-	3,440,688
-	979,909
-	10,621,975
-	825,660
-	1,951,964
755,000	755,000
<u>120,481</u>	<u>120,481</u>
<u>1,186,360</u>	<u>19,887,906</u>
<u>7,752,439</u>	<u>6,972,980</u>
-	3,264,408
<u>(9,536,932)</u>	<u>(9,536,932)</u>
<u>(9,536,932)</u>	<u>(6,272,524)</u>
(1,784,493)	700,456
<u>3,488,865</u>	<u>13,791,925</u>
<u>1,704,372</u>	<u>14,492,381</u>

See Notes to Financial Statements

FIDUCIARY FUNDS

STATE OF NEW MEXICO
LEA COUNTY
FIDUCIARY FUNDS DESCRIPTIONS
JUNE 30, 2019

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, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
COUNTY CLERK'S OFFICE				
ASSETS				
Cash and cash equivalents	\$ 62,544	909,862	919,830	52,576
Total assets	<u>62,544</u>	<u>909,862</u>	<u>919,830</u>	<u>52,576</u>
LIABILITIES				
Deposits held in trust for others	62,544	909,862	919,830	52,576
Total liabilities	<u>62,544</u>	<u>909,862</u>	<u>919,830</u>	<u>52,576</u>
COUNTY PROBATE JUDGE'S OFFICE				
ASSETS				
Cash and cash equivalents	390	6,480	6,360	510
Total assets	<u>390</u>	<u>6,480</u>	<u>6,360</u>	<u>510</u>
LIABILITIES				
Deposits held in trust for others	390	6,480	6,360	510
Total liabilities	<u>390</u>	<u>6,480</u>	<u>6,360</u>	<u>510</u>
DETENTION INMATE TRUST				
ASSETS				
Cash and cash equivalents	61,576	658,017	691,754	27,839
Total assets	<u>61,576</u>	<u>658,017</u>	<u>691,754</u>	<u>27,839</u>
LIABILITIES				
Deposits held in trust for others	61,576	658,017	691,754	27,839
Total liabilities	<u>61,576</u>	<u>658,017</u>	<u>691,754</u>	<u>27,839</u>

STATE OF NEW MEXICO
 LEA COUNTY
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
DETENTION BOND ACCOUNT				
ASSETS				
Cash and cash equivalents	\$ 183	-	-	183
Total assets	<u>183</u>	<u>-</u>	<u>-</u>	<u>183</u>
LIABILITIES				
Deposits held in trust for others	183	-	-	183
Total liabilities	<u>183</u>	<u>-</u>	<u>-</u>	<u>183</u>
COUNTY TREASURER'S OFFICE SUSPENSE FUND (478)				
ASSETS				
Cash and cash equivalents	773,009	214,405	-	987,414
Total assets	<u>773,009</u>	<u>214,405</u>	<u>-</u>	<u>987,414</u>
LIABILITIES				
Deposits held in trust for others	773,009	214,405	-	987,414
Total liabilities	<u>773,009</u>	<u>214,405</u>	<u>-</u>	<u>987,414</u>
LEA COUNTY WATER USERS ASSOCIATION (635)				
ASSETS				
Cash and cash equivalents	25,554	-	1,281	24,273
Total assets	<u>25,554</u>	<u>-</u>	<u>1,281</u>	<u>24,273</u>
LIABILITIES				
Deposits held in trust for others	25,554	-	1,281	24,273
Total liabilities	<u>25,554</u>	<u>-</u>	<u>1,281</u>	<u>24,273</u>
COUNTY TREASURER'S OFFICE (800 and Various School Funds)				
ASSETS				
Cash and cash equivalents	6,087,274	159,159,823	159,291,209	5,955,888
Receivables - Property taxes	952	-	857	95
Total assets	<u>6,088,226</u>	<u>159,159,823</u>	<u>159,292,066</u>	<u>5,955,983</u>
LIABILITIES				
Deposits held in trust for others	6,087,274	159,159,823	159,291,209	5,955,888
Future taxes collectible	952	-	857	95
Total liabilities	<u>6,088,226</u>	<u>159,159,823</u>	<u>159,292,066</u>	<u>5,955,983</u>

STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
AGENCY FUNDS
YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
LEA COUNTY COMMUNICATIONS AUTHORITY (808)				
ASSETS				
Cash and cash equivalents	\$ 851,202	3,339,830	3,442,986	748,046
Total assets	<u>851,202</u>	<u>3,339,830</u>	<u>3,442,986</u>	<u>748,046</u>
LIABILITIES				
Deposits held in trust for others	851,202	3,339,830	3,442,986	748,046
Total liabilities	<u>851,202</u>	<u>3,339,830</u>	<u>3,442,986</u>	<u>748,046</u>
EDDY-LEA ENERGY ALLIANCE (809)				
ASSETS				
Cash and cash equivalents	98,500	86,432	53,500	131,432
Total assets	<u>98,500</u>	<u>86,432</u>	<u>53,500</u>	<u>131,432</u>
LIABILITIES				
Deposits held in trust for others	98,500	86,432	53,500	131,432
Total liabilities	<u>98,500</u>	<u>86,432</u>	<u>53,500</u>	<u>131,432</u>
LEA COUNTY SOLID WASTE AUTHORITY (810 & 811)				
ASSETS				
Cash and cash equivalents	9,314,267	3,879,391	1,964,605	11,229,053
Total assets	<u>9,314,267</u>	<u>3,879,391</u>	<u>1,964,605</u>	<u>11,229,053</u>
LIABILITIES				
Deposits held in trust for others	9,314,267	3,879,391	1,964,605	11,229,053
Total liabilities	<u>9,314,267</u>	<u>3,879,391</u>	<u>1,964,605</u>	<u>11,229,053</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	17,274,499	168,254,240	166,371,525	19,157,214
Receivables - Property taxes	952	-	857	95
Total assets	<u>17,275,451</u>	<u>168,254,240</u>	<u>166,372,382</u>	<u>19,157,309</u>
LIABILITIES				
Deposits held in trust for others	17,274,499	168,254,240	166,371,525	19,157,214
Future taxes collectible	952	-	857	95
Total liabilities	<u>17,275,451</u>	<u>168,254,240</u>	<u>166,372,382</u>	<u>19,157,309</u>

(This page intentionally left blank)

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 776,981	-	-	53,317,900	19,660	54,114,541
Repurchase agreement	-	-	-	9,928,222	-	9,928,222
Certificates of deposits	9,343,125	4,000,000	2,000,000	-	4,350,000	19,693,125
Total amounts on deposit	10,120,106	4,000,000	2,000,000	63,246,122	4,369,660	83,735,888
Less: FDIC insurance	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(1,250,000)
Total uninsured public funds:	9,870,106	3,750,000	1,750,000	62,996,122	4,119,660	82,485,888
Collateral requirement - 50%	4,935,053	1,875,000	875,000	26,658,950	2,059,830	36,403,833
Collateral requirement - 102%	-	-	-	10,126,786	-	10,126,786
Total required collateralization	\$ 4,935,053	1,875,000	875,000	36,785,736	2,059,830	46,530,619

Pledged Collateral						
Type of security and security number	CUSIP Number	Maturity Date				
2 ALAMOGORDO NM 4%	011446GX3	8/1/2033	\$	643,885		643,885
2 CHAVES CNTY NM 4.1%	162634BP3	8/1/2019		601,008		601,008
2 DEXTER NM SD 5%	252345E22	8/1/2020		195,618		195,618
2 GRANTS & CIBOLA NM 2.5%	388240HC0	10/1/2023		256,258		256,258
2 HOBBS NM SD 3.5%	433866FZ8	9/15/2022		227,973		227,973
2 LAS CRUCES NM JT UT 5.0%	517496ES0	6/1/2023		1,511,984		1,511,984
2 LAS CRUCES NM SD 3.0%	517534TA1	8/1/2022		628,524		628,524
2 LEA COUNTY NM PSD 2%	521513CT6	3/15/2022		500,255		500,255
2 LOVING NM ISD 4.25%	547413CX0	7/15/2023		333,636		333,636
2 Los Alamos NM PSD 3%	54422NFE1	8/1/2021		309,153		309,153
2 NEW MEXICO MILITARY 4.0%	647183BR2	6/1/2027		943,819		943,819
2 ROSWELL NM ISD 4.0%	778550JW4	8/1/2023		566,994		566,994
2 Univ NM Valencia Cnty 4%		8/1/2022		215,858		215,858
1 FHLB HOBBS SD #16 NM21	433866EV8	7/15/2021		655,135		655,135
1 FHLB TEXICO SD #2 NM21	883005CH1	8/1/2021		170,369		170,369
1 FHLB LOS LUNAS SD 1 NM 24	545562QY9	7/15/2024		826,552		826,552
1 FHLB GNMA 15YR	3620AQXB4	2/15/2025		99,085		99,085
1 FHLB CLOVIS MUN SD #1 NM	189414JB2	8/1/2025		912,645		912,645
1 FHLB NM FIN-C-SR LIEN PUB	64711NGR0	6/1/2028		501,440		501,440
1 FHLB DONA ANACO NM 32	257579DE9	9/1/2032		512,112		512,112
1 FHLB FNMA 20 YR	31418BPS9	4/1/2035		1,399,554		1,399,554
1 FHLB GNMA II 30YR	36189MA57	10/20/2045		730,306		730,306
1 FHLMC 847032	3128HDY52	7/1/2032			23,467	23,467
1 FHLMC ARM 847589	3128JRNE2	9/1/2035			52,408	52,408
1 FHLMC ARM 789868	31295N6D5	9/1/2032			30,011	30,011
1 FHLMC ARM POOL 781086	31349SF32	12/1/2033			323,244	323,244
1 FHLMC POOL 782804	31349UDH8	11/1/2034			41,068	41,068
1 FHLMC ARM 781721	31349S4E0	7/1/2034			152,108	152,108
1 FHLMC ARM 782847	31349UEU8	11/1/2034			68,960	68,960
1 FHLMC ARM 782928	31349UHD3	1/1/2035			26,927	26,927
1 FNMA AJ1622	3138ASYU0	10/1/2026			114,845	114,845
1 FNMA ARM 651556	31390NZV7	7/1/2032			117,513	117,513
1 FNMA ARM 759453	31403VWN5	1/1/2034			44,841	44,841
1 FNMA ARM 805152	31406BQD5	1/1/2035			51,617	51,617
1 FNMA ARM 808959	31406FWU1	1/1/2035			192,941	192,941
1 FNMA ARM 845529	31408ALJ7	12/1/2035			26,751	26,751
1 FNMA ARM 920547	31412BWG3	9/1/2036			57,356	57,356
3 FNMA 2.5%	3138ETFL5	6/1/2030			27,364,193	27,364,193
3 FNMA 3.5%	3140GPFUW6	7/1/2047			24,656,971	24,656,971
3 FNMA 4%	3140HNM26	9/1/2048			7,374,625	7,374,625
1 FNMA Pool #MA1515	31418AVH8	8/1/2043			1,125,885	1,125,885
1 FNMA Pool #MA0819	31417Y4D6	7/1/2041			110,981	110,981
1 FNMA Pool #AA7942	31416RZG1	9/1/2033			411,432	411,432
1 FNMA Pool #AC2952	31417MH63	9/1/2039			316,157	316,157
1 FNMA Pool #705683	31401D6U0	10/1/2033			23,450	23,450
1 FHLMC Pool #G05256	3128M7E51	3/1/2039			111,860	111,860
1 FNMA Pool #888407	31410GAG8	9/1/2036			98,625	98,625
1 SBAP Series 2016-20D	83162CX57	4/1/2036			805,266	805,266
Totals:	\$ 6,934,965	5,807,198	1,324,057	59,395,789	3,003,656	76,465,665
Total under (over) pledged:	(1,999,912)	(3,932,198)	(449,057)	(22,610,053)	(943,826)	(29,935,046)

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

STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2019

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	\$ 680,266						680,266
Checking	Lea County Clerk	52,576						52,576
Checking	Lea County Probate Clerk	510						510
Checking	Lea County Treasurer EFTPS	15,789						15,789
Checking	Lea County Detention Facility	27,840						27,840
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	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			1,000,000				1,000,000
CD	Lea County Treasurer			1,000,000				1,000,000
CD	Lea County Treasurer					2,000,000		2,000,000
CD	Lea County Treasurer					850,000		850,000
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				183			183
Checking	Lea County Treasurer				2,049,081			2,049,081
Savings	Lea County Treasurer				51,268,636			51,268,636
Checking	LCDTF - State Forfeiture Fund					19,660		19,660
Money Market	Lea County Treasurer						25,040,707	25,040,707
	Total on Deposit	10,120,106	4,000,000	2,000,000	53,317,900	4,369,660	25,040,707	98,848,373
	Reconciling Items	19,624	-	-	(1,284,643)	(750)	-	(1,265,769)
	Total Reconciled Cash and Cash Equivalents	\$ 10,139,730	4,000,000	2,000,000	52,033,257	4,368,910	25,040,707	97,582,604
	Petty Cash							1,000
	Total Cash June 30, 2019							97,583,604
	Less: Agency Funds							(19,157,214)
	Combined Cash Balance Sheet Total June 30, 2019							\$ 78,426,390

STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2019

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
Repurchase Agreement	Lea County Treasurer				5,180,806			5,180,806
Repurchase Agreement	Lea County Treasurer - Debt Service				4,747,416			4,747,416
CD	Lea County Treasurer						250,518	250,518
CD	Lea County Treasurer						250,000	250,000
CD	Lea County Treasurer						250,000	250,000
CD	Lea County Treasurer						250,203	250,203
CD	Lea County Treasurer						252,623	252,623
CD	Lea County Treasurer						250,047	250,047
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
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						994,740	994,740
CD	Lea County Treasurer						996,410	996,410
FHLB	Lea County Treasurer						995,600	995,600
FFCB	Lea County Treasurer						994,360	994,360
FFCB	Lea County Treasurer						990,080	990,080
FHLB	Lea County Treasurer						1,241,174	1,241,174
		\$ 100,145	-	-	9,928,222	-	9,465,755	19,494,122

See Notes to Financial Statements

(This page intentionally left blank)

**STATE OF NEW MEXICO
LEA COUNTY
TAX ROLL RECONCILIATION - CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019**

Property taxes receivable, beginning of year	\$	3,027,549
Changes to tax roll:		
Net tax charges to treasurer for tax year 2018		58,769,308
Decrease in net tax charges 2009-2018		-
Adjustments:		
Less roll-off of 2008 taxes on ten year schedule		(17,458)
Net increase/(decrease) of taxes receivable		-
Unknown increase in receivable		742,625
Total receivable prior to collections		<u>62,522,024</u>
Collections for fiscal year ended June 30, 2019		<u>(59,871,146)</u>
Property taxes receivable at June 30, 2019	\$	<u><u>2,650,878</u></u>
Property taxes are reported as follows		
Governmental funds:		
County portion	\$	841,203
Agency portion		<u>1,809,675</u>
Total property taxes receivable	\$	<u><u>2,650,878</u></u>
Property taxes receivable by years:		
2009-2017	\$	1,158,922
2018		<u>1,491,956</u>
	\$	<u><u>2,650,878</u></u>

STATE OF NEW MEXICO
LEA COUNTY
TREASURERS PROPERTY TAX SCHEDULE
June 30, 2019

	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							
2009 - 2017	\$ 121,628,062	843,971	121,226,872	1,057,484	121,198,458	28,415	401,190
2018	18,771,513	18,331,500	18,331,500	17,919,826	17,919,826	411,674	440,013
Total	140,399,575	19,175,471	139,558,372	18,977,310	139,118,284	440,089	841,203
CITY OF LOVINGTON							
2009 - 2017	3,199,418	23,995	3,183,161	38,579	3,179,901	3,260	16,257
2018	464,130	436,917	436,917	425,386	425,386	11,531	27,213
Total	3,663,548	460,912	3,620,078	463,965	3,605,287	14,791	43,470
CITY OF EUNICE							
2009 - 2017	1,424,357	6,643	1,419,947	12,410	1,419,255	692	4,410
2018	187,038	177,286	177,286	171,430	171,430	5,856	9,752
Total	1,611,395	183,929	1,597,233	183,840	1,590,685	6,548	14,162
CITY OF HOBBS							
2009 - 2017	20,413,806	96,295	20,385,050	155,204	20,377,146	7,904	28,756
2018	2,873,208	2,780,842	2,780,842	2,716,007	2,716,007	64,835	92,366
Total	23,287,014	2,877,137	23,165,892	2,871,211	23,093,153	72,739	121,122
CITY OF JAL							
2009 - 2017	1,222,696	5,502	1,221,722	8,478	1,055,008	401	974
2018	156,383	150,471	150,471	147,204	147,204	3,267	5,912
Total	1,379,079	155,973	1,372,193	155,682	1,202,212	3,668	6,886
TOWN OF TATUM							
2009 - 2017	224,791	1,024	224,119	1,635	223,781	338	672
2018	27,207	22,848	22,848	20,827	20,827	2,021	4,359
Total	251,998	23,872	246,967	22,462	244,608	2,359	5,031
NEW MEXICO JUNIOR COLLEGE							
2009 - 2017	58,960,386	409,364	58,766,401	515,410	58,752,150	14,251	193,985
2018	9,218,183	9,000,641	9,000,641	8,797,325	8,797,325	203,316	217,542
Total	68,178,569	9,410,005	67,767,042	9,312,735	67,549,475	217,567	411,527
NOR LEA							
2009 - 2017	11,546,248	48,377	11,516,881	77,100	9,745,476	4,263	29,367
2018	1,894,738	1,809,693	1,809,693	1,778,748	1,778,748	30,945	85,045
Total	13,440,986	1,858,070	13,326,574	1,855,848	11,524,224	35,208	114,412
JAL HOSPITAL							
2009 - 2017	4,059,397	77,012	3,988,646	79,518	3,988,450	196	70,751
2018	1,058,133	1,054,919	1,054,919	1,041,161	1,041,161	13,759	3,214
Total	5,117,530	1,131,931	5,043,565	1,120,679	5,029,611	13,955	73,965
EUNICE HOSPITAL							
2009 - 2017	2,272,080	9,274	2,270,386	11,423	2,270,106	279	1,694
2018	335,961	332,167	332,167	314,752	314,752	17,415	3,794
Total	2,608,041	341,441	2,602,553	326,175	2,584,858	17,694	5,488

STATE OF NEW MEXICO
 LEA COUNTY
 TREASURERS PROPERTY TAX SCHEDULE (CONTINUED)
 June 30, 2019

	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							
2009 - 2017	18,216,882	121,423	18,160,402	156,488	18,153,164	4,908	56,480
2018	2,819,974	2,750,362	2,750,362	2,688,676	2,688,676	61,685	69,612
Total	21,036,856	2,871,785	20,910,764	2,845,164	20,841,840	66,593	126,092
LOVINGTON SCHOOL							
2009 - 2017	22,402,579	130,206	22,334,188	196,418	22,323,240	10,948	68,391
2018	4,736,026	4,576,233	4,576,233	4,496,264	4,496,264	79,969	159,793
Total	27,138,605	4,706,439	26,910,421	4,692,682	26,819,504	90,917	228,184
EUNICE SCHOOL							
2009 - 2017	11,545,796	68,678	11,534,243	84,975	11,532,194	2,049	11,553
2018	2,430,598	2,402,781	2,402,781	2,276,836	2,276,836	125,945	27,817
Total	13,976,394	2,471,459	13,937,024	2,361,811	13,809,030	127,994	39,370
HOBBS SCHOOLS							
2009 - 2017	73,266,873	568,971	73,153,852	769,567	73,125,397	28,455	113,021
2018	10,589,863	10,316,891	10,316,891	10,065,666	10,065,666	251,226	272,972
Total	83,856,736	10,885,862	83,470,743	10,835,233	83,191,063	279,681	385,993
JAL SCHOOLS							
2009 - 2017	5,712,043	155,484	5,569,363	160,530	5,574,898	391	142,680
2018	2,158,641	2,152,180	2,152,180	2,124,146	2,124,146	28,033	6,461
Total	7,870,684	2,307,664	7,721,543	2,284,676	7,699,044	28,424	149,141
TATUM SCHOOLS							
2009 - 2017	3,054,118	5,624	3,045,645	16,067	3,042,027	830	8,473
2018	470,264	416,917	416,917	411,358	411,358	5,558	53,347
Total	3,524,382	422,541	3,462,562	427,425	3,453,385	6,388	61,820
NONRENDERED							
2009 - 2017	401,822	108	401,197	246	401,182	16	625
2018	82,764	82,764	82,764	82,764	82,764	-	-
Total	484,586	82,872	483,961	83,010	483,946	16	625
1% ASSESSOR							
2009 - 2017	3,032,565	21,843	3,022,922	28,567	3,021,979	943	9,643
2018	494,684	481,940	481,940	470,690	470,690	11,250	12,744
Total	3,527,249	503,783	3,504,862	499,257	3,492,669	12,193	22,387
TOTALS							
2009 - 2017	362,583,919	2,593,794	361,424,997	3,370,099	359,383,812	108,539	1,158,922
2018	58,769,308	57,277,352	57,277,352	55,949,066	55,949,066	1,328,285	1,491,956
GRAND TOTAL	\$ 421,353,227	59,871,146	418,702,349	59,319,165	415,332,878	1,436,824	2,650,878

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, 2019**

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 Department of Homeland Security and Emergency Management</i>			
Salary Reimbursement	N/A	97.042	\$ 35,434
Total Emergency Management Performance Grants			<u>35,434</u>
<i>Passed through State of New Mexico Department of Homeland Security and Emergency Management</i>			
2017 State Homeland Security Grant Program	N/A	97.067	79,564
Total Homeland Security Grant Program Grants			<u>79,564</u>
Total Department of Homeland Security			<u>114,998</u>
Executive Office of the President			
High Intensity Drug Trafficking Areas Programs			
High Intensity Drug Trafficking Areas Program - G17SN0017A	N/A	95.001 (1)	96,851
High Intensity Drug Trafficking Areas Program - G18SN0017A	N/A	95.001 (1)	1,139,060
Total Executive Office of the President			<u>1,235,911</u>
Department of Transportation			
Airport Improvement Programs			
Lea Regional Improvement Rundway Safety Area	N/A	20.106	21,868
Lea County Zip Franklin Memorial Rehabilitate Apron	N/A	20.106	159,522
Lea County Jal Airport Electrical Vault	N/A	20.106	22,113
Lea County Zip Franklin Memorial Reconstruct Apron	N/A	20.106	6,878
Lea County Jal Airport Construct Access Road	N/A	20.106	17,722
Reconstruction Taxiway A	N/A	20.106	16,148
Total Department of Transportation			<u>244,251</u>
Department of Interior			
<i>Passed through State of New Mexico</i>			
Taylor Grazing Act Wildlife - 14	N/A	15.237	56,250
Total Department of Interior			<u>56,250</u>
Total Federal Financial Assistance			<u>\$ 1,651,410</u>

(1) Denotes major federal assistance program

STATE OF NEW MEXICO
 LEA COUNTY
 NOTE TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2019

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, 2019. 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	\$ 160,715
95.001	High Intensity Drug Trafficking Areas Program	Lincoln County	137,868
95.001	High Intensity Drug Trafficking Areas Program	Pecos Valley	371,906
95.001	High Intensity Drug Trafficking Areas Program	Region VI	<u>103,918</u>
		Total CFDA 95.001	<u>\$ 774,407</u>

(This page intentionally left blank)

COMPLIANCE SECTION

(This page intentionally left blank)

INDEPENDENT AUDITORS' 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 Brian S. Colón, Esq.
New Mexico State Auditor

The County Commission
Lea County

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, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of Lea County, New Mexico (the "County") as of and for the year ended June 30, 2019, 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 26, 2019.

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 that we consider to be material

OFFICE LOCATIONS

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

weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2019-001.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Response to Findings

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

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, LLP
Albuquerque, New Mexico
November 26, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To Brian S. Colón, Esq.
New Mexico State Auditor

The County Commission
Lea County

Report on Compliance for Each Major Federal Program

We have audited Lea County, New Mexico (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, 2019. 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.

OFFICE LOCATIONS

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

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, 2019.

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 26, 2019

**STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs: Material weaknesses reported?	No
Significant deficiencies reported not considered to be material weaknesses?	None
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Identification of major programs: 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, 2019**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

2019-001 Cash Disbursements – Wire Fraud (Significant Deficiency)

CONDITION: On July 25, 2018, the County received an email request for payment from Lea County’s booking agent. While the first email on this subject matter appears to have come from the booking agent’s email address, the subsequent emails came from an email address with one letter changed. The series of emails changes the recipient bank and account number, which are different from the signed contract. On July 25, 2019 the County transferred \$32,500 to a bank account which did not belong to the vendor.

CRITERIA: AU Section 341, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, states that an auditor should evaluate segregation of duties in that the entity has assigned different people the responsibilities of authorizing transactions and recording transactions.

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

EFFECT: Without proper controls over cash management fraud or errors could occur.

CAUSE: The perpetrators of the fraud used an email address that was very similar to the County’s vendor. It hadn’t been common practice in governments to verify account changes, as these types of frauds hadn’t occurred.

RECOMMENDATION: We recommend the County ensure that all vendor and payment changes requested are verified with an independent call back to the vendor contact.

MANAGEMENT’S RESPONSE: The County has implemented additional steps in the wire transfer process to detect these types of potential fraud. When a wire transfer is requested, the County now requires that the recipient provide a contact name and number by which an individual separate of the wire approval process at the County can verify the request against vendor information on file before the request is processed. A contact name and number for the recipient bank must also be provided. County staff will verify with the recipient bank that the name and account number are valid and match the information provided by the recipient to vendor information on file at the county. The County Treasurer, who is independent of the wire transfer process, will also contact the vendor directly to verify the accuracy of the information received for the wire transfer.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: The County Treasurer is responsible for implementing the new controls. They were implemented in August 2018.

**STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF FINDINGS AND QUUESTIONED COSTS
Year Ended June 30, 2019**

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

None

**STATE OF NEW MEXICO
LEA COUNTY
SCHEDULE OF FINDINGS AND QUUESTIONED COSTS
Year Ended June 30, 2019**

**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, 2019**

STATUS OF PRIOR YEAR FINDINGS

	Description	Status
2018-001	Conflict of Interest Policy Requirements	Resolved

**STATE OF NEW MEXICO
LEA COUNTY
EXIT CONFERENCE
JUNE 30, 2019**

EXIT CONFERENCE

An exit conference was conducted on November 25, 2019, with the following individuals:

Lea County

Rebecca Long, 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.