

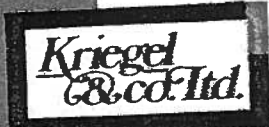
**STATE OF NEW MEXICO
COUNTY OF LUNA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2005

Final
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OK to release.
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State of New Mexico
OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

January 24, 2006

SAO Ref. No. 5016

Scott Vinson, County Manager
and
Members of the County Commission
Luna County
PO Drawer 551
Deming, NM 88031

SUBJECT: Audit Report—Luna County—2004-2005 Fiscal Year—Prepared by Kriegel & Co., Ltd

Your agency audit report was received by the Office of the State Auditor (Office) on November 22, 2005. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

Per Section 12-6-5 (A), NMSA 1978, **the audit report does not become public record until ten days after the date of this letter.** Once the ten day waiting period has passed the audit report shall be:

- released by the Office of the State Auditor to the Legislative Finance Committee, and the Department of Finance and Administration; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies.*

The independent public accountant's findings and comments are included in the audit report on pages 83 - 91. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.**


DOMINGO P. MARTINEZ, CGFM
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration-
Local Government Division
Kriegel & Co., Ltd

2113 Warner Circle, Santa Fe, New Mexico 87505-5499
(505) 827-3500 (800) 432-5517 Fax (505) 827-3512
<http://www.saonm.org>

COUNTY OF LUNA

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COUNTY OF LUNA

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COUNTY OF LUNA

Official Roster
June 30, 2005

Board of County Commissioners

<u>Name</u>	<u>Title</u>
A. Dennis Armijo	Chairperson
Richard D. Holdridge	Member
Fannie T. Smyer	Member

County Officials

Karen Smyer	County Clerk
Gloria Rodriguez	County Treasurer
Patsy Leyva	County Assessor
Gary N. Ciccotelli	County Sheriff
Scott Vinson	County Manager
Martin Miller	County Road superintendent
Jerry Turner	Director of Detention Services
Martha Long	Financial Services Director

INDEPENDENT AUDITORS' REPORT

Mr. Domingo P. Martinez, CGFM, State Auditor and
The Board of County Commissioners
County of Luna
Deming, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the County of Luna (the "County"), as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Luna, as of June 30, 2005, the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund of the County of Luna, as of June 30, 2005, the respective changes in financial position and the respective budgetary comparisons of the nonmajor governmental funds, and the budgetary comparison of the enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

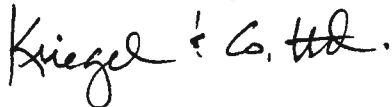
In accordance with *Government Auditing Standards*, we have also issued our reports dated September 29, 2005 on our consideration of the County of Luna's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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Mr. Domingo P. Martinez, CGFM, State Auditor and
The Board of County Commissioners
County of Luna
Deming, New Mexico
Page Two

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the County of Luna's basic financial statements the combining and individual fund financial statements and budgetary comparisons presented as supplementary information. The supplementary data is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County of Luna. The supplementary data and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.



Kriegel & Co., Ltd.

September 29, 2005

COUNTY OF LUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

The County of Luna's management's discussion and analysis presents an overview of the County's financial statements beginning on page 9.

FINANCIAL HIGHLIGHTS:

- The government-wide assets of the County at the close of the fiscal year 2005 were \$36,898,116.
- Revenues for governmental activities increased \$714,213 or 7% over last year.
- Expenditures for governmental activities increased \$475,944 or 5% over last year.
- Capital projects expenditures were \$389,671 for renovation of the community services building, solid waste convenience stations, county courthouse renovation, fairgrounds renovation and the Mimbres Valley - Deming Depot.
- The County's outstanding notes payable and bonded debt decreased by \$157,798 in 2005.
- Total bonded debt at June 30, 2005 for the County of Luna was \$2,740,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the County's basic financial statements and are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *Government-Wide Financial Statements* consist of two statements and are designed to provide readers with a broad overview of the County's finances in a manner similar to private sector business.

The *Statement of Net Assets* presents information on all the County's assets and liabilities, with the difference between the two reported as net assets.

The *Statement of Activities* presents information showing how the County's net assets changed during the fiscal year 2005. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused vacation leave).

Both of these financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include General Government, Public Safety, Public Works, and Health and Welfare. The business type activity of the County is corrections through the Detention Center.

Fund Financial Statements

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

COUNTY OF LUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

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

The County adopts an annual appropriated budget for its general, special revenue, debt service and capital projects funds. A budgetary comparison statement has been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 11 and 14 of this report.

Proprietary Fund

The County maintains one type of proprietary fund. Enterprise funds are used to report the same function presented as business-type activities in the government-wide financial statement. The County uses enterprise funds to account for the fiscal activities related to Detention Center activities.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on page 18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found starting on page 38 of this report.

The Combining statements referred to earlier in connection with nonmajor governmental funds are presented in the supplementary information section of this report. Combining schedules can be found on pages 39 through 69 of this report.

COUNTY OF LUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Government-Wide Financial Analysis (Broad Overview of Finances)

County of Luna
Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Current assets and other assets	\$17,110,637	\$16,454,743	\$5,224,450	\$4,420,820	\$22,335,087	\$20,875,613
Capital assets, net	9,123,913	8,489,402	5,439,116	5,365,026	14,563,029	13,854,428
<i>Total assets</i>	\$26,234,550	\$24,944,195	\$10,663,566	\$9,785,846	\$36,898,116	\$34,730,041
Liabilities:						
Current and other liabilities	\$432,706	\$421,378	\$321,309	\$320,969	\$754,015	\$742,347
Long-term liabilities	298,646	332,900	2,705,842	2,846,489	3,004,488	3,179,389
<i>Total liabilities</i>	731,352	754,278	3,027,151	3,167,458	3,758,503	3,921,736
Net Assets:						
Invested in capital assets, net of related debt	9,123,913	8,442,609	2,699,116	2,475,026	11,823,029	10,917,635
Restricted net assets	0	0	1,178,413	932,732	1,178,413	932,732
Unrestricted net assets	16,379,285	15,747,308	3,758,886	3,210,630	20,138,171	18,957,938
<i>Total net assets</i>	25,503,198	24,189,917	7,636,415	6,618,388	33,139,613	30,808,305
<i>Total liabilities and net assets</i>	\$26,234,550	\$24,944,195	\$10,663,566	\$9,785,846	\$36,898,116	\$34,730,041

The largest portion of the County's net assets reflects its investment in capital assets (i.e., land, land improvements, buildings, equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Any additional portion of the County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

COUNTY OF LUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

County of Luna
Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
<u>Program Revenues:</u>						
Charges for services	\$238,506	\$306,331	\$5,947,173	\$6,513,178	\$6,185,679	\$6,819,509
Operating grants and contributions	2,599,058	1,193,316	182,248	142,098	2,781,306	1,335,414
Capital grants and contributions	430,044	1,406,131	0	0	430,044	1,406,131
<u>General Revenue:</u>						
Taxes	6,457,154	6,737,434	538,427	612,401	6,995,581	7,349,835
Investment income	948,096	510,408	57,057	37,417	1,005,153	547,825
Miscellaneous	521,261	326,286	0	0	521,261	326,286
<i>Total revenue</i>	11,194,119	10,479,906	6,724,905	7,305,094	17,919,024	17,785,000
Expenses:						
General Government	4,044,765	3,559,985	0	0	4,044,765	3,559,985
Public Safety	2,532,171	2,964,370	0	0	2,532,171	2,964,370
Public Works	1,792,145	1,870,403	0	0	1,792,145	1,870,403
Health and Welfare	1,836,228	1,334,607	0	0	1,836,228	1,334,607
Interest and fees on long-term debt	0	0	142,745	149,105	142,745	149,105
Corrections	0	0	5,372,173	4,872,047	5,372,173	4,872,047
<i>Total expenses</i>	10,205,309	9,729,365	5,514,918	5,021,152	15,720,227	14,750,517
Increase in net assets before transfers	988,810	750,541	1,209,987	2,283,942	2,198,797	3,034,483
Transfers	196,000	585,915	(196,000)	(585,915)	0	0
Change in Net Assets	1,184,810	1,336,456	1,013,987	1,698,027	2,198,797	3,034,483
Net Assets - July 1, 2004	24,318,388	22,853,461	6,622,428	4,920,361	30,940,816	27,773,822
Net Assets - June 30, 2005	\$25,503,198	\$24,189,917	\$7,636,415	\$6,618,388	\$33,139,613	\$30,808,305

Governmental Activities

Governmental activities increased the County's net assets by \$1,184,810. Property taxes and gross receipts taxes contributed \$6,457,154 for covering the \$6,937,701 net program expense associated with general governmental activities.

Business-Type Activities

Business-type activities increased the County's net assets by \$1,013,987.

COUNTY OF LUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, Unreserved Fund Balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2005, the County's governmental funds reported combined ending fund balances of \$15,256,391, an increase of \$660,646 in comparison with the prior year. The general fund is reported as a major fund. Unreserved general fund balance is \$13,741,685 and is available for spending at the County's discretion. The remainder of general fund balance is reserved to indicate that inventories of \$487,806 are not available to be spent. All other funds are combined and reported as nonmajor governmental funds. Fund balances of other governmental funds are unreserved, but reported in special revenue funds \$1,507,928 and capital projects funds (\$481,028).

The General Fund is the chief operating fund of the County. At the end of fiscal year 2005, unreserved Fund Balance of the general fund was \$13,741,685, while total fund balance was \$14,229,491. Of the \$13.7 million in unreserved fund balance, \$.5 million are amounts recorded as receivables from property tax assessments. Reducing the \$13.7 million in unreserved fund balance by this amount leaves approximately \$13.2 million in readily available resources that are not part of budgeted inflows for the upcoming year. This amount is 174% of the General Fund expenditures for the year, and is one measure of liquidity of the General Fun.

The fund balance of the County's General Fund increased by \$1,102,161 during the current fiscal year. The key factor in this growth was an increase in gross receipts tax revenues and a reduction in capital outlay expenditures.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of proprietary funds at the end of the year amounted to \$3,758,886.

Other factors concerning the finances of these funds have been addressed in the discussion of the County's business-type activities.

COUNTY OF LUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2005 was \$11,823,029 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land and building improvements, equipment, and construction in progress. The total increase in the County's investment in capital assets for the current fiscal year was 8% (a 8% increase for governmental activities and a 9% decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction continued on several of the County's projects as \$519,058 was added in buildings and improvements and \$564,036 is being carried as construction in progress.

Additional information on the County's capital assets can be found in Note 5 to the financial statements page 30 of this report.

Long-Term Debt

At the end of the fiscal year 2005, the County had total long-term debt outstanding of \$2,778,995.

County of Luna
Outstanding Bonds and Loans

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue Bonds	\$0	\$0	\$2,740,000	\$2,890,000	\$2,740,000	\$2,890,000
Loans Payable	38,995	46,793	0	0	38,995	46,793
Total	\$38,995	\$46,793	\$2,740,000	\$2,890,000	\$2,778,995	\$2,936,793

The County's outstanding loans and bonded debt decreased by \$157,798 or 5% during fiscal year 2005. The key factor in this decrease was the scheduled principal retirements of \$157,798 of its bonds, loans and capital leases.

Additional information on the County's debt can be found in Note 6 on pages 31 - 32 of this report.

REQUEST FOR INFORMATION

The financial report is designed to present users with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions concerning any of the information provided in this report or need additional information, contact the County's Financial Services Director, 321 West Spruce Street, Deming, New Mexico, 88030.

COUNTY OF LUNA

Statement of Net Assets

June 30, 2005

Primary Government

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$4,851,835	\$3,559,887	\$8,411,722
Investments	11,017,281	0	11,017,281
Property taxes receivable	460,459	0	460,459
Intergovernmental receivable	156,908	486,150	643,058
State shared taxes receivable	114,789	0	114,789
Grant revenue receivable	21,559	0	21,559
Inventories	487,806	0	487,806
<i>Total current assets</i>	17,110,637	4,046,037	21,156,674
Capital assets	15,232,161	6,754,770	21,986,931
Less accumulated depreciation	(6,108,248)	(1,315,654)	(7,423,902)
<i>Net capital assets</i>	9,123,913	5,439,116	14,563,029
Restricted Assets:			
Cash	0	1,178,413	1,178,413
<i>Total assets</i>	\$26,234,550	\$10,663,566	\$36,898,116
LIABILITIES AND NET ASSETS			
Current Liabilities Payable from Assets:			
Accounts payable	\$323,945	\$65,277	\$389,222
Accrued salaries	100,963	77,308	178,271
Accrued interest	0	23,724	23,724
Current portion long-term debt	7,798	155,000	162,798
<i>Total current liabilities</i>	432,706	321,309	754,015
Loan payable	31,197	0	31,197
Accrued compensated absences (Note 6)	267,449	120,842	388,291
Gross receipts tax revenue bonds	0	2,585,000	2,585,000
<i>Total liabilities</i>	731,352	3,027,151	3,758,503
Net Assets:			
Investment in capital assets, net of related debt	9,123,913	2,699,116	11,823,029
Restricted for:			
Debt service	0	1,178,413	1,178,413
Unrestricted	16,379,285	3,758,886	20,138,171
<i>Total net assets</i>	\$25,503,198	\$7,636,415	\$33,139,613

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Programs Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$4,044,765	\$238,506	\$56,808	\$430,044	(\$3,319,407)	\$0	(\$3,319,407)
Public safety	2,532,171	0	448,039	0	(2,084,132)	0	(2,084,132)
Public works	1,792,145	0	871,161	0	(920,984)	0	(920,984)
Health and welfare	1,836,228	0	1,223,050	0	(613,178)	0	(613,178)
Total governmental activities	10,205,309	238,506	2,599,058	430,044	(6,937,701)	0	(6,937,701)
Business-Type Activities:							
Corrections	5,372,173	5,947,173	182,248	0	0	757,248	757,248
Total business-type activities	5,372,173	5,947,173	182,248	0	0	757,248	757,248
Total primary government	\$15,577,482	\$6,185,679	\$2,781,306	\$430,044	(\$6,937,701)	\$757,248	(\$6,180,453)

General Revenues			
Taxes	\$6,457,154	\$538,427	\$6,995,581
Investment income	948,096	57,057	1,005,153
Interest expense	0	(142,745)	(142,745)
Other	521,261	0	521,261
Transfers	196,000	(196,000)	0
Total general revenues and transfers	8,122,511	256,739	8,379,250
Change in net assets	1,184,810	1,013,987	2,198,797
Net assets (deficit), beginning of year, as restated	24,318,388	6,622,428	30,940,816
Net assets (deficit), end of year	\$25,503,198	\$7,636,415	\$33,139,613

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
 Balance Sheet - Governmental Funds
 June 30, 2005

	<u>Major Fund</u>		Total Governmental Funds
	General Fund	Nonmajor Governmental Funds	
ASSETS			
Cash and cash equivalents	\$3,198,515	\$1,653,320	\$4,851,835
Investments	11,017,281	0	11,017,281
Property taxes receivable	460,459	0	460,459
State shared taxes receivable	114,789	0	114,789
Grant revenue receivable	7,372	149,536	156,908
Accounts receivable	21,559	0	21,559
Inventories	487,806	0	487,806
Due from other funds	616,371	0	616,371
Total assets	\$15,924,152	\$1,802,856	\$17,727,008
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$179,129	\$144,816	\$323,945
Accrued salaries	86,194	14,769	100,963
Due to other funds	0	616,371	616,371
Deferred revenue	1,429,338	0	1,429,338
Total liabilities	1,694,661	775,956	2,470,617
Fund Balance:			
Reserved for inventory	487,806	0	487,806
Unreserved; reported in:			
General fund	13,741,685	0	13,741,685
Special revenue funds	0	1,507,928	1,507,928
Capital projects funds	0	(481,028)	(481,028)
Total fund balance	14,229,491	1,026,900	15,256,391
Total liabilities and fund balance	\$15,924,152	\$1,802,856	\$17,727,008

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Reconciliation of the Fund Balance Governmental Funds
to Governmental Activities Net Assets
June 30, 2005

FUND BALANCE of Governmental Funds	\$15,256,391
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,123,913
Certain assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,429,338
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(306,444)
<hr/> <i>Net assets of governmental activities</i>	<hr/> \$25,503,198 <hr/>

COUNTY OF LUNA
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the Fiscal Year Ended June 30, 2005

	<u>Major Fund</u>		Total Governmental Funds
	General Fund	Nonmajor Governmental Funds	
REVENUES			
Local effort taxes	\$4,464,795	\$0	\$4,464,795
Licenses and permits	41,117	0	41,117
Intergovernmental	1,480,325	1,469,877	2,950,202
State shared taxes	954,828	1,053,661	2,008,489
Private sources	0	78,900	78,900
Charges for services	86,567	110,822	197,389
Investment income (loss)	934,643	13,453	948,096
Miscellaneous	490,495	39,390	529,885
<i>Total revenues</i>	<u>8,452,770</u>	<u>2,766,103</u>	<u>11,218,873</u>
EXPENDITURES			
Current:			
General government	3,584,778	221,605	3,806,383
Public safety	1,688,565	670,156	2,358,721
Public works	1,692,832	0	1,692,832
Health and welfare	0	1,818,983	1,818,983
Debt service	0	7,798	7,798
Capital outlay	670,021	399,490	1,069,511
<i>Total expenditures</i>	<u>7,636,196</u>	<u>3,118,032</u>	<u>10,754,228</u>
Excess (deficiency) of revenues over expenditures	816,574	(351,929)	464,645
Other Financing Sources (Uses):			
Operating transfers in	824,518	337,736	1,162,254
Operating transfers (out)	(538,931)	(427,322)	(966,253)
<i>Total other financing sources (uses)</i>	<u>285,587</u>	<u>(89,586)</u>	<u>196,001</u>
<i>Net changes in fund balances</i>	1,102,161	(441,515)	660,646
Fund balance, beginning of year, as previously stated	13,127,330	1,468,415	14,595,745
<i>Fund balance, end of year</i>	<u>\$14,229,491</u>	<u>\$1,026,900</u>	<u>\$15,256,391</u>

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balance of
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2005

Net change in fund balances - Governmental Funds	\$660,646
 Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
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 as depreciation expense. This is the amount by which capital outlays and donations (\$1,069,511) exceeded depreciation (\$554,846).	514,665
Governmental funds record principal debt payments and change in compensated absences as expenditures. These debt payments are shown as a reduction in the liability on the Statement of Net Assets.	34,254
Governmental funds do not account for loss on disposal of assets due to prior depreciation, although a loss is recorded on the Statement of Activities.	(8,625)
Certain revenues are deferred in the funds based on available and measurable criteria, whereas they are recorded as revenue in Statement of Activities.	(16,130)
Change in net assets of governmental activities	\$1,184,810

COUNTY OF LUNA
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
General Fund
For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Taxes	\$4,009,218	\$4,009,218	\$4,297,975	\$288,757
Payment-in-lieu of taxes	0	0	1,054,760	1,054,760
Penalty and interest	105,000	105,000	127,968	22,968
Licenses and permits	39,700	39,700	41,117	1,417
Intergovernmental revenue	4,573,170	4,973,670	1,561,236	(3,412,434)
Fees and service charges	64,600	64,600	86,567	21,967
Investment income	436,000	436,000	917,065	481,065
Other revenue	528,321	528,321	487,494	(40,827)
<i>Total revenues</i>	<u>9,756,009</u>	<u>10,156,509</u>	<u>8,574,182</u>	<u>(1,582,327)</u>
EXPENDITURES				
Current:				
General governmental	3,083,406	3,559,740	3,033,815	525,925
Public safety	1,702,339	1,730,163	1,701,288	28,875
Public works	2,027,273	2,238,612	1,917,766	320,846
Health and welfare	390,129	195,254	279,514	(84,260)
Capital outlay	4,041,843	4,777,500	907,740	3,869,760
<i>Total expenditures</i>	<u>11,244,990</u>	<u>12,501,269</u>	<u>7,840,123</u>	<u>4,661,146</u>
Excess (deficiency) of revenues over expenditures	(1,488,981)	(2,344,760)	734,059	(3,078,819)
Other Financing Sources (Uses):				
Operating transfers in	507,347	507,347	507,347	0
Operating transfers (out)	(538,931)	(538,931)	(538,931)	0
<i>Total financing sources (uses)</i>	<u>(31,584)</u>	<u>(31,584)</u>	<u>(31,584)</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(1,520,565)	(2,376,344)	<u>\$702,475</u>	<u>\$3,078,819</u>
Budgeted cash carryover	<u>1,520,565</u>	<u>2,376,344</u>		
	<u>\$0</u>	<u>\$0</u>		

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA

Proprietary Fund Types

Balance Sheet

June 30, 2005

Business-Type
Activities
Enterprise Fund
Detention Center

ASSETS

Current Assets:

Cash and cash equivalents	\$3,559,887
Intergovernmental receivable	486,150
<i>Total current assets</i>	<u>4,046,037</u>

Noncurrent Assets:

Capital Assets:

Land and improvements	244,714
Building and improvements	5,759,174
Furniture, fixtures, and equipment	246,756
Vehicles	504,126
Less accumulated depreciation	(1,315,654)
<i>Net capital assets</i>	<u>5,439,116</u>

Restricted Assets:

Cash	1,178,413
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Total assets

\$10,663,566

LIABILITIES AND NET ASSETS

Current Liabilities Payable from Assets:

Accounts payable	\$65,277
Accrued salaries	77,308
Accrued interest	23,724
Current portion of long-term debt	155,000
<i>Total current liabilities</i>	<u>321,309</u>

Accrued compensated absences (Note 6)	120,842
Gross receipts tax revenue bonds	2,585,000
<i>Total liabilities</i>	<u>3,027,151</u>

Net Assets

Invested in capital assets, net of related debt	2,699,116
Restricted for debt service	1,178,413
Unrestricted	3,758,886
<i>Total net assets</i>	<u>7,636,415</u>

Total liabilities and net assets

\$10,663,566

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
All Proprietary Fund Types
Statement of Revenue, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2005

	Business-Type Activities <u>Enterprise Fund</u> <u>Detention Center</u>
OPERATING REVENUES:	
Correction fees	\$147,409
Adult prisoner fees	5,767,081
Juvenile prisoner fees	0
State shared taxes	538,427
Dispatch - City	182,248
Miscellaneous operating revenue	32,683
<u>Total operating revenues</u>	<u>6,667,848</u>
OPERATING EXPENSES:	
Personnel costs	3,715,382
Operating costs	1,472,938
Capital outlay	183,853
<u>Total operating expenses</u>	<u>5,372,173</u>
OPERATING INCOME (LOSS)	1,295,675
NON-OPERATING REVENUES (EXPENSES):	
Investment income	57,057
Interest expense - bond	(142,745)
<u>Total non-operating revenues (expenses)</u>	<u>(85,688)</u>
Income (loss) before contributions and transfers	1,209,987
OTHER FINANCING SOURCES (USES)	
Operating transfers in	250,000
Operating transfers (out)	(446,000)
<u>Total other financing sources (uses)</u>	<u>(196,000)</u>
CHANGE IN NET ASSETS	1,013,987
Total net assets, beginning of year, as previously stated	6,618,388
Prior period adjustment	4,040
<u>Total net assets, beginning of year, as restated</u>	<u>6,622,428</u>
<u>Total net assets, end of year</u>	<u>\$7,636,415</u>

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Proprietary Fund Type
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$6,688,472
Cash paid to suppliers	(1,469,897)
Cash paid to employees	(3,686,663)
<i>Net cash provided (used) by operating activities</i>	1,531,912

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Interest income	0
Interest expense	(142,745)
Transfers out	(446,000)
Transfers in	250,000
Principal payment on GRT Bonds	(150,000)
<i>Net cash provided (used) by capital and related financing activities</i>	(488,745)

CASH FLOWS FROM INVESTING ACTIVITIES:

Fixed asset purchases	(275,970)
Interest income	57,057
<i>Net cash provided (used) by investing activities</i>	(218,913)

Net increase (decrease) in cash	824,254
Cash at beginning of year	3,914,046
<i>Cash at end of year</i>	\$4,738,300

Cash and cash equivalents	\$3,559,887
Restricted cash	1,178,413
	\$4,738,300

Reconciliation of operating income to net cash provided used by operating activities:

Net income from operations	\$1,295,675
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation and amortization	205,920
Change in Current Assets and Liabilities:	
(Increase) decrease in accounts receivable	20,624
Increase (decrease) in accounts payable	(19,026)
Increase (decrease) in accrued expenses	28,719
<i>Net cash provided (used) by operating activities</i>	\$1,531,912

COUNTY OF LUNA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash	\$136,782
Taxes receivable	403,568
<i>Total assets</i>	<i>\$540,350</i>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	\$1,791
Prepaid taxes	2,548
Overpayment of taxes	7,233
Taxes paid in advance	17,249
Due to other governments	469,110
Due to taxpayers	30,610
Due to inmates	11,809
<i>Total liabilities</i>	<i>\$540,350</i>

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Luna (the "County"), New Mexico was founded in 1901 and operates under the Commission-Manager system. There are three elected commissioners serving four-year terms. In addition, the following County Officials are elected for four-year terms: assessor, clerk, sheriff, treasurer, and probate judge. The County provides traditional services such as public safety, culture and recreation, public works, roads, tax collection, and licensing and regulation of businesses. Mimbres Memorial Hospital and Nursing Home provide health services.

Financial Reporting Entity

The County's financial statements include the accounts of all County operations. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name);
- The County holds the corporate powers of the organization;
- The County appoints a voting majority of the organization's board;
- The County is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on the County;
- There is fiscal dependency by the organization on the County.

Based on the aforementioned criteria, the County of Luna has no component units.

Basis of Presentation

Government-Wide Statements - The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Indirect expenses have not been allocated by function but have been included in the general government function.

Fund Financial Statements - The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County reports the following major governmental fund:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The County reports the following major enterprise fund:

Detention Center Fund. This fund accounts for the activities of the County's corrections facility, which houses inmates for various governments as well as the County of Luna.

The County reports the following fund types:

Agency Funds. These funds are used to account for monies held by the County in a custodial capacity. They do not report operations or have a measurement focus.

Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity

Cash and Cash Equivalents

The County pools idle cash from all funds for the purpose of increasing income through investment activities. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in pooled cash and investments are considered to be cash equivalents for the purposes of the statement of cash flows.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Budgets

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Two months prior to June 30th, the County Manager submits to the County Commission a proposed operating budget for the upcoming fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the County Office to obtain taxpayer comments.
3. After the County Commission approves the proposed budget, it is then submitted to the Local Government Division of the State Department of Finance and Administration for review and certification.
4. Upon certification the budget becomes a legally binding document. Total expenditures in any fund may not exceed the amount budgeted.
5. The County Manager is authorized to transfer budgeted amounts among departments within a fund; however, the County Commission and the Local Government Division of the State Department of Finance and Administration must approve these revisions
6. Any revisions that increase the total budgeted expenditures of any fund must have written approval of the Secretary of Finance and Administration and the Attorney General. If such approval is not granted, the County is legally restricted under state statutes to the total expenditures provided for in the budget.
7. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets are not adopted on a basis consistent with generally accepted accounting principles (GAAP). Throughout the year, the accounting records are maintained on a non-GAAP basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the budgets are adopted on the cash basis of accounting. Budgetary comparisons presented for in this report are on this non-GAAP budgetary basis. Appropriations lapse at year-end, therefore, beginning cash balances reflected as fund balances or retained earnings in the budgetary comparisons are considered available resources for the subsequent year's budget. The budget amounts shown in the financial statements are the final authorization amounts as revised during the year.

No budget was adopted for the Rural Addressing special revenue fund as no revenues or expenditures were anticipated.

Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County.

State Statute Section 6-10-10, NMSA 1978 authorizes the County to invest in obligations of the U.S. Treasury and corporate bonds.

The County utilizes one main demand deposit account for most of the transactions of the County - i.e., pooled cash. Therefore, negative balances in certain funds have been reclassified as due to other funds at year end.

Receivables and Payables

All trade and property tax receivables are considered fully collectible and therefore, no allowance for uncollectibles has been recorded.

Property Tax Calendar

Property taxes attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied on November 1, unless a formal extension of time is obtained from the Property Tax Division of the New Mexico Department of Finance and Administration. Taxes are due in total on November 10, or optionally in two equal installments on November 10 and April 10 of the next tax year. Although due on November 10 and April 10, the taxes are not delinquent until December 10 and May 10, respectively. In the event the original levy date is formally extended, the respective due dates and delinquency dates are correspondingly extended.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources for their repayment, are required to be classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Per the 1998 Gross Receipts Tax Revenue Bond Agreement, the County is required to segregate, in separate accounts, an account to be named "New Mexico Pledged Revenues Gross Receipts Tax Income Fund" and an account to be named "1998 Reserve Account". As of June 30, 2005, the County has set aside the required amount.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The County defines capital assets as assets with lives of greater than one year and a cost or donated value of \$1,000 or greater.

General infrastructure assets acquired prior to July 1, 2004 have not been recorded in the financial statements. There were no infrastructure assets put in service during the fiscal year ended June 30, 2005. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land improvements	10
Buildings and improvements	40
Vehicles	5
Equipment and furniture	5 - 10

Compensated Absences

Accrued annual leave, sick leave and compensatory time are the components of accrued compensated absences. The County accumulates days of vacation per employee, per year, and per years of service. Currently, employees with one or more but less than ten years of service accumulate ten days of vacation per year. Employees with more than ten years of service accumulate fifteen days of vacation per year.

An employee may accumulate no more than 240 (two hundred forty) hours of accrued annual leave. Accumulated vacation pay for the County totaled \$230,132 as of June 30, 2005. Of the total, \$85,211 is related to the Business-Type Activities- Detention Center.

Certain County staff members are entitled to accumulate compensatory time for hours worked in excess of the normal workday. Any accumulated compensatory time not utilized upon termination is paid at the employee's current wage rate. Accumulated compensatory pay for the County amounted to \$45,441 as of June 30, 2005. Of the total, \$4,109 is allocable to the Business-Type Activities- Detention Center.

Up to 720 hours of unused sick pay may be accumulated but no conversion to cash is permitted, unless the employee has ten years continuous service and is terminated or retires. The employee is then paid for one-half the accumulated sick leave hours at his or her current wage rate. The maximum sick leave pay any employee can be paid is 30 days. Accumulated sick leave pay for the County totaled \$112,717 as of June 30, 2005. Of that total, \$31,522 is allocable to the Business-Type Activities - Detention Center.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash includes cash in banks with two financial institutions within the County of Luna. As of June 30, 2005, the amount of cash reported on the financial statement differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	CASH		Account Type
	Reconciled Balance	On Deposit June 30, 2005	
Cash on hand	\$375	\$0	
Wells Fargo, New Mexico, N.A.	231,157	231,157	Checking
First New Mexico Bank NOW Account	92,494	100,407	Checking
First New Mexico Bank Money Market	1,362,079	1,549,082	Checking
First New Mexico Bank - Agency	(1,350)	853	Checking
First New Mexico Bank - Agency	14,949	25,743	Checking
	1,699,704	\$1,907,242	
<u>Plus cash equivalents (Note 3)</u>	<u>8,027,213</u>		
	<u>\$9,726,917</u>		
Cash and cash equivalents	\$8,411,722		
Restricted cash	1,178,413		
Agency funds cash	136,782		
	<u>\$9,726,917</u>		

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the County. All deposits are collateralized with eligible securities, as described by New Mexico State statute, in amounts equal to at least 50% of the County's carrying value of deposits (demand and certificates of deposit). Such collateral, as permitted by the State of New Mexico, is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depositing bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

	First New Mexico Bank	Wells Fargo Bank
Cash in bank, per June 30, 2005 bank statements	\$1,676,085	\$231,157
Cash equivalents - Savings accounts (Note 3)	1,030,939	0
<i>Total bank balances</i>	<i>2,707,024</i>	<i>231,157</i>
Less FDIC coverage	100,000	100,000
Uninsured public funds	2,607,024	131,157
50% Collateral requirement	1,303,513	65,579
Pledged securities	2,081,460	240,764
Over (under)	\$777,947	\$175,185

<u>Securities Pledged</u>	Cusip Number	Market/Par Value	Maturity Date
Bloomfield NM School District Bond	094077HS6	\$175,000	10/01/2012
Mesa Vista General Obligation Bond	590662AT9	100,074	07/01/2006
Quemado ISD Bond	149321BR1	100,000	07/15/2015
Tucumcari, NM Bond	898881CA3	200,000	08/01/2012
Jemez, NM Bond	475868CL7	100,000	08/01/2011
Wagon Mound, NM Bond	930532AK2	50,000	10/01/2011
Gallup		500,000	08/01/2017
FHLB		856,386	12/11/2013
<i>Texas Independent Bank - Dallas, TX</i>		<i>\$2,081,460</i>	

<u>Securities Pledged</u>	Cusip	Market/Par Value	Maturity Date
GNSF 781118	36225BG36	\$12,170	10/15/29
G2SF 781301	36225BNS3	87,307	06/20/31
FNCL254904	31371LDH9	141,287	10/01/33
<i>Wells Fargo Bank - Minneapolis, MN</i>		<i>\$240,764</i>	

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2005 \$2,738,181 of the government's bank balances of \$2,938,181 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$525,564
Uninsured and collateralized held by a member bank other than the depositing bank.	2,212,617
	\$2,738,181

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 3. INVESTMENTS

New Mexico State Statutes authorize the creation of the local short-term investment fund in the New Mexico State Treasury. The statutes authorize the state treasurer to pool monies received from local public bodies for investment purposes with other public monies under his control.

The County maintains funds with the State Treasurer External Investment Pool Local Government Investment Pool (LGIP) as noted above.

- The investments are valued at fair value based on quoted market prices as of the valuation date;
- The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments;
- The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested; and
- Participation in the local government investment pool is voluntary.

Luna County maintains an investment policy which states that “funds will be invested in compliance with the provisions of the State of New Mexico, Department of Finance and Administration, Local Government Division”. The County has established an investment committee which meets at least bimonthly to review and evaluate investment activity. The committee includes the County Treasurer, the County Treasurer’s Investment Officer, the County Manager and one other county employee. This committee reports to the County Board of Finance which includes the County Treasurer, the County Manager, three County Commissioners and the County Clerk.

The County records unrealized gains and losses on its investments as required by generally accepted accounting principles. Unrealized gain (loss) totals \$24,769 at June 30, 2005. This has been recorded in the General Fund which holds all securities not considered cash equivalents.

Credit Risk

The County’s investment policy does not further limit its investment choices other than those noted above per New Mexico State Statutes.

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.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 3. INVESTMENTS (CONTINUED)

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of a broker failure, the government's investments may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2005 \$1,128,732 of the government's investments of \$18,013,555 (\$19,044,494 less savings account balances of \$1,030,938 in custodial credit analysis Note 2) were exposed to custodial credit risk as follows:

<u>Uninsured and uncollateralized</u>	<u>\$1,128,732</u>
---------------------------------------	--------------------

Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. The County has more than 5% of its portfolio with the following issuers:

LGIP	36.73%
GNMA's	27.18%

The County portfolio concentrations are noted below.

Description	Annual Yield	Cost	Market Value	Unrealized Gain (Loss)	Credit Risk Rating	Percent of Portfolio
Non US Developed	VAR	\$70,854	\$78,610	\$7,756	NR	
Emerging Markets	VAR	38,145	42,320	4,175	NR	
<i>Subtotal</i>		108,999	120,930	11,931		.63%
Core Bonds	VAR	96,572	107,143	10,571	Aa2	.56%
Mid Small Cap	VAR	811,259	900,060	88,801	NR	4.73%
LGIP - 7106	VAR	2,200,842	2,200,842	0	N/A	
LGIP - MM Hosp Tru	VAR	4,795,000	4,795,000	0	N/A	
<i>Subtotal</i>		6,995,842	6,995,842			36.73%
#3011 - GNMA	6.85	22,354	12,118	(10,236)	N/A	
#449188 - GNMA	6.85	16,390	9,884	(6,506)	N/A	
#530607 - GNMA	6.47	13,362	6,830	(6,532)	N/A	
#372096 - GNMA	6.50	10,626	11,156	530	N/A	
#1593 - GNMA	5.50	6,460	7,168	708	N/A	
#1531 - GNMA	7.00	14,348	14,105	(243)	N/A	
#337531 - GNMA	6.00	6,017	6,004	(13)	N/A	
#1588 - GNMA	9.50	1,478	447	(1,031)	N/A	
#492892 - GNMA	7.00	4,762	4,614	(148)	N/A	
#1142- GNMA	9.50	7,955	8,346	391	N/A	
#23513 - GNMA	5.00	256,756	257,559	803	N/A	
#492981 - GNMA	6.10	63,893	67,831	3,938	N/A	
#452961 - GNMA	6.40	13,836	20,360	6,524	N/A	
#2704 - GNMA	6.62	12,166	12,594	428	N/A	
#2632 - GNMA	6.54	12,570	12,992	422	N/A	
#470426 - GNMA	6.50	6,527	6,942	415	N/A	
#402577 - GNMA	6.20	26,887	26,401	(486)	N/A	

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 3. INVESTMENTS (CONTINUED)

Description	Annual Yield	Cost	Market Value	Unrealized Gain (Loss)	Credit Risk Rating	Percent of Portfolio
#2741 - GNMA	6.30	102,164	98,636	(3,528)	N/A	
#575477 - GNMA	6.10	71,704	74,695	2,991	N/A	
#359907 - GNMA MMH	6.10	121,580	124,403	2,823	N/A	
#583203 - GNMA MMH	6.00	175,342	182,513	7,171	N/A	
#23499 - GNMA	4.86	546,470	547,310	840	N/A	
#603571 - GNMA	5.50	200,485	200,428	(57)	N/A	
#614620 - GNMA	5.50	255,014	261,747	6,733	N/A	
#580363 - GNMA	5.38	98,163	99,490	1,327	N/A	
#3498-GNMA	4.50	353,354	354,474	1,120	N/A	
#3544-GNMA	5.50	246,557	255,234	8,677	N/A	
#625893-GNMA	5.25	353,340	361,437	8,097	N/A	
#2575-GNMA	5.60	68,278	73,210	4,932	N/A	
#607708-GNMA	4.87	95,726	89,770	(5,956)	N/A	
#607693-GNMA	5.02	151,233	145,341	(5,892)	N/A	
#781603-GNMA	5.01	289,430	291,335	1,905	N/A	
#603746 GNMA	4.63	206,024	200,601	(5,423)	N/A	
#322 GNMA	5.90	52,671	52,041	(630)	N/A	
#604497 - GNMA	5.08	258,090	254,830	(3,260)	N/A	
#615948-GNMA	5.07	351,373	346,572	(4,801)	N/A	
#403386-GNMA	4.85	185,486	179,065	(6,421)	N/A	
#445622-GNMA	4.66	236,215	219,527	(16,688)	N/A	
GNMA - 3582	5.00	276,847	279,013	2,166	N/A	
<i>Subtotal</i>		5,191,933	5,177,023	(14,910)		27.18%
Savings Account	VAR	416,612	416,612	0	N/A	
Savings Account	1.30	614,327	614,327	0	N/A	
Alliance MMK Reserves	VAR	432	432	0	N/A	
Cusip #52519C3E6	5.00	100,000	96,925	(3,075)	N/A	
Cusip #74407M4C6	4.00	100,000	96,456	(3,544)	N/A	
Cusip #062512FTO-CD	6.50	100,000	100,578	578	A2	
#059457EJ6	6.00	98,000	97,921	(79)	AA	
#634518BG8	5.05	100,000	98,803	(1,197)	NR	
#89387WDE2	5.00	100,000	96,481	(3,519)	NR	
Cusip #61747MAZ4	5.50	100,000	98,609	(1,391)	NR	
Cusip#959879A9	5.00	100,000	98,670	(1,330)	NR	
Cusip#063248BH0	6.00	100,000	99,777	(223)	NR	
Cusip#29874FWD7	5.50	96,000	95,057	(943)	NR	
Cusip#94675PAM3	5.00	100,000	95,850	(4,150)	NR	
Cusip#25467B9A8	6.00	100,000	99,719	(281)	NR	
Cusip#84477AB0	5.25	100,000	97,365	(2,635)	NR	
Cusip#173702AM3	5.00	100,000	99,749	(251)	NR	
Cusip#761198OZ0	5.00	100,000	98,273	(1,727)	NR	
Cusip#025121AL8	5.00	100,000	99,205	(795)	NR	
Cusip#060703BC8	5.60	100,000	99,815	(185)	NR	
Cusip#340558EP3	5.00	100,000	100,000	0	NR	

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 3. INVESTMENTS (CONTINUED)

Description	Annual Yield	Cost	Market Value	Unrealized Gain (Loss)	Credit Risk Rating	Percent of Portfolio
Cusip#02341VGW9	4.99	90,000	89,296	(704)	NR	
Cusip#856555AK3	4.75	100,000	94,738	(5,262)	NR	
Cusip#743838K45	5.00	100,000	98,122	(1,878)	A+	
Cusip#680061FB9	5.25	100,000	97,829	(2,171)	A3	
Cusip#842871OJ1	5.25	100,000	93,802	(6,198)	NR	
Cusip#059646CJ6	5.30	100,000	94,669	(5,331)	A-	
Cusip#31604RSA4	5.00	100,000	93,079	(6,921)	NR	
Cusip#74267GDY0	4.84	99,750	98,702	(1,048)	NR	
Cusip#318296AC6	5.00	100,000	99,707	(293)	NR	
Cusip#33761KX59	5.25	100,000	99,235	(765)	NR	
Cusip#38012AAF7	5.50	100,000	99,206	(794)	NR	
Cusip#5530369A4	5.05	100,000	98,814	(1,186)	NR	
Cusip#846603MGV2	4.87	100,000	99,387	(613)	NR	
Cusip#59740P9A5	5.38	100,000	100,081	81	NR	
Cusip#89465ALR7	6.00	100,000	99,394	(606)	NR	
Cusip#195554HE3	5.00	100,000	97,650	(2,350)	NR	
Cusip#786580BV-1	5.00	100,000	99,182	(818)	NR	
Cusip#143876FC9	5.00	100,000	98,620	(1,380)	BAA3	
Cusip#554505PBW8	5.25	100,000	98,124	(1,876)	AA3	
Cusip#26924V-GT-0	5.35	100,000	100,000	0	NR	
Cusip#42712AAE5	4.50	100,000	99,900	(100)	NR	
Cusip#846024BB2	4.05	100,000	99,401	(599)	NR	
Cusip#20056QEM1	4.35	100,000	99,460	(540)	NR	
Cusip#34347RAP6	4.20	100,000	99,361	(639)	NR	
#07278P997	4.15	100,000	99,269	(731)	NR	
Cusip#82514PHF1	5.00	100,000	98,445	(1,555)	NR	
Cusip#55266CBU1	5.00	100,000	99,117	(883)	NR	
Cusip#041002GG5	4.24	100,000	99,259	(741)	NR	
Cusip#01073NBK4	4.25	100,000	99,583	(417)	NR	
Cusip#041002GG7	4.20	100,000	99,440	(560)	NR	
<i>Subtotal</i>		5,815,121	5,743,496	(71,625)		30.17%
<i>Grand Total</i>		\$19,019,726	19,044,494	\$24,768		100.00%

Less: Cash equivalents
included above 8,027,213

\$11,017,281

N/A — rating not applicable
NR — not rated

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 5. CAPITAL ASSETS

Capital assets activity for the County for the year ended June 30, 2005 was as follows:

	Balance June 30, 2004	Prior Period Adjustment	Additions	Deletions/ Transfers	Balance June 30, 2005
Governmental Activities:					
Capital Assets:					
Land and improvements and construction in progress	\$1,167,429	\$132,511	\$494,680	(\$516,063)	\$1,278,558
Depreciable Capital Assets:					
Building and improvements	6,341,566	0	2,995	516,063	6,860,623
Furniture, fixtures, and equipment	6,631,706	(29,620)	571,836	(80,942)	7,092,980
<i>Total</i>	14,140,701	102,891	1,069,511	(80,942)	15,232,161
Less Accumulated Depreciation:					
Building and improvements	(750,471)	0	(163,096)	0	(913,567)
Furniture, fixtures, and equipment	(4,900,828)	25,580	(391,750)	72,317	(5,194,681)
<i>Total accumulated depreciation</i>	(5,651,299)	25,580	(554,846)	72,317	(6,108,248)
<i>Net Capital Assets</i>	\$8,489,402	\$128,471	\$514,665	(\$8,625)	\$9,123,913

Depreciation expense for governmental activities for the year by function was:

General Government	\$236,910
Public Safety	189,210
Public Works	105,599
Health and Welfare	23,127
	\$554,846

	Balance June 30, 2004	Prior Period Adjustment	Additions	Deletions/ Transfers	Balance June 30, 2005
Business-Type Activities:					
Capital Assets:					
Land and improvements	\$244,714	\$0	\$0	\$0	\$244,714
Depreciable Capital Assets:					
Building and improvements	5,759,174	0	0	0	5,759,174
Furniture, fixtures, and equipment	462,122	29,620	275,970	(16,830)	750,882
<i>Total</i>	6,466,010	29,620	275,970	(16,830)	6,754,770
Less Accumulated Depreciation:					
Building and improvements	(785,559)	0	(140,687)	0	(926,246)
Furniture, fixtures, and equipment	(315,425)	(25,580)	(65,233)	16,830	(389,408)
<i>Total accumulated depreciation</i>	(1,100,984)	(25,580)	(205,920)	16,830	(1,315,654)
<i>Net Capital Assets</i>	\$5,365,026	\$4,040	\$70,050	\$0	\$5,439,116

The County capitalizes software purchases in the furniture, fixtures and equipment category for both governmental activities and business-type activities.

Depreciation expense for business-type activities for the year was \$205,920.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 6. LONG-TERM DEBT — GOVERNMENTAL ACTIVITIES

The following are changes in long-term debt for governmental activities:

	Balance June 30, 2004	Increase	Decrease	Balance June 30, 2005	Amount Due in One Year
Loan agreement - fire truck	\$46,793	\$0	(\$7,798)	\$38,995	\$7,798
Compensated absences and accrued vacation	293,905	256,327	(282,783)	267,449	0
	<u>340,698</u>	<u>\$256,327</u>	<u>(\$290,581)</u>	<u>\$306,444</u>	<u>\$7,798</u>

Compensated absences typically have been liquidated in the fund to which the employees are assigned.

Loan - New Mexico Finance Authority

A loan agreement exists with the New Mexico Finance Authority for the acquisition of a fire truck for the Sunshine volunteer fire department. The terms are as follows:

Five Payments: Variable
Due: 05/01 beginning 2001
Net interest cost: 0.00%

<u>For Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$7,798	\$0	\$7,798
2007	7,798	0	7,798
2008	7,798	0	7,798
2009	7,798	0	7,798
2010	7,803	0	7,803
	<u>\$38,995</u>	<u>\$0</u>	<u>\$38,995</u>

Combined aggregate maturities for all long-term debt borrowings are as follows:

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$7,798	\$0	\$7,798
2007	7,798	0	7,798
2008	7,798	0	7,798
2009	7,798	0	7,798
2010	7,803	0	7,803
	<u>\$38,995</u>	<u>\$0</u>	<u>\$38,995</u>

The following are changes in long-term debt for business-type activities:

	Balance June 30, 2004	Increase	Decrease	Balance June 30, 2005	Amount Due in One Year
Revenue Bonds Payable	\$2,890,000	\$0	\$150,000	\$2,740,000	\$155,000

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 7. LONG-TERM DEBT — BUSINESS-TYPE ACTIVITIES

Revenue Bonds Payable

Bonds outstanding at June 30, 2005 consisted of the following issues:

Gross Receipts Tax Revenue Bonds
Series 1998
Original issue: \$3,670,000
Principal: May 1
Interest: May 1 and November 1
Rate: 3.75% - 5.20%

<u>Bond Year</u>	<u>Principal Due May 1st</u>	<u>Interest</u>	<u>Total</u>
2006	\$155,000	\$135,975	\$290,975
2007	165,000	128,922	293,922
2008	170,000	121,332	291,332
2009	180,000	113,427	293,427
2010	190,000	104,967	294,967
2011 - 2015	1,085,000	376,823	1,461,823
2016 - 2018	795,000	84,116	879,116
	<u>\$2,740,000</u>	<u>\$1,065,562</u>	<u>\$3,805,562</u>

Bond year ending May 1st of the designated year.

Current Portion	\$155,000
Long-Term Portion	2,585,000
	<u>\$2,740,000</u>

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 8. BUDGETARY-GAAP REPORTING RECONCILIATION

The accompanying Combined Statement of Revenue, Expenditures, and Changes in Fund Balances-Budget (Non-GAAP Basis) and Actual on Budgetary Basis presents comparisons of the legally adopted budget (more fully described in note 1) with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. Therefore, a reconciliation of resultant basis, perspective, entity and timing differences in the excess (deficiency) of revenues and other financial sources over expenditures and other financial uses for the year ended June 30, 2005, is presented:

	General	Special Revenue	Capital Projects	Enterprise
Excess (deficiency) of revenues and other financial sources over expenditures and other financial uses (budgetary basis)	\$702,475	(\$287,262)	\$0	\$824,723
Adjustments for revenue accruals, transfers, earnings on investments and other non-budgeted law enforcement revenues and transfers	195,759	148,007	0	(21,374)
Adjustments for expenditures for payables, inventory, other expenditure accruals, other non-budgeted law enforcement expenditures and transfers	203,927	(121,535)	(180,725)	210,638
Excess (deficiency) of revenues and other financial sources over expenditures and other financial uses (GAAP basis)	\$1,102,161	(\$260,790)	(\$180,725)	\$1,013,987

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 9. TRANSFERS AND DUE FROM/TO OTHER FUNDS

The following transfers in (out) were made between funds during the year:

Major Funds:	
General Fund	\$218,415
Enterprise Fund - Detention Center	(196,000)
Nonmajor Governmental Funds	(22,415)
<hr/>	
<i>Net Transfers</i>	\$0
<hr/>	

Transfers are made predominately by the enterprise fund to provide additional operating monies where earmarked funding is inadequate. These transfers from the enterprise fund are budgeted and anticipated annually to support various projects.

The following are the due from/to other funds at June 30, 2005:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Major Funds:		
General Fund	\$616,371	\$0
Nonmajor Governmental Funds	0	616,371
<hr/>		
	\$616,371	\$616,371
<hr/>		

Due from/to's arise from the use of pooled cash. Certain funds expend general fund money in anticipation of future resources. The due to's are short term in nature and are to be repaid from future revenues.

NOTE 10. RETIREMENT PLAN

Substantially all of the County of Luna full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

General County plan members are required to contribute 9.15% of their gross salary. County Sheriff plan members are required to contribute 16.3% of their gross salary. The County of Luna is required to contribute 9.15% and 18.5% of gross salaries for general County and County Sheriff employees, respectively. The contribution requirements of plan members and the County of Luna are established under Chapter 10, Article 11, and NMSA 1978. The requirements may be amended by acts of the legislature. The County of Luna's contributions to PERA for the years ended June 30, 2005, 2004, and 2003 were \$599,617, \$564,040, and \$513,588 respectively. These amounts equal the amounts of the required contributions for the years.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 11. SURETY BOND

The County of Luna holds a surety bond on all persons employed by the County:

Insurance Company: Ohio Casualty Insurance
555 Montgomery NE, Suite 24
Albuquerque, NM 87109-1485

Policy Number: 2476291

Amount of Coverage: \$5,000 per occurrence
\$50,000 - Treasurer
\$20,000 - Sheriff
\$10,000 - Clerk

Expiration Date: June 30, 2005

NOTE 12. INSURANCE

The County is subject to risk of loss through areas of general liability, worker's compensation, and natural disaster. To minimize the risk of loss for general liability, the County has insurance coverage through a private common carrier. The coverage includes commercial general liability, property, inland marine, crime, errors and omissions and automobile. The coverage limitation varies for each type of coverage purchased.

For the policy period of July 1, 2004 through June 30, 2005, the premiums paid by the County were \$427,453. The assumption of risk transfers upon payment of premiums within the policy limits. To minimize the risk of loss for worker's compensation, the County participates in the New Mexico County Insurance Association (a risk pool of counties within the State of New Mexico). For the policy period of July 1, 2004 through June 30, 2005, the premiums paid to the New Mexico County Insurance Association were \$121,496.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 13. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees.

Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, Public Employees Retirement Act, or the Magistrate Retirement Act.

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

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee, contributes to the fund an amount equal to .65% of the employee's salary. Each participating retiree pays a monthly premium of medical plus basic life plan, and an additional \$5.00 if the participant retired prior to the employee's NMRCHA effective date or is a former legislator.

Contributions from participating employers become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 401 Roma NW Suite 200, Albuquerque, New Mexico 87102.

For the fiscal year ended June 30, 2005, the County of Luna remitted \$104,198 in employer and employee contributions to the Retiree Health Care Authority.

COUNTY OF LUNA
Notes to Financial Statements
June 30, 2005

NOTE 14. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were made as follows:

Net assets, beginning of the year, as previously stated	\$24,189,917
Governmental Activities - adjusted for correction of net capital assets	128,471
Net assets, beginning of the year, as restated	\$24,318,388

Net assets, beginning of the year, as previously stated	\$6,618,388
Business-Type Activities - Detention Fund beginning net assets adjusted for correction of net capital assets	4,040
Net assets, beginning of the year, as restated	\$6,622,428

NOTE 15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

Deficit Fund Balance of individual funds.

Special Revenue Funds:

DWI Grant	(\$44,634)
Juvenile Delinquency Prevention	(\$17,943)
Juvenile Field Services	(\$89,326)

Capital Projects Fund:

CDBG Grants - Senior Center	(\$447,220)
Port of Entry and Distance Learning Center	(\$33,808)

Deficits will be liquidated by the General Fund in the next fiscal year.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Construction Commitment

The County is involved in a Courthouse Renovation and has a construction contract for \$2,215,000 outstanding at June 30, 2005.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal 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 cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

In the opinion of Counsel, there are no pending or threatened lawsuits which would have an adverse effect on the financial condition of the County.

SUPPLEMENTARY INFORMATION

COUNTY OF LUNA

General Fund Balance Sheets June 30, 2005

	Operating Department	Road Department	County Maintenance Department	MVLC
ASSETS				
Cash and cash equivalents	\$1,027,233	\$1,040,913	\$829,332	\$205,705
Investments	953,379	0	10,063,902	0
Property taxes receivable	380,661	79,798	0	0
State shared taxes receivable	0	114,789	0	0
Grant revenue receivable	0	0	7,372	0
Accounts receivable	9,122	0	0	3,310
Inventories	0	487,806	0	0
Due from other funds	616,371	0	0	0
Total assets	\$2,986,766	\$1,723,306	\$10,900,606	\$209,015
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$42,553	\$58,698	\$77,878	\$0
Accrued salaries	65,680	20,514	0	0
Deferred revenue	1,356,901	72,437	0	0
Total liabilities	1,465,134	151,649	77,878	0
Fund Balance:				
Reserved for encumbrances	0	0	0	0
Reserved for inventory	0	487,806	0	0
Unreserved:				
Undesignated	1,521,632	1,083,851	10,822,728	209,015
Total fund balance	1,521,632	1,571,657	10,822,728	209,015
Total liabilities and fund balance	\$2,986,766	\$1,723,306	\$10,900,606	\$209,015

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA

General Fund
Balance Sheets
June 30, 2005

	Duke Energy	Solid Waste	Total
ASSETS			
Cash and cash equivalents	\$37,867	\$57,465	\$3,198,515
Investments	0	0	11,017,281
Property taxes receivable	0	0	460,459
State shared taxes receivable	0	0	114,789
Grant revenue receivable	0	0	7,372
Accounts receivable	0	9,127	21,559
Inventories	0	0	487,806
Due from other funds	0	0	616,371
Total assets	\$37,867	\$66,592	\$15,924,152
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$0	\$0	\$179,129
Accrued salaries	0	0	86,194
Deferred revenue	0	0	1,429,338
Total liabilities	0	0	1,694,661
Fund Balance:			
Reserved for encumbrances	0	0	0
Reserved for inventory	0	0	487,806
Unreserved:			
Undesignated	37,867	66,592	13,741,685
Total fund balance	37,867	66,592	14,229,491
Total liabilities and fund balance	\$37,867	\$66,592	\$15,924,152

COUNTY OF LUNA

General Fund

Statements of Revenues, Expenditures, and Changes in Fund Balance

For the Fiscal Year Ended June 30, 2005

	Operating Department	Road Department	County Maintenance Department	MVLC
REVENUES				
Local effort taxes	\$4,132,523	\$332,272	\$0	\$0
Licenses and permits	17,681	23,436	0	0
Intergovernmental	179,120	815,684	430,044	0
State shared taxes	307,549	647,279	0	0
Charges for services	86,567	0	0	0
Investment income (loss)	285,610	10,523	638,510	0
Miscellaneous	76,791	9,241	4,336	26,859
<i>Total revenues</i>	<u>5,085,841</u>	<u>1,838,435</u>	<u>1,072,890</u>	<u>26,859</u>
EXPENDITURES				
Current:				
General government	2,906,539	0	457,823	135,015
Public safety	1,688,565	0	0	0
Public works	315,632	1,338,215	0	0
Debt service	0	0	0	0
Capital outlay	9,343	0	660,678	0
<i>Total expenditures</i>	<u>4,920,079</u>	<u>1,338,215</u>	<u>1,118,501</u>	<u>135,015</u>
Excess (deficiency) of revenues over expenditures	165,762	500,220	(45,611)	(108,156)
Other Financing Sources (Uses):				
Operating transfers in	17,233	6,794	439,450	317,171
Operating transfers (out)	(244,615)	0	(44,316)	0
<i>Total other financing sources (uses)</i>	<u>(227,382)</u>	<u>6,794</u>	<u>395,134</u>	<u>317,171</u>
Net changes in fund balances	(61,620)	507,014	349,523	209,015
Fund balance, beginning of year	1,583,252	1,064,643	10,473,205	0
<i>Fund balance, end of year</i>	<u>\$1,521,632</u>	<u>\$1,571,657</u>	<u>\$10,822,728</u>	<u>\$209,015</u>

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA

General Fund

Statements of Revenues, Expenditures, and Changes in Fund Balance

For the Fiscal Year Ended June 30, 2005

	Duke Energy	Solid Waste	Total
REVENUES			
Local effort taxes	\$0	\$0	\$4,464,795
Licenses and permits	0	0	41,117
Intergovernmental	0	55,477	1,480,325
State shared taxes	0	0	954,828
Charges for services	0	0	86,567
Investment income (loss)	0	0	934,643
Miscellaneous	373,268	0	490,495
<i>Total revenues</i>	<u>373,268</u>	<u>55,477</u>	<u>8,452,770</u>
EXPENDITURES			
Current:			
General government	85,401	0	3,584,778
Public safety	0	0	1,688,565
Public works	0	38,985	1,692,832
Debt service	0	0	0
Capital outlay	0	0	670,021
<i>Total expenditures</i>	<u>85,401</u>	<u>38,985</u>	<u>7,636,196</u>
Excess (deficiency) of revenues over expenditures	287,867	16,492	816,574
Other Financing Sources (Uses):			
Operating transfers in	0	43,870	824,518
Operating transfers (out)	(250,000)	0	(538,931)
<i>Total other financing sources (uses)</i>	<u>(250,000)</u>	<u>43,870</u>	<u>285,587</u>
Net changes in fund balances	37,867	60,362	1,102,161
Fund balance, beginning of year	0	6,230	13,127,330
<i>Fund balance, end of year</i>	<u>\$37,867</u>	<u>\$66,592</u>	<u>\$14,229,491</u>

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Special Revenue Funds
June 30, 2005

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Ambulance County (1/8% GRT) - The ambulance fund accounts for the support of the County's financial share of the ambulance system. Financing is provided by allotments from the State of New Mexico Fire Marshal's Office and by EMS grants. The authority to create this fund was given by New Mexico Statute 7-27-4.11.

Community Development Block Grants - Fund used to account for Community Development Block Grant Programs not included in capital projects. Authority to create this fund by federal regulations.

DWI Grants - This fund accounts for various funds provided to promote awareness and prevention of DWI. This fund created by County ordinance.

Farm and Range Fund - The Farm and Range fund accounts for the maintenance, improvements and animal control of federal land under Section 10 of the Taylor Grazing Act of 6-28-34. The Taylor Grazing Co-op Agreement provides financing. Funds received under this agreement are to be used strictly for the maintenance, improvements and animal control of this federal land. The authority to create this fund was given by New Mexico Statute 6-11-6.

Fire Protection Fund (1/4% GRT) - To account for the state shared gross receipts for the acquisition and maintenance of adequate fire protection facilities in the Luna County area. Established in accordance with NMSA 7-20-E-15.

Healthy Start Initiative - This fund accounts for proceeds and expenditures related to a federal grant to eliminate ethnic disparities in perinatal health by providing consortium and care coordination/case management. This fund has been established in accordance with federal regulations.

Indigent Claims Fund - This fund accounts solely for the support of indigent hospital patients who are residents of Luna County. Financing is provided by the imposition of a one-fourth of one-percent sales tax in compliance with the county Sales Tax Act. The authority to create this fund was given by the New Mexico State Statute 27-5-7.

Juvenile Field Services - This fund accounts for Office of Juvenile Justice and Delinquency Prevention funding. This fund has been established in accordance with federal regulations.

Juvenile Justice and Delinquency Prevention - To account for grant funding from the Department of Justice through New Mexico Children, Youth and Families Department to provide the continuum of juvenile justice services. Authority established through federal regulations.

Law Enforcement Fund - This fund accounts for the proceeds and disbursements for certain law enforcement activities of the sheriff's department. The authority for this fund is the Department of Treasury regulations. Treasury regulations prohibit the Board of County Commissioners having budgeting authority over these funds.

Reappraisal Program - This fund accounts for the proceeds from property taxes and the one-percent administrative fees assessed by county treasurers to revenue recipients. The authority was given by New Mexico State Statute 72-2-21.1.

Recording Fees - This fund accounts for the proceeds collected by the county clerk's office for recording fees. The authority to create this fund is by County ordinance.

COUNTY OF LUNA
Special Revenue Funds
June 30, 2005

Special Revenue Funds (Continued)

Recreation - This fund accounts for monies specifically set aside by County ordinance for maintenance and creation of recreation facilities. There have been no transactions in this fund for several years. The fund was established by County ordinance.

Rural Addressing - This fund accounts for equipment purchases for the 911 Emergency Medical Assistance Program and Rural Addressing. The authority to create this fund was given by the Enhanced 911 Act, New Mexico State Statute 7-1-6.31.

Treasurer's Mobile Home Sales - This accounts for fees collected to recover costs incurred in preparing for the sale of delinquent personal property. The authority to create this fund was given by County ordinance.

Volunteer Fire Departments - These funds account for the fire allotment receipts from the State Fire Marshal's department in each of the volunteer fire departments within the County. The authority was given by New Mexico State Statute 3-18-11.

Sirolli Institute - This fund accounts for a grant that is an effort to develop community opportunity for economic development. The fund was established by County ordinance.

COUNTY OF LUNA
 Nonmajor Governmental Funds
 Special Revenue Funds
 Combining Balance Sheets
 June 30, 2005

	Ambulance County (1/8% GRT)	DWI Grant	Farm and Range	Fire Protection Fund (1/4% GRT)	Healthy Start Initiative
ASSETS					
Cash	\$544,044	\$0	\$19,729	\$34,702	\$202,367
Intergovernmental receivable	0	0	0	0	135,055
Total assets	\$544,044	\$0	\$19,729	\$34,702	\$337,422
LIABILITIES AND FUND BALANCE					
Liabilities:					
Due to general fund	\$0	\$42,680	\$0	\$0	\$0
Accounts payable	60,416	0	0	8,401	16,430
Deferred grant revenue	0	0	0	0	0
Accrued expenses	0	1,954	0	0	9,579
Total liabilities	60,416	44,634	0	8,401	26,009
Fund Balance:					
Reserved for encumbrances	0	0	0	0	0
Unreserved, undesignated	483,628	(44,634)	19,729	26,301	311,413
Total fund balance	483,628	(44,634)	19,729	26,301	311,413
Total liabilities and fund balance	\$544,044	\$0	\$19,729	\$34,702	\$337,422

COUNTY OF LUNA
Nonmajor Governmental Funds
Special Revenue Funds
Combining Balance Sheets
June 30, 2005

	Indigent Claims Fund	Juvenile Field Services	Juvenile Delinquency Prevention	Law Enforcement	Reappraisal Program	Recording Fees
ASSETS						
Cash	\$430,060	\$0	\$0	\$20,935	\$28,116	\$73,538
Intergovernmental receivable	0	0	0	14,481	0	0
Total assets	\$430,060	\$0	\$0	\$35,416	\$28,116	\$73,538
LIABILITIES AND FUND BALANCE						
Liabilities:						
Due to general fund	\$0	\$74,720	\$17,943	\$0	\$0	\$0
Accounts payable	19,963	14,606	0	0	0	0
Deferred grant revenue	0	0	0	0	0	0
Accrued expenses	1,107	0	0	0	920	0
Total liabilities	21,070	89,326	17,943	0	920	0
Fund Balance:						
Reserved for encumbrances	0	0	0	0	0	0
Unreserved, undesignated	408,990	(89,326)	(17,943)	35,416	27,196	73,538
Total fund balance	408,990	(89,326)	(17,943)	35,416	27,196	73,538
Total liabilities and fund balance	\$430,060	\$0	\$0	\$35,416	\$28,116	\$73,538

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Nonmajor Governmental Funds
Special Revenue Funds
Combining Balance Sheets
June 30, 2005

	Recreation	Rural Addressing	Treasurer's Mobile Home Sales	Fire Volunteer Fire Departments	Sirolli Institute	Total
ASSETS						
Cash	\$13	\$143	\$91,711	\$169,658	\$38,304	\$1,653,320
Intergovernmental receivable	0	0	0	0	0	149,536
Total assets	\$13	\$143	\$91,711	\$169,658	\$38,304	\$1,802,856
LIABILITIES AND FUND BALANCE						
Liabilities:						
Due to general fund	\$0	\$0	\$0	\$0	\$0	\$135,343
Accounts payable	0	0	0	0	25,000	144,816
Deferred grant revenue	0	0	0	0	0	0
Accrued expenses	0	0	0	0	1,209	14,769
Total liabilities	0	0	0	0	26,209	294,928
Fund Balance:						
Reserved for encumbrances	0	0	0	0	0	0
Unreserved, undesignated	13	143	91,711	169,658	12,095	1,507,928
Total fund balance	13	143	91,711	169,658	12,095	1,507,928
Total liabilities and fund balance	\$13	\$143	\$91,711	\$169,658	\$38,304	\$1,802,856

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Nonmajor Governmental Funds
Special Revenue Funds
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2005

	Ambulance County (1/8% GRT)	DWI Grant	Farm and Range	Fire Protection Fund (1/4% GRT)	Healthy Start Initiative
REVENUES					
Intergovernmental	\$0	\$140,618	\$0	\$94,706	\$803,828
State shared taxes	358,951	0	0	156,270	0
Private sources	0	0	0	0	0
Charges for services	0	0	14,452	0	0
Investment income (loss)	0	0	299	0	0
Miscellaneous	0	6	0	0	427
<i>Total revenues</i>	358,951	140,624	14,751	250,976	804,255
EXPENDITURES					
General government	0	0	24,500	0	0
Public safety	278,277	0	0	110,059	0
Health and welfare	0	152,463	0	0	736,996
Debt service	0	0	0	0	0
Capital outlay	0	0	0	324,678	0
<i>Total expenditures</i>	278,277	152,463	24,500	434,737	736,996
Excess (deficiency) of revenues over expenditures	80,674	(11,839)	(9,749)	(183,761)	67,259
Other Financing Sources (Uses):					
Operating transfers in	69,155	0	20,000	116,466	85,000
Operating transfers (out)	(65,666)	0	0	(131,966)	(10,250)
<i>Total other financing sources (uses)</i>	3,489	0	20,000	(15,500)	74,750
Net changes in fund balances	84,163	(11,839)	10,251	(199,261)	142,009
Fund balance, beginning of year	399,465	(32,795)	9,478	225,562	169,404
<i>Fund balance, end of year</i>	\$483,628	(\$44,634)	\$19,729	\$26,301	\$311,413

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Nonmajor Governmental Funds
Special Revenue Funds
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2005

	Indigent Claims Fund	Juvenile Field Services	Juvenile Delinquency Prevention	Law Enforcement	Reappraisal Program	Recording Fees
REVENUES						
Intergovernmental	\$0	\$47,502	\$0	\$231,505	\$0	\$0
State shared taxes	538,427	0	0	0	0	0
Private sources	0	0	0	0	0	0
Charges for services	0	0	0	0	59,850	36,520
Investment income (loss)	9,172	0	0	297	0	0
Miscellaneous	356	0	0	3,979	200	0
<i>Total revenues</i>	<i>547,955</i>	<i>47,502</i>	<i>0</i>	<i>235,781</i>	<i>60,050</i>	<i>36,520</i>
EXPENDITURES						
General government	0	0	0	0	56,248	2,963
Public safety	0	0	0	218,708	0	0
Health and welfare	786,720	142,804	0	0	0	0
Debt service	0	0	0	0	0	0
Capital outlay	0	0	0	23,093	0	9,624
<i>Total expenditures</i>	<i>786,720</i>	<i>142,804</i>	<i>0</i>	<i>241,801</i>	<i>56,248</i>	<i>12,587</i>
Excess (deficiency) of revenues over expenditures	(238,765)	(95,302)	0	(6,020)	3,802	23,933
Other Financing Sources (Uses):						
Operating transfers in	0	0	0	22,704	0	53
Operating transfers (out)	0	0	0	(37,028)	0	0
<i>Total other financing sources (uses)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(14,324)</i>	<i>0</i>	<i>53</i>
Net changes in fund balances	(238,765)	(95,302)	0	(20,344)	3,802	23,986
Fund balance, beginning of year	647,755	5,976	(17,943)	55,760	23,394	49,552
<i>Fund balance, end of year</i>	<i>\$408,990</i>	<i>(\$89,326)</i>	<i>(\$17,943)</i>	<i>\$35,416</i>	<i>\$27,196</i>	<i>\$73,538</i>

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA

Nonmajor Governmental Funds

Special Revenue Funds

Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2005

	Recreation	Rural Addressing	Treasurer's Mobile Home Sales	Volunteer Fire Departments	Sirolli Institute	Total
REVENUES						
Intergovernmental	\$0	\$0	\$0	\$98,219	\$53,499	\$1,469,877
State shared taxes	13	0	0	0	0	1,053,661
Private sources	0	0	0	0	78,900	78,900
Charges for services	0	0	0	0	0	110,822
Investment income (loss)	0	0	0	3,685	0	13,453
Miscellaneous	0	143	34,279	0	0	39,390
<i>Total revenues</i>	<u>13</u>	<u>143</u>	<u>34,279</u>	<u>101,904</u>	<u>132,399</u>	<u>2,766,103</u>
EXPENDITURES						
General government	0	0	1,090	0	136,804	221,605
Public safety	0	0	0	63,112	0	670,156
Health and welfare	0	0	0	0	0	1,818,983
Debt service	0	0	0	7,798	0	7,798
Capital outlay	0	0	24,350	17,745	0	399,490
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>25,440</u>	<u>88,655</u>	<u>136,804</u>	<u>3,118,032</u>
Excess (deficiency) of revenues over expenditures	13	143	8,839	13,249	(4,405)	(351,929)
Other Financing Sources (Uses):						
Operating transfers in	0	0	0	7,858	16,500	337,736
Operating transfers (out)	0	0	(1,640)	(47)	0	(246,597)
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>(1,640)</u>	<u>7,811</u>	<u>16,500</u>	<u>91,139</u>
Net changes in fund balances	13	143	7,199	21,060	12,095	(260,790)
Fund balance, beginning of year	0	0	84,512	148,598	0	1,768,718
<i>Fund balance, end of year</i>	<u>\$13</u>	<u>\$143</u>	<u>\$91,711</u>	<u>\$169,658</u>	<u>\$12,095</u>	<u>\$1,507,928</u>

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
 Ambulance County (1/8% GRT)
 Special Revenue Fund
 Statement of Revenues and Expenditures
 Budget (Non-GAAP) and Actual (Cash Basis)
 For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
State shared taxes	\$250,000	\$250,000	\$358,951	\$108,951
EXPENDITURES				
Public Safety:				
Operating	275,000	343,189	263,229	79,960
Excess (deficiency) of revenues over expenditures	(25,000)	(93,189)	95,722	188,911
Other Financing Sources (Uses):				
Operating transfers in	69,155	69,155	69,155	0
Operating transfers (out)	(65,666)	(65,666)	(65,666)	0
	3,489	3,489	3,489	0
Excess (deficiency) of revenues over expenditures and other financing sources	(21,511)	(89,700)	<u>\$99,211</u>	<u>\$188,911</u>
Budgeted cash carryover	21,511	89,700		
	<u>\$0</u>	<u>\$0</u>		

COUNTY OF LUNA
DWI Grant
Special Revenue Fund
Statement of Revenues and Expenditures
Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$138,611	\$138,611	\$140,618	\$2,007
Miscellaneous	0	0	6	6
<i>Total revenues</i>	138,611	138,611	140,624	2,013
EXPENDITURES				
Health and Welfare:				
Personnel	86,586	89,586	88,203	1,383
Operating	49,305	66,462	64,062	2,400
Capital outlay	4,000	0	0	0
<i>Total expenditures</i>	139,891	156,048	152,265	3,783
Excess (deficiency) of revenues over expenditures	(1,280)	(17,437)	(\$11,641)	\$5,796
Budgeted cash carryover	1,280	17,437		
	\$0	\$0		

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Farm and Range Fund
Special Revenue Fund
Statement of Revenues and Expenditures
Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Private sources	\$20,000	\$20,000	\$14,452	(\$5,548)
Interest	0	0	299	299
<i>Total revenues</i>	20,000	20,000	14,751	(5,249)
EXPENDITURES				
General Government:				
Operating	30,000	48,000	24,500	23,500
Excess (deficiency) of revenues over expenditures	(10,000)	(28,000)	(9,749)	(18,251)
Other Financing Sources (Uses):				
Operating transfers in	20,000	20,000	20,000	0
Excess (deficiency) of revenues over expenditures and other financing sources	10,000	(8,000)	<u>\$10,251</u>	<u>\$18,251</u>
Budgeted cash carryover	0	8,000		
	<u>\$10,000</u>	<u>\$0</u>		

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Fire Protection Fund (1/4% GRT)
Special Revenue Fund
Statement of Revenues and Expenditures
Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$318,220	\$318,220	\$156,270	(\$161,950)
EXPENDITURES				
Health and Welfare:				
Personnel services	0	1,377	1,377	0
Operating	390,175	337,486	209,464	128,022
Capital outlay	123,804	226,412	229,973	(3,561)
<i>Total expenditures</i>	513,979	565,275	440,814	124,461
Excess (deficiency) of revenues over expenditures	(195,759)	(247,055)	(284,544)	(37,489)
Other Financing Sources (Uses):				
Operating transfers in	116,466	116,466	116,466	0
Operating transfers (out)	(131,966)	(131,966)	(131,966)	0
	(15,500)	(15,500)	(15,500)	0
Excess (deficiency) of revenues over expenditures and other financing sources	(211,259)	(262,555)	(300,044)	(\$37,489)
Budgeted cash carryover	211,259	262,555		
	\$0	\$0		

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
 Healthy Start Initiative/MCH & IHI
 Special Revenue Fund
 Statement of Revenues and Expenditures
 Budget (Non-GAAP) and Actual (Cash Basis)
 For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$864,550	\$876,505	\$757,792	(\$118,713)
Miscellaneous	0	0	427	427
<i>Total revenues</i>	864,550	876,505	758,219	(118,286)
EXPENDITURES				
Health and Welfare:				
Personnel services	539,333	459,551	404,620	54,931
Operating	323,723	415,461	321,266	94,195
<i>Total expenditures</i>	863,056	875,012	725,886	149,126
Excess (deficiency) of revenues over expenditures	1,494	1,493	32,333	30,840
Other Financing Sources (Uses):				
Operating transfers in	85,000	85,000	85,000	0
Operating transfers (out)	(10,250)	(10,250)	(10,250)	0
	74,750	74,750	74,750	0
Excess (deficiency) of revenues over expenditures and other financing sources	\$76,244	\$76,243	\$107,083	\$30,840

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Indigent Claims Fund
Special Revenue Fund
Statement of Revenues and Expenditures
Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
State shared taxes	\$619,268	\$619,268	\$538,426	(\$80,842)
Local services	206,330	206,330	0	(206,330)
Interest	4,500	4,500	9,172	4,672
Miscellaneous	0	0	356	356
<i>Total revenues</i>	<u>830,098</u>	<u>830,098</u>	<u>547,954</u>	<u>(282,144)</u>
EXPENDITURES				
Health and Welfare:				
Personnel services	61,198	61,198	62,143	(945)
Operating	683,981	998,067	708,280	289,787
<i>Total expenditures</i>	<u>745,179</u>	<u>1,059,265</u>	<u>770,423</u>	<u>288,842</u>
Excess (deficiency) of revenues over expenditures	84,919	(229,167)	<u>(\$222,469)</u>	<u>\$6,698</u>
Budgeted cash carryover	0	229,167		
	<u>\$84,919</u>	<u>\$0</u>		

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Juvenile Field Services
Special Revenue Fund
Statement of Revenues and Expenditures
Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$218,000	\$297,875	\$47,502	(\$250,373)
EXPENDITURES				
General Government:				
Operating	218,000	297,875	128,198	169,677
Excess (deficiency) of revenues over expenditures	\$0	\$0	(\$80,696)	(\$80,696)

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Law Enforcement
Special Revenue Fund
Statement of Revenues and Expenditures
Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$98,900	\$159,157	\$254,303	\$95,146
Interest	0	0	297	297
Miscellaneous	0	0	296	296
<i>Total revenues</i>	<u>98,900</u>	<u>159,157</u>	<u>254,896</u>	<u>95,739</u>
EXPENDITURES				
Public Safety:				
Personnel services	55,800	107,364	108,533	(1,169)
Operating	18,100	82,111	80,307	1,804
Capital outlay	18,100	34,557	34,557	0
<i>Total expenditures</i>	<u>92,000</u>	<u>224,032</u>	<u>223,397</u>	<u>635</u>
Excess (deficiency) of revenues over expenditures	6,900	(64,875)	31,499	96,374
Other Financing Sources (Uses):				
Operating transfers in	4,268	4,268	4,268	0
Operating transfers (out)	(18,593)	(18,593)	(18,593)	0
	<u>(14,325)</u>	<u>(14,325)</u>	<u>(14,325)</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures and other financing sources	(7,425)	(79,200)	<u>\$17,174</u>	<u>\$96,374</u>
<u>Budgeted cash carryover</u>	<u>7,425</u>	<u>79,200</u>		
	<u>\$0</u>	<u>\$0</u>		

*Revenues and expenditures related to the Sheriff's Department dedicated cash accounts are not budgeted funds.

COUNTY OF LUNA
 Reappraisal Program
 Special Revenue Fund
 Statement of Revenues and Expenditures
 Budget (Non-GAAP) and Actual (Cash Basis)
 For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Charges for services	\$54,000	\$54,000	\$59,849	\$5,849
Miscellaneous	0	0	200	200
<i>Total revenues</i>	54,000	54,000	60,049	6,049
EXPENDITURES				
General Government:				
Personnel services	41,967	41,967	51,986	(10,019)
Operating	9,500	9,500	2,376	7,124
Capital outlay	16,800	16,800	1,797	15,003
<i>Total expenditures</i>	68,267	68,267	56,159	12,108
Excess (deficiency) of revenues over expenditures	(14,267)	(14,267)	\$3,890	\$18,157
Budgeted cash carryover	14,267	14,267		
	\$0	\$0		

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Recording Fees
Special Revenue Fund
Statement of Revenues and Expenditures
Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Charges for services	\$25,000	\$25,000	\$36,520	\$11,520
EXPENDITURES				
General Government:				
Operating	5,000	5,053	2,963	2,090
Capital outlay	25,000	25,000	9,624	15,376
<i>Total expenditures</i>	30,000	30,053	12,587	17,466
Excess (deficiency) of revenues over expenditures	(5,000)	(5,053)	23,933	(28,986)
Other Financing Sources (Uses):				
Operating transfers in	0	53	53	0
Excess (deficiency) of revenues over expenditures and other financing sources	(5,000)	(5,000)	<u>\$23,986</u>	<u>\$28,986</u>
Budgeted cash carryover	5,000	5,000		
	<u>\$0</u>	<u>\$0</u>		

COUNTY OF LUNA
 Recreation
 Special Revenue Fund
 Statement of Revenues and Expenditures
 Budget (Non-GAAP) and Actual (Cash Basis)
 For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
State shared taxes	\$0	\$0	\$13	\$13
EXPENDITURES				
Public Safety:				
Operating	0	0	0	0
Excess (deficiency) of revenues over expenditures	0	0	13	13
Other Financing Sources (Uses):				
Operating transfers (out)	0	0	0	0
Excess (deficiency) of revenues over expenditures and other financing sources	0	0	<u>\$13</u>	<u>\$13</u>
Budgeted cash carryover	0	0		
	<u>\$0</u>	<u>\$0</u>		

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Treasurer's Mobile Home Sales
Special Revenue Fund
Statement of Revenues and Expenditures
Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Miscellaneous	\$21,000	\$21,000	\$34,279	\$13,279
EXPENDITURES				
General Government:				
Operating	5,000	3,360	1,118	2,242
Capital outlay	25,000	25,000	24,350	650
<i>Total expenditures</i>	30,000	28,360	25,468	2,892
Excess (deficiency) of revenues over expenditures	(9,000)	(7,360)	8,811	16,171
Other Financing Sources (Uses):				
Operating transfers (out)	0	(1,640)	(1,640)	0
Excess (deficiency) of revenues over expenditures and other financing sources	(9,000)	(9,000)	<u>\$7,171</u>	<u>\$16,171</u>
Budgeted cash carryover	9,000	9,000		
	<u>\$0</u>	<u>\$0</u>		

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Volunteer Fire Departments
Special Revenue Fund
Statement of Revenues and Expenditures
Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$92,495	\$92,495	\$90,420	(\$2,075)
Interest	0	0	3,685	3,685
<i>Total revenues</i>	92,495	92,495	94,105	1,610
EXPENDITURES				
Cooks Peak:				
Operating	28,900	31,900	24,014	7,886
Capital outlay	10,453	7,453	7,238	215
<i>Total cooks peak</i>	39,353	39,353	31,252	8,101
Sunshine Valley:				
Operating	39,908	40,408	23,085	17,323
Capital outlay	8,405	28,405	8,095	20,310
<i>Total sunshine valley</i>	48,313	68,813	31,180	37,633
Florida Mountain:				
Operating	31,040	31,040	16,567	14,473
Capital outlay	58,695	58,695	2,412	56,283
<i>Total florida mountain</i>	89,735	89,735	18,979	70,756
<i>Total expenditures</i>	177,401	197,901	81,411	116,490
Excess (deficiency) of revenues over expenditures	(84,906)	(105,406)	12,694	(118,100)
Other Financing Sources (Uses):				
Operating transfers in	7,858	7,858	7,858	0
Operating transfers (out)	(47)	(47)	(47)	0
	7,811	7,811	7,811	0
Excess (deficiency) of revenues over expenditures and other financing sources	(77,095)	(97,595)	\$20,505	(\$118,100)
Budgeted cash carryover	77,095	97,595		
	\$0	\$0		

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
 Sirolli Institute
 Special Revenue Fund
 Statement of Revenues and Expenditures
 Budget (Non-GAAP) and Actual (Cash Basis)
 For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Private sources	\$78,900	\$78,900	\$78,900	\$0
Intergovernmental	61,833	61,833	53,499	(8,334)
<i>Total revenues</i>	<u>140,733</u>	<u>140,733</u>	<u>132,399</u>	<u>(8,334)</u>
EXPENDITURES				
Health and Welfare:				
Personnel services	54,596	53,416	22,549	30,867
Operating	100,375	101,555	88,046	13,509
<i>Total expenditures</i>	<u>154,971</u>	<u>154,971</u>	<u>110,595</u>	<u>44,376</u>
Excess (deficiency) of revenues over expenditures	(14,238)	(14,238)	21,804	36,042
Other Financing Sources (Uses):				
Operating transfers in	16,500	16,500	16,500	0
Excess (deficiency) of revenues over expenditures and other financing sources	<u>\$2,262</u>	<u>\$2,262</u>	<u>\$38,304</u>	<u>\$36,042</u>

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Capital Projects Fund Type
June 30, 2005

Capital Projects Fund Type

Capital Projects Fund - This fund is used to account for the construction of the Distance Learning Center and the Columbus Port of Entry.

Community Development Block Grants - This fund accounts for the proceeds and expenditures associated with the Senior Citizens Building Project #02-C-RS-I-3-G-31. Additional funding services for this project also include the City of Deming, the County and the Mimbres Valley Authority.

Mimbres Valley Learning Center (VO-TEK) - This fund accounts for revenues and expenditures related to the construction of the Mimbres Valley Learning Center and the Mimbres Valley Learning Center Addition. The balance of funds after completion of the projects has been transferred to the general fund.

COUNTY OF LUNA
Nonmajor Governmental Funds
Capital Projects Funds
Combining Balance Sheets
June 30, 2005

	Port of Entry and Distance Learning Center	CDBG Grants Senior Center	Mimbres Valley Learning Center	Total
ASSETS				
Cash	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0
Due from general fund	0	0	0	0
Total assets	\$0	\$0	\$0	\$0
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to general fund	\$33,808	\$447,220	\$0	\$481,028
Fund Balance:				
Reserved for encumbrances	0	0	0	0
Unreserved, undesignated	(33,808)	(447,220)	0	(481,028)
Total fund balance	(33,808)	(447,220)	0	(481,028)
Total liabilities and fund balance	\$0	\$0	\$0	\$0

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA

Nonmajor Governmental Funds

Capital Projects Funds

Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2005

	Port of Entry and Distance Learning Center	CDBG Grants Senior Center	Mimbres Valley Learning Center	Total
REVENUES				
Intergovernmental	\$0	\$0	\$0	\$0
EXPENDITURES				
Capital outlay	0	0	0	0
Excess (deficiency) of revenues over expenditures				
Other Financing Sources (Uses):				
Operating transfers in	0	0	0	0
Operating transfers (out)	0	0	(180,725)	(180,725)
<i>Total other financing sources (uses)</i>	0	0	(180,725)	(180,725)
Net changes in fund balances	0	0	(180,725)	(180,725)
Fund balance, beginning of year	(33,808)	(447,220)	180,725	(300,303)
<i>Fund balance, end of year</i>	<i>(\$33,808)</i>	<i>(\$447,220)</i>	<i>\$0</i>	<i>(\$481,028)</i>

* Because there are no revenue or expenditures for these funds (as well as no budgets) budget to actual schedules have not been prepared.

COUNTY OF LUNA
Combining Balance Sheet
Total All Nonmajor Governmental Fund Types
June 30, 2005

	Special Revenue	Capital Projects	Total
ASSETS			
Cash	\$1,653,320	\$0	\$1,653,320
Intergovernmental receivable	149,536	0	149,536
<i>Total assets</i>	\$1,802,856	\$0	\$1,802,856
LIABILITIES AND FUND BALANCE			
Liabilities:			
Due to general fund	\$135,343	\$481,028	\$616,371
Accounts payable	144,816	0	144,816
Accrued expenses	14,769	0	14,769
<i>Total liabilities</i>	294,928	481,028	775,956
Fund Balance:			
Unreserved, undesignated	1,507,928	(481,028)	1,026,900
<i>Total liabilities and fund balance</i>	\$1,802,856	\$0	\$1,802,856

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Total All Nonmajor Governmental Funds Types For the Fiscal Year Ended June 30, 2005

	Special Revenue	Capital Projects	Total
REVENUES			
Intergovernmental	\$1,469,877	\$0	\$1,469,877
State shared taxes	1,053,661	0	1,053,661
Private sources	78,900	0	78,900
Charges for services	110,822	0	110,822
Investment income (loss)	13,453	0	13,453
Miscellaneous	39,390	0	39,390
<i>Total revenues</i>	2,766,103	0	2,766,103
EXPENDITURES			
General government	221,605	0	221,605
Public safety	670,156	0	670,156
Health and welfare	1,818,983	0	1,818,983
Debt service	7,798	0	7,798
Capital outlay	399,490	0	399,490
<i>Total expenditures</i>	3,118,032	0	3,118,032
Excess (deficiency) of revenues over expenditures	(351,929)	0	(351,929)
Other Financing Sources (Uses):			
Operating transfers in	337,736	0	337,736
Operating transfers (out)	(246,597)	(180,725)	(427,322)
<i>Total other financing sources (uses)</i>	91,139	(180,725)	(89,586)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(260,790)	(180,725)	(441,515)
Fund balance, beginning of year	1,768,718	(300,303)	1,468,415
<i>Fund balance, end of year</i>	\$1,507,928	(\$481,028)	\$1,026,900

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Proprietary Fund Types - Enterprise Fund
For the Fiscal Year Ended June 30, 2005

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES:				
Reimbursements	\$214,881	\$214,881	\$164,970	(\$49,911)
Charges for service	5,922,137	5,922,137	5,985,825	63,688
<i>Total operating revenue</i>	<u>6,137,018</u>	<u>6,137,018</u>	<u>6,150,795</u>	<u>13,777</u>
OPERATING EXPENSES:				
Adult Detention:				
Personnel services	3,713,570	3,705,612	3,409,579	296,033
Operating	1,651,200	1,697,406	1,224,046	473,360
Capital outlay	129,000	679,000	439,291	239,709
<i>Total adult detention</i>	<u>5,493,770</u>	<u>6,082,018</u>	<u>5,072,916</u>	<u>1,009,102</u>
Other Corrections:				
Operating	24,500	16,835	16,835	0
Capital outlay	30,000	19,417	19,417	0
<i>Total other corrections</i>	<u>54,500</u>	<u>36,252</u>	<u>36,252</u>	<u>0</u>
Central Dispatch:				
Personnel services	381,836	381,836	276,634	105,202
Operating	55,500	54,384	45,913	8,471
Capital outlay	0	1,116	1,116	0
<i>Total central dispatch</i>	<u>437,336</u>	<u>437,336</u>	<u>323,663</u>	<u>113,673</u>
<i>Total operating expenses</i>	<u>5,985,606</u>	<u>6,555,606</u>	<u>5,432,831</u>	<u>1,122,775</u>
Operating income	151,412	(418,588)	717,964	(1,108,998)
NON-OPERATING REVENUES (EXPENSES):				
Depreciation	0	0	0	0
State shared taxes	442,680	442,680	538,427	95,747
Investment income (loss)	0	0	57,057	57,057
Principal and interest requirements	(292,725)	(292,725)	(292,725)	0
Transfers (out)	(446,000)	(446,000)	(446,000)	0
Transfers in	250,000	250,000	250,000	0
<i>Total non-operating revenues (expenses)</i>	<u>(46,045)</u>	<u>(46,045)</u>	<u>106,759</u>	<u>152,804</u>
Net income (loss)	<u>\$105,367</u>	<u>(464,633)</u>	<u>\$824,723</u>	<u>(\$956,194)</u>
Budgeted cash carryover		464,633		
			<u>\$0</u>	

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF LUNA
Fiduciary Funds - Agency Funds
June 30, 2005

Fiduciary Funds - Agency

These funds are used to account for monies held by the County in a custodial capacity.

Taxes Collected for Others - As the taxing and collecting authority for property taxes, the County maintains this fund to account for taxes collected on behalf of other governments until their distribution.

Inmate Accounts - The County holds and disburses funds in a custodial capacity for inmates housed at the County Detention Center.

COUNTY OF LUNA

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds

June 30, 2005

	June 30, 2004	Additions	Deletions	June 30, 2005
<u>TAXES COLLECTED FOR OTHERS</u>				
ASSETS				
Cash and cash equivalents	\$420,602	\$3,040,519	\$3,337,939	\$123,182
Property taxes receivable	323,754	3,028,719	2,948,905	403,568
Total assets	\$744,356	\$6,069,238	\$6,286,844	\$526,750
LIABILITIES				
Due to other governments	\$420,910	\$6,050,656	\$6,002,456	\$469,110
Prepaid taxes	2,483	2,346	2,281	2,548
Overpayment of taxes	6,126	14,366	13,259	7,233
Taxes paid in advance	15,379	1,870	0	17,249
Due to taxpayers	299,458	0	268,848	30,610
Total liabilities	\$744,356	\$6,069,238	\$6,286,844	\$526,750
<u>INMATE ACCOUNTS</u>				
ASSETS				
Cash and cash equivalents	\$8,658	\$13,600	\$8,658	\$13,600
Due from others	1,729	0	1,729	0
Total assets	\$10,387	\$13,600	\$10,387	\$13,600
LIABILITIES				
Accounts payable	\$0	\$1,791	\$0	\$1,791
Due to inmates	10,387	11,809	10,387	11,809
Total liabilities	\$10,387	\$13,600	\$10,387	\$13,600
TOTAL ASSETS				
Cash and cash equivalents	\$429,260	\$3,054,119	\$3,346,597	\$136,782
Property taxes receivable	323,754	3,028,719	2,948,905	403,568
Due from others	1,729	0	1,729	0
Total assets	\$754,743	\$6,082,838	\$6,297,231	\$540,350
TOTAL LIABILITIES				
Accounts payable	\$0	\$1,791	\$0	\$1,791
Due to inmates	10,387	11,809	10,387	11,809
Due to other governments	420,910	6,050,656	6,002,456	469,110
Prepaid taxes	2,483	2,346	2,281	2,548
Overpayment of taxes	6,126	14,366	13,259	7,233
Taxes paid in advance	15,379	1,870	0	17,249
Due to taxpayers	299,458	0	268,848	30,610
Total liabilities	\$754,743	\$6,082,838	\$6,297,231	\$540,350

SUPPLEMENTARY DATA

COUNTY OF LUNA
 Schedule of Reconciliation of Property Taxes
 For the Fiscal Year Ended June 30, 2005

Property taxes receivable, beginning of year	\$887,794
Changes to Tax Roll:	
Net taxes charged to treasurer for fiscal year	6,234,838
Adjustments:	
Net increases/decreases in taxes receivable	57,224
Charge off of taxes receivable	0
<i>Total receivables prior to collections</i>	7,179,856
Collections for fiscal year ended June 30, 2005	6,315,829
<i>Property taxes receivable, end of year</i>	\$864,027

Property Taxes Receivable by Years:

1995	\$4,948
1996	5,979
1997	5,487
1998	8,532
1999	8,129
2000	14,020
2001	47,224
2002	88,873
2003	192,224
2004	488,611
<i>Total taxes receivable</i>	\$864,027

COUNTY OF LUNA
County Treasurer's Property Tax Schedule
For the Fiscal Year Ended June 30, 2005

Agency	Levied 1999 Thru 2004	Collected in Current Year	Collected To-Date	Distributed in Current Year	Distributed To-Date	Amount Uncollected Current Year	Amount Uncollected To-Date	Undistributed at Year End	Outstanding Receivable 06/30/05
General Advalorem:									
1999	\$2,272,942	\$1,174	\$2,268,222	\$1,174	\$2,268,222	\$4,720	\$4,720	\$0	\$4,720
2000	2,431,357	11,351	2,421,819	11,351	2,421,819	9,538	9,538	0	9,538
2001	2,501,086	22,646	2,464,644	22,646	2,464,644	36,442	36,442	0	36,442
2002	2,447,048	56,177	2,410,032	56,177	2,410,032	37,016	37,016	0	37,016
2003	2,699,371	141,826	2,620,838	141,826	2,620,838	78,532	78,532	0	78,532
2004	2,953,477	2,759,073	2,759,073	2,759,073	2,759,073	194,405	194,405	0	194,405
Total General Advalorem	\$15,305,281	\$2,992,247	\$14,944,628	\$2,992,247	\$14,944,628	\$360,653	\$360,653	\$0	\$360,653
Non-Rendition Fees:									
1999	\$30,580	\$81	\$30,208	\$81	\$30,208	\$372	\$372	\$0	\$372
2000	31,163	470	30,069	470	30,069	1,094	1,094	0	1,094
2001	24,064	548	22,780	548	22,780	1,285	1,285	0	1,285
2002	33,614	1,443	28,374	1,443	28,374	5,240	5,240	0	5,240
2003	32,693	3,632	28,973	3,632	28,973	3,720	3,720	0	3,720
2004	33,934	25,606	25,606	25,606	25,606	8,327	8,327	0	8,327
Total Non-rendition fees	\$186,048	\$31,780	\$166,010	\$31,780	\$166,010	\$20,038	\$20,038	\$0	\$20,038
Road Levy:									
1999	\$91,310	\$395	\$90,152	\$395	\$90,152	\$1,158	\$1,158	\$24	\$1,158
2000	196,101	3,504	194,665	3,504	194,665	1,436	1,436	125	1,436
2001	194,663	4,456	191,150	4,456	191,150	3,513	3,513	286	3,513
2002	217,158	8,016	202,224	8,016	202,224	14,934	14,934	847	14,934
2003	215,899	17,796	196,175	17,796	196,175	19,724	19,724	8,121	19,724
2004	218,708	179,675	179,675	171,510	171,510	39,033	39,033	8,165	39,033
Total Road levy	\$1,133,839	\$213,842	\$1,054,041	\$205,677	\$1,045,876	\$79,798	\$79,798	\$17,568	\$79,798
Livestock:									
1999	\$29,144	\$2	\$29,052	\$2	\$29,052	\$92	\$92	\$181	\$92
2000	31,036	6	30,927	6	30,927	109	109	0	109
2001	30,622	2	30,251	2	30,251	371	371	0	371
2002	28,270	118	28,151	118	28,151	119	119	0	119
2003	25,956	1,558	24,857	1,552	24,857	1,099	1,099	6	1,099
2004	26,784	25,531	25,531	25,037	25,037	1,253	1,253	494	1,253
Total Livestock	\$171,812	\$27,217	\$168,769	\$26,717	\$168,275	\$3,043	\$3,043	\$681	\$3,043
State Levy:									
1999	\$358,279	\$157	\$358,077	\$157	\$358,077	\$202	\$202	\$0	\$202
2000	384,127	1,584	383,665	1,584	383,665	462	462	1	462
2001	457,027	3,815	454,774	3,815	454,774	2,253	2,253	119	2,253
2002	295,852	6,390	291,502	6,390	291,502	4,350	4,350	443	4,350
2003	419,471	21,524	405,750	21,524	405,750	13,721	13,721	848	13,721
2004	298,561	277,908	272,733	272,733	272,733	25,828	25,828	5,175	25,828
Total State levy	\$2,213,317	\$311,378	\$2,166,501	\$306,203	\$2,166,501	\$46,816	\$46,816	\$6,586	\$46,816

COUNTY OF LUNA
County Treasurer's Property Tax Schedule
For the Fiscal Year Ended June 30, 2005

Agency	Levied 1999 Thru 2004	Collected in Current Year	Collected To-Date	Distributed in Current Year	Distributed To-Date	Amount Uncollected Current Year	Amount Uncollected To-Date	Undistributed at Year End	Outstanding Receivable 06/30/05
Re-appraisal Program:									
1999	\$48,693	\$60	\$47,993	\$60	\$47,993	\$700	\$700	\$0	\$700
2000	50,494	252	50,011	252	50,011	483	483	0	483
2001	52,438	491	51,072	491	51,072	1,366	1,366	0	1,366
2002	51,976	1,167	48,134	1,167	48,134	3,841	3,841	0	3,841
2003	57,437	3,131	49,835	3,131	49,835	7,602	7,602	0	7,602
2004	60,787	57,117	57,117	57,117	57,117	3,671	3,671	0	3,671
Total Re-appraisal program	\$321,825	\$62,218	\$304,162	\$62,218	\$304,162	\$17,663	\$17,663	\$0	\$17,663
Deming Public Schools:									
1999	\$1,870,776	\$4,140	\$1,870,307	\$4,140	\$1,870,307	\$469	\$469	\$0	\$469
2000	1,794,691	7,447	1,794,225	7,447	1,794,225	466	466	4	466
2001	1,815,045	15,303	1,813,862	15,303	1,813,862	1,182	1,182	479	1,182
2002	1,862,128	40,234	1,840,462	40,234	1,840,462	21,667	21,667	2,676	21,667
2003	2,163,946	117,264	2,101,567	117,264	2,101,567	62,379	62,379	5,051	62,379
2004	2,379,655	2,222,214	2,180,919	2,180,919	2,180,919	198,736	198,736	41,295	198,736
Total Deming Pub Schools	\$11,886,241	\$2,406,602	\$11,601,342	\$2,365,307	\$11,601,342	\$284,899	\$284,899	\$49,505	\$284,899
City of Deming:									
1999	\$154,317	\$111	\$154,164	\$111	\$154,164	\$153	\$153	\$0	\$153
2000	168,250	1,146	168,100	1,146	168,100	150	150	0	150
2001	174,335	2,201	173,815	2,201	173,815	520	520	27	520
2002	182,652	4,352	181,289	4,352	181,289	1,363	1,363	221	1,363
2003	188,051	10,361	183,892	10,361	183,892	4,159	4,159	462	4,159
2004	224,334	213,061	213,061	209,406	209,406	11,273	11,273	3,655	11,273
Total City of Deming	\$1,091,939	\$231,232	\$1,074,321	\$227,577	\$1,070,666	\$17,618	\$17,618	\$4,365	\$17,618
Village of Columbus:									
1999	\$28,450	\$26	\$28,187	\$26	\$28,187	\$263	\$263	\$0	\$263
2000	28,736	173	28,454	173	28,454	282	282	0	282
2001	29,910	691	29,618	691	29,618	292	292	17	292
2002	31,217	1,456	30,874	1,456	30,874	343	343	230	343
2003	34,226	2,750	32,938	2,750	32,938	1,288	1,288	318	1,288
2004	38,598	34,217	32,513	32,513	32,513	6,085	6,085	1,704	6,085
Total Village of Columbus	\$191,137	\$39,313	\$182,584	\$37,609	\$182,584	\$8,553	\$8,553	\$2,269	\$8,553
Incomplete Records/Agency:									
1998									8,532
1997									5,487
1996									5,979
1995									4,948
Total Incomplete Records									\$24,946
Grand Totals	\$32,501,439	\$6,315,829	\$31,662,358	\$6,255,335	\$31,650,044	\$839,081	\$839,081	\$80,974	\$864,027

COUNTY OF LUNA
Schedule of Joint Powers Agreements
For the Fiscal Year Ended June 30, 2005

<u>Participants</u>	<u>Responsible Party for Operations</u>	<u>Descriptions</u>	<u>Beginning and Ending dates</u>	<u>Total Estimated Amount of Project</u>	<u>Contribution 06/30/05</u>	<u>Audit Responsibility</u>	<u>Revenues and Expenditures Reported on:</u>
Luna County City of Deming	City of Deming	Fire Protection Services, Landfill Operations, Recreation Services, Library Services, EMS and Indigent Ambulance Services, and ETZ	July 1, 2004 June 30, 2005	\$646,912	\$440,221	City of Deming	REV: City of Deming EXP: Luna County
Luna County Village of Columbus	Village of Columbus	EMS and Fire Protection, Additional Ambulance, Landfill, Library, Recreation, and Health Care Clinic	July 1, 2004 June 30, 2005	\$63,000	\$59,500	Village of Columbus	REV: Village of Columbus EXP: Luna County

The Notes to Financial Statements are an integral part of these statements.

ADDITIONAL FEDERAL INFORMATION

COUNTY OF LUNA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2005

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or (Deferred) Revenue at June 30, 2004	Receipts	Expenditures	Accrued or (Deferred) Revenue at June 30, 2005
<u>U.S. Department of Housing Urban Development</u>							
Passed through New Mexico Department of Housing and Urban Development							
Community Development Block Grant (MVLIC Addn)	14.288	03CRSI3G40	\$400,000	\$114,373	(\$114,373)	\$0	\$0
<i>Total U.S. Department of Housing and Urban Development</i>			\$400,000	\$114,373	(\$114,373)	\$0	\$0
<u>U.S. Department of Health and Human Services</u>							
Healthy Start Initiative	93.926		\$500,000	\$89,019	(\$622,544)	\$668,580	\$135,055
			750,000				
<i>Total U.S. Department of Health and Human Services</i>			\$1,250,000	\$89,019	(\$622,544)	\$668,580	\$135,055
<u>Department of Homeland Security</u>							
Federal Emergency Management Agency	97.036	EMW-2003-FG11273	\$228,798	(\$94,706)	\$0	\$94,706	\$0
<u>U.S. General Services Administration</u>							
	39	GS-07P-02-UFC-1038	\$336,429	\$0	\$0	\$0	\$0
<i>Total Federal Grants</i>			\$2,215,227	\$108,686	(\$736,917)	\$763,286	\$135,055

Note: The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting. The activities are reported in special revenue funds, capital projects funds, and general fund.



Certified Public Accountants

**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***

Mr. Domingo P. Martinez, CGFM, State Auditor and
The Board of County Commissioners
County of Luna
Deming, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Luna, as of and for the year ended June 30, 2005, which collectively comprise the County of Luna's basic financial statements and have issued our report thereon dated September 29, 2005. We have also audited the financial statements of each of the County's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2005, as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Luna's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of Luna's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-02, 2005-03, 2005-04, 2005-07, 2004-01, 2004-04, 2004-05, 2004-06, and 2004-07.

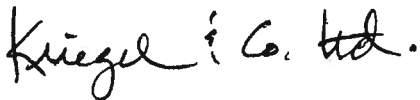
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Mr. Domingo P. Martinez, CGFM, State Auditor and
The Board of County Commissioners
County of Luna
Deming, New Mexico
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Luna's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2005-01, 2005-05, 2005-06, and 2002-01.

This report is intended solely for the information and use of the audit committee, management, the office of the state auditor, others within the organization, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Kriegel & Co., Ltd.

September 29, 2005



Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Domingo P. Martinez, CGFM, State Auditor and
The Board of County Commissioners
County of Luna
Deming, New Mexico

Compliance

We have audited the compliance of the County of Luna with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The County of Luna's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Luna's management. Our responsibility is to express an opinion on the County of Luna's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 of Luna'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. Our audit does not provide a legal determination on the County of Luna's compliance with those requirements.

In our opinion, the County of Luna complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

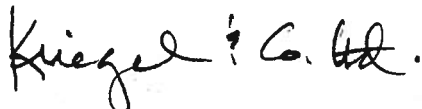
Internal Control Over Compliance

The management of the County of Luna is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Luna's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Mr. Domingo P. Martinez, CGFM, State Auditor and
The Board of County Commissioners
County of Luna
Deming, New Mexico
Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the office of the state auditor, others within the organization, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Kriegel & Co., Ltd.

September 29, 2005

COUNTY OF LUNA
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2005

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of Auditor's Report issued:

Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted?

_____ Yes X No

FEDERAL AWARDS

Internal Control Over Major Programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X No

Type of Auditor's Report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ Yes X No

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.926

Healthy Start Initiative

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

COUNTY OF LUNA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

Section II - Financial Statement Findings

CURRENT YEAR REPORTABLE CONDITIONS:

2005-01 PERA Exempt Employees

Statement of Condition - During our testwork of PERA, we noted that not all exempt employees had an "Employee Exclusion From PERA Membership" form in their employee file.

Criteria - Public Employees Retirement Association of New Mexico requires that all employees exempt from participating in PERA complete an "Employee Exclusion From PERA Membership" form.

Cause - Unknown.

Effect - Noncompliance with PERA compliance.

Recommendation - We recommend that County have all exempt employees complete the "Employee Exclusion From PERA Membership" form at the time of hiring.

Management's Response - Management is in agreement and will have exempt forms filed for all exempt employees.

2005-02 Purchase Card Usage by Non County Employee

Statement of Condition - During our testwork over purchase cards "P Card", we noted that a previous County employee, now an independent contractor was allowed to use a County P Card.

Criteria - P Cards are to be used only by County employees for business purchases.

Cause - Unknown

Effect - Unauthorized purchases.

Recommendation - We recommend that the County of Luna establish policies and procedures to ensure that upon termination employees return purchase cards.

Management's Response - Non-County Employee was a Department Head that went into retirement and voluntarily turned his card in before management could ask for it as soon as realization was that it was still being used.

COUNTY OF LUNA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

Section II - Financial Statement Findings

CURRENT YEAR REPORTABLE CONDITIONS (CONTINUED):

2005-03 Investment Schedule Not Properly Maintained

Statement of Condition - During our investments testwork, we noted that the Investment Schedule in the Treasurer's Report does not accurately reflect investments. Earnings are not consistently posted when reinvested.

Criteria - All treasurers reports should properly report and reconcile the cash and investment position at the County.

Cause - Lack of careful review.

Effect - Investments per Treasurer's Report at June 30, 2005 were understated by \$20,507.

Recommendation - We recommend that the investments schedule in the Treasurer's Report should be consistently maintained and reviewed prior to issuance.

Management's Response - The Luna County Treasurer's Office has had an Investment with the New Mexico State Investment Council's (SIC) Permanent Fund five years now. We have reported the initial investment of one million dollars as that until this time. According to the findings of the Auditors, Kriegel & Co., Ltd, we should have reported our returns as dividends on our monthly report. The SIC is not timely with their reports to the extent that they are six to eight weeks behind. Our state senator John A Smith is attempting to seek relief from this situation at this time. The auditing firm suggested that we record the dividends at the close of the year prior to the beginning of their audit of the county. This office will do so by following a sample report supplied by them at this time. We will adjust the report to fit our needs of reporting.

The shares we have with the SIC, have increased the Market Value of our portfolio to \$1,128,132.95 as of June 30, 2005. Our office will be seeking help from Triadic in the proper method of reporting on this investment from this point forward.

COUNTY OF LUNA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

Section II - Financial Statement Findings

CURRENT YEAR REPORTABLE CONDITIONS (CONTINUED):

2005-04 Purchase of Unusual Items—Lack of Documentation

Statement of Condition - During our testwork over purchase cards, we noted purchases of unusual items. Items included: four fire arms, holsters, and ammunition purchased by a non law enforcement or detention officer with no explanatory documentation. (The items are maintained on the Detention Center's inventory.)

Criteria - Good internal controls require all transactions be clearly documented as to cost and purpose if not otherwise apparent.

Cause - Lack of appropriate documentation and management override.

Effect - Expenditures made without clear documentation of purpose.

Recommendation - We recommend that all purchases include clear documentation with regard to purpose and that individuals responsible for the processing of disbursements request additional documentation from the originator if purpose is not clear from documents provided.

Management's Response - Agree and documentation will be provided for unusual purchases. At the time of the purchase, several shootings had taken place nationally and there was a restraining order issued against a Captain Reynolds because of threats to personnel. This was management's decision to protect staff at the Courthouse. The person assigned to the purchase has a commission card, is an excellent marksman, has qualified with the Undersheriff and has passed a concealed weapons course.

COUNTY OF LUNA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

Section II - Financial Statement Findings

CURRENT YEAR REPORTABLE CONDITIONS (CONTINUED):

2005-05 Disposal of Fixed Assets Not Authorized

Statement of Condition - During our testwork on fixed assets, we noted that proposed dispositions were not submitted to the State Auditor in writing within 30 days prior to the disposition date. We also noted that the hard drive to the computer was not "sanitized" in accordance with state requirements, but rather was physically destroyed by the Sheriff's Department.

Criteria - At least 30 days prior to the disposition of a fixed asset, written notification of the proposed disposition must be sent to the State Auditor. Furthermore, per sections 13-61 and 13-6-2 NMSA 1978, if the disposition is of a computer, the hard drive must be erased using a commercial degaussing product to erase magnetic disks, overwritten at least five times or reformatting the drives ("F diskings"). Certification of the proper erasure of the hard drive must be sent to the State Auditor.

Cause - The Procurement Specialist was not notified of fixed asset dispositions until after they were disposed of and, therefore, was not able to timely notify the State Auditor's Office of dispositions. The County was also unaware of the required sanitizing methods for hard drives.

Effect - Non compliance with state requirements for disposition of fixed assets under New Mexico Statute Sections 13-6-1 and 13-6-2 NMSA 1978. Potential for misuse of data and software on hard drives if not maintained and sanitized under strict physical controls.

Recommendation - Policies and procedures should be established that require the notification of the Procurement Specialist at least 30 days prior to any dispositions so that notification can be made to the State Auditor. Those policies should also establish strict physical controls of hard drives and sanitization procedures to be used by the County in accordance with state requirements as well as documentation of the sanitization method used to erase the hard drive, date sanitized and by whom.

Management's Response - Management is now aware of the acceptable ways to dispose of sensitive material such as computer harddrives and will take the necessary steps to insure that they are destroyed properly.

COUNTY OF LUNA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

Section II - Financial Statement Findings

CURRENT YEAR REPORTABLE CONDITIONS (CONTINUED):

2005-06 Audit Submitted to the New Mexico State Auditor After Due Date

Statement of condition - The audit report for the County of Luna for the year ended June 30, 2005 was submitted to the New Mexico State Auditor after November 15, 2005.

Criteria - County audit reports are due to the State Auditor's office on or before November 15th per audit rule 2.2.2 NMAC.

Cause - Late receipt of necessary audit evidence, tight schedule of the auditor's and lack of availability of necessary exit conference attendees due to late notice.

Effect - Non compliance with State Auditor rule.

Recommendation - A target date for the exit conference should be scheduled early in the audit process and client responses for information to the auditor should be more prompt.

Management's Response - Management concurs and will work towards getting all necessary information to the auditor in a more timely fashion and the auditor and management will try to schedule an earlier exit conference to get the audit in on time.

2005-07 Large Purchases Not Approved by Commission

Statement of Condition - During our testwork over fixed assets, we noted large asset purchases were not approved for purchase in the County Commission minutes. These purchases were purchased under a previous bid stating "1 or more." The previous purchases under this bid were approved per the Board of County Commission minutes.

Criteria - County policies require that all large dollar purchases be authorized by the County Commission.

Cause - Unknown.

Effect - Noncompliance with County purchasing policy.

Recommendation - We recommend that the County enforce policies and procedures already in place for the purchase of large dollar items. All large purchases, including vehicles should be specifically approved by the County Commission prior to purchase; including those made through GSA contracts and those purchased through previous bids for "1 or more."

Management's Response - Commission approves by bid, including "one or more" bids. The money is budgeted and reviewed and any transfer made if necessary. Management will get commission approval on any "one or more" bids with a final figure before the purchases are made. This will apply to bids or state/GSA contracts.

COUNTY OF LUNA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

Section II - Financial Statement Findings

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2004-01 Documentation of Business Purpose for Trip

Repeated with modifications.

Statement of Condition - During our testwork over travel and per diem, we noted the lack of supporting receipt documentation for business travel when an advance was provided.

Criteria - Good internal controls require supporting documentation for all transactions. State requirements (Per Diem and Mileage Act 10-8-1 to 10-8-8 NMSA 1978) only allow travel advances up to 80% of anticipated lodging/meal costs.

Cause - Management overrode the system to allow the employee to be given an advance for travel and did not require the employee to submit receipts to substantiate costs.

Effect - Violation of per diem regulations and noncompliance with County policy.

Recommendation - We recommend that the County of Luna require all employees to submit receipts to document purpose of costs and enforce policies and procedures as written.

Management's Response - This instance was for a Border Coalition meeting for taxi services, etc. Since that time all Commissioners have been issued a Purchase Card for all travel purchases and advances are not the norm.

2004-02 Professional Services Not in Accordance with RFP/Proposal

Resolved and not repeated.

2004-03 Payroll Deduction Authorization Not in Employee File

Resolved and not repeated.

COUNTY OF LUNA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

Section II - Financial Statement Findings

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2004-04 One Week Continuous Vacation Not Required

Repeated.

Statement of Condition - During our testwork of other compliance, we noted that the personnel policy does not require key control positions to take one week of continuous vacation.

Criteria - Sound personnel policies should require that key control positions take one week of continuous vacation and have other personnel perform their duties in their absence to observe the procedures being performed so that any frauds or errors may be detected.

Cause - Unknown.

Effect - Potential for employee frauds or errors to go undetected for an extended period of time.

Recommendation - We recommend that Luna County revise and enforce their personnel policy to require key control positions to take one week of continuous vacation.

Management's Response - Management concurs and currently there is a draft personnel policy to be reviewed in January 2006 and this issue is being addressed.

2004-05 Use of Office Space/Sensitive Records

Repeated.

Statement of Condition - During our visit to the Detention Center it was observed that the employee break room was located in the same area as the office space for administrative work and storage of records.

Criteria - Access to office space for administrative work and storage of records should be limited to only those employees who work in the administrative area. Sensitive information is stored in the administrative area.

Cause - Unknown.

Effect - Potential for County employees to have access to sensitive information pertaining to payroll, bank accounts, inmate monies and other accounting information.

Recommendation - We recommend that the Detention Center in Luna County find an alternate location for the employee break room.

Management's Response - Previously the Detention Center had no break room and according to OSHA a break room had to be provided and there is no other place for sensitive materials to be stored. Management is working on constructing a separator wall with locking doors so that sensitive materials can be locked and not exposed to non-authorized employees.

COUNTY OF LUNA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

Section II - Financial Statement Findings

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2004-06 Fringe Benefits

Repeated with modifications.

Statement of Condition - During our testwork of fringe benefits, we noted that there is apparent personal use of cell phones and receipts had not been submitted by employees for fuel. We tested 12 fuel bills, no explanations were provided by users for receipts not being submitted to Accounting Department. In addition, all employees were charged for overages on cell phone plans but some have not reimbursed the County. We tested 9 cell phone bills.

Criteria - Good internal controls require that there is a clear understanding of the procedures by County personnel as to fringe benefits and consistent treatment of all employees in accordance with policy.

Cause - Unknown.

Effect - Potential for County to pay for personal use of fuel and cell phones with public monies.

Recommendation - We recommend that the County require employees to reimburse the County for personal use and overage charges for fuel and cell phones. The County should consider the use of stipends to employees for cell phone costs.

Management's Response - There have been numerous instances of repayment for cell phone overages and the collection rate is getting better. Also management is looking at canceling county-wide cell phones and possibly issuing a stipend for people to get their own phones and that way the County is only paying for a regulated number of minutes use.

2004-07 Purchase Order Dated After Invoice Date

Repeated with modifications.

Statement of Condition - During our disbursement testwork it was found that ten purchase orders were dated after the invoice date. (Out of a sample of 40 disbursements tested.)

Criteria - Good internal controls require that there is a clear understanding of the procedures by County personnel as to purchasing and documentation required.

Cause - Unknown.

Effect - County policies were not followed.

Recommendation - Implement a procedure to ensure that no invoices are to be paid without a legible date and that these dates are reviewed to verify that proper procurement procedures were followed.

Management's Response - Management is working to re-train employees and is taking corrective action to minimize the occurrences of "after the fact" purchasing.

COUNTY OF LUNA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

Section II - Financial Statement Findings

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2004-08 Misuse of "P" Card

Resolved and not repeated.

2002-01 Maintenance of Taxes Receivable (Levied/Uncollected) by Agency

Repeated with modifications.

Statement of Condition - The County does not maintain Taxes Receivable by Agency for ten years back but rather taxes receivable are maintained for only six years back.

Criteria - This information is necessary for proper reporting of taxes receivable to other agencies and for proper recording of the County's own Taxes Receivable Revenue.

Cause - The Treasurer's Office was unaware that levied but uncollected taxes receivable were required to be maintained by Agency.

Effect - Noncompliance with Tax Roll Maintenance requirements.

Recommendation - The Treasurer's Office should go back ten years and extract collection information for each agency by year against the levy for that year and maintain future collections/levies by agency concurrently.

Management's Response - The information for taxes receivable is available but not in the format required (by agency). We will begin a conversion of data to compile taxes receivable by agency.

COUNTY OF LUNA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

Section III - Federal Award Findings and Questioned Costs

CURRENT YEAR:

None.

PRIOR YEAR:

None.

COUNTY OF LUNA

Exit Conference

June 30, 2005

EXIT CONFERENCE:

The exit conference was held November 21, 2005 and was attended by the following:

From County of Luna:

A. Dennis Armijo, Chairperson, Board of County Commissioners
Scott Vinson, County Manager
Martha Long, Financial Services Director
Gloria Rodriguez, County Treasurer
Rick Kocab, Deputy Treasurer
Mary Villanueva, Accounts Payable

From Kriegel & Co., Ltd.:

Debbie Gray, CPA, Shareholder

FINANCIAL STATEMENT PREPARATION

Preparation of financial statements is the responsibility of management. Although, the County of Luna's personnel provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel & Co., Ltd.

AE
1-24-06