

**INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
COUNTY OF LUNA**

**Official Roster  
June 30, 2006**

**Board of County Commissioners**

Richard D. Holdridge  
A. Dennis Armijo  
Fannie T. Smyer

Chairperson  
Member  
Member

**County Officials**

Karen Smyer  
Gloria Rodriguez  
Patsy Leyva  
Gary N. Ciccotelli  
Scott Vinson  
Martin Miller  
Jerry Turner  
Martha Long

County Clerk  
County Treasurer  
County Assessor  
County Sheriff  
County Manager  
County Road Superintendent  
Director of Detention Services  
Financial Services Director

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2006  
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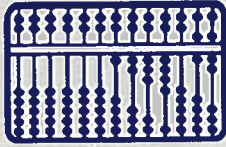
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**FINANCIAL SECTION**



**MARCUS,  
FAIRALL,  
BRISTOL + CO., L.L.P.**

Independent Auditor's Report

Domingo P. Martinez, CGFM  
New Mexico State Auditor  
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 County of Luna, New Mexico, as of and for the year-ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the County's non-major governmental funds and budget comparison presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year-ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of County of Luna, New Mexico's management. Our responsibility is to express an opinion 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 with 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 of the United States of America used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County of Luna, New Mexico, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, road fund, and county maintenance 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 non-major governmental fund and the Detention Center Fund of County of Luna, New Mexico, as of June 30, 2006, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the non-major governmental funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

The *Management's Discussion and Analysis* on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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.

*Handwritten signature and date: P-10-07*



In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2006 on our consideration of County of Luna, New Mexico's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons of the County of Luna, New Mexico. The accompanying information listed as Supporting Schedules 1 through 7 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 as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis. Also, the accompanying Schedule of Changes in Assets and Liabilities for the Agency Funds, as required by SAO Rule 2.2.2.10.BB, is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

*Marcus, Farnell, Bristol & Co. LLP*

El Paso, Texas  
October 20, 2006

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
June 30, 2006**

**Management's Discussion and Analysis**

As management of County of Luna, we offer readers of County of Luna financial statements this narrative overview and analysis of the financial activities of County of Luna for the fiscal year-ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements of County of Luna and additional information provided.

**FINANCIAL HIGHLIGHTS**

- The assets of County of Luna exceeded its liabilities at the close of the most recent fiscal year by \$36,419,795 (*net assets*). Of this amount, \$18,536,844 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Revenues for governmental activities increased \$3,990,677 over the prior year.
- Expenditures for governmental activities increased \$4,686,131 over the prior year.
- As of June 30, 2006, the County's governmental funds reported combined ending fund balances of \$15,025,657.
- At the close of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$1,812,083.
- During the year, \$2,740,000 was paid on the principal of the gross receipts tax revenue bonds.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to County of Luna's basic financial statements. County of Luna's basic financial statements 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 themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of County of Luna finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of County of Luna's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of County of Luna is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of County of Luna 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 County of Luna include general government, public safety, public works, and health and welfare. The business-type activity of the County includes a detention facility.



STATE OF NEW MEXICO  
COUNTY OF LUNA  
June 30, 2006

**Management's Discussion and Analysis**

The government-wide financial statements can be found at exhibits A-1 and A-2 of this report.

**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. County of Luna, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of County of Luna can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

County of Luna maintains twenty-four individual governmental funds organized according to their type (special revenue and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, and County Maintenance Fund, all of which are considered to be major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

County of Luna adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, Road Fund and County Maintenance Fund to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found at exhibits B-1 through C-3 of this report.

**Proprietary funds.** Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses proprietary funds to account for the detention facility operations of the County. The proprietary fund is considered to be a major fund of the County. The basic proprietary fund statement can be found at Exhibit D-1 through D-3

**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 County of Luna's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

County of Luna fiduciary funds account for the collection of property taxes and special fees at the detention facility and their remittance to other governmental agencies.

The basic fiduciary fund financial statements can be found at Exhibit E-1 of this report.

STATE OF NEW MEXICO  
COUNTY OF LUNA  
June 30, 2006

**Management's Discussion and Analysis**

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-43 of this report.

**Combining Statements.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 46-53 of this report.

**Analysis of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of County of Luna, net assets exceeded liabilities by \$36,419,795 at the close of the current fiscal year. (See analysis on page 7)

A large portion of County of Luna's net assets represents the County's investment of \$17,882,951 in capital assets (e.g., land improvements, buildings, infrastructure and machinery and equipment), less any related outstanding debt used to acquire those assets. County of Luna uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although County of Luna'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.

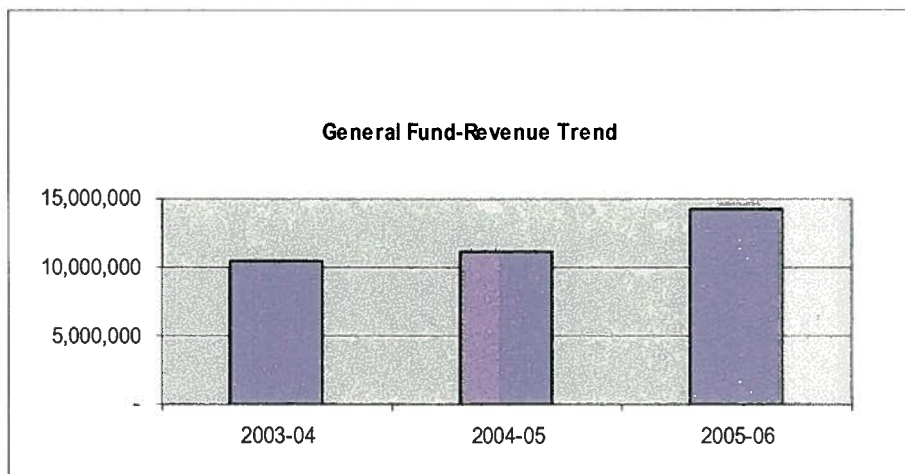
The remaining balance of *unrestricted net assets* \$18,536,844 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, County of Luna is able to report positive balances in all categories of net assets, for the government as a whole as well as for the business-type activities.

**Analysis of Changes in Net Assets**

The County's net assets, overall, increased by \$3,280,182 during the current fiscal year. These increases are explained in the government activities discussion below, and are primarily a result of increased tax revenues during the fiscal year. (See analysis on page 8)

**Governmental Activities.** Governmental activities increased County of Luna's net assets by \$2,261,249 compared to the prior year's increase of \$988,810. Property taxes and gross receipts taxes contributed \$7,826,962 for covering the \$5,565,788 net program expense associated with general governmental activities.



**STATE OF NEW MEXICO  
COUNTY OF LUNA  
June 30, 2006**

**Management's Discussion and Analysis**

**Analysis of Changes in Net Assets (continued)**

Governmental revenues, consisting mostly of taxes, are not directly associated with any government function. The above chart provides a comparison of prior two years. The total revenues increased \$3,443,625. Gross receipts tax revenue and state shared taxes grew 35.84% as compared to the prior year.

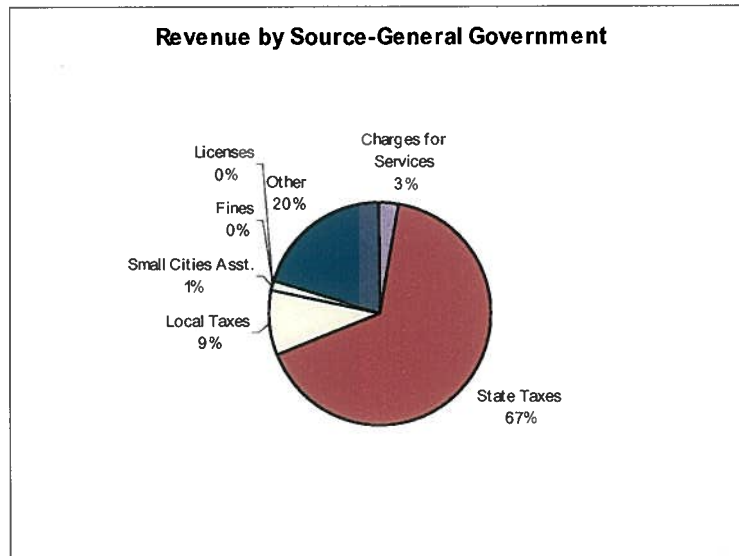
Investment earnings were increased 3.7% in fiscal year ended June 30, 2006. The primary cause for this increase was the increase in the investment balances during the year.

Charges for services increased 27.73% due to increased collections for licenses and service charges.

Intergovernmental income increased 40.97% due to increased state and federal assistance.

Other revenues for the current year increased 61.93% due to increased collections of miscellaneous fees such as motor vehicle and rents.

Total revenues from governmental activities are summarized below. For fiscal year 2005-2006, Local and State taxes made up 76% of the total general fund revenues compared to 58% of the prior years revenues.



**Business-Type Activities.** Business-type activities increased the County's net assets by \$1,019,008 compared to the prior year's increase of \$1,209,987. The key element of this increase was an increase in fees collected at the detention center during the current year. However, the revenue only increased 6% over the prior year while the expenses increased 11%. The increase in fees only offset the increase in expenses. There was a decrease in the ending cash balance due to the defeasance of the revenue bond.

STATE OF NEW MEXICO  
COUNTY OF LUNA  
June 30, 2006

Management's Discussion and Analysis  
Summary of Net Assets

	Government Activities			Business-Type Activities		Totals		Total Percent Change 2005-2006
	2006	2005	2006	2005	2006	2005		
<b>Assets</b>								
Current and other assets	\$ 16,745,628	\$ 17,110,637	\$ 3,102,516	\$ 5,224,450	\$ 19,848,144	\$ 22,335,087		-11.13%
Capital assets, net of accumulated	12,057,486	9,123,913	5,856,662	5,439,116	17,914,148	14,563,029		23.01%
Capital assets, net of accumulated net of accumulated	<u>28,803,114</u>	<u>26,234,550</u>	<u>8,959,178</u>	<u>10,663,566</u>	<u>37,762,292</u>	<u>36,898,116</u>		2.34%
Total assets								
<b>Liabilities</b>								
Current and other liabilities	\$ 862,439	\$ 432,706	\$ 210,403	\$ 321,309	\$ 269,655	\$ 754,015		-64.24%
Long-term liabilities	176,228	298,646	93,427	2,705,842	1,072,842	3,004,488		-64.29%
Total liabilities	<u>1,038,667</u>	<u>731,352</u>	<u>303,830</u>	<u>3,027,151</u>	<u>1,342,497</u>	<u>3,758,503</u>		-64.28%
<b>Net Assets</b>								
Invested in capital assets, net of related debt	12,026,289	9,123,913	5,856,662	2,699,116	17,882,951	11,823,029		51.26%
Restricted	-	-	-	1,178,413	-	1,178,413		-7.95%
Unrestricted	15,738,158	16,379,285	2,798,686	3,758,886	18,536,844	20,138,171		9.90%
Total net assets	<u>27,764,447</u>	<u>25,503,198</u>	<u>8,655,348</u>	<u>7,636,415</u>	<u>36,419,795</u>	<u>33,139,613</u>		
Total liabilities and net assets	\$ 28,803,114	\$ 26,234,550	\$ 8,959,178	\$ 10,663,566	\$ 37,762,292	\$ 36,898,116		2.34%

STATE OF NEW MEXICO  
COUNTY OF LUNA  
June 30, 2006

Management's Discussion and Analysis  
Changes in Net Assets

	Government Activities		Business-Type Activities		Totals		Total Percentage Change 2005-2006
	2006	2005	2006	2005	2006	2005	
<b>Revenues</b>							
Program revenues:							
Charges for service	\$ 304,663	\$ 238,506	\$ 6,333,612	\$ 5,947,173	\$ 6,638,275	\$ 6,185,679	7.32%
Operating grants and contributions	1,937,328	2,599,058	-	182,248	1,937,328	2,781,306	-30.34%
Capital grants and contributions	911,255	430,044	-	-	911,255	430,044	111.90%
General revenues:							
Taxes	8,221,752	6,457,154	692,531	538,427	8,914,283	6,995,581	27.43%
Other income	2,279,590	521,261	-	-	2,279,590	521,261	337.32%
Interest income	983,156	948,096	77,502	57,057	1,060,658	1,005,153	5.52%
Total revenues	<u>14,637,744</u>	<u>11,194,119</u>	<u>7,103,645</u>	<u>6,724,905</u>	<u>21,741,389</u>	<u>17,919,024</u>	<u>21.33%</u>
<b>Expenses</b>							
General government	3,616,709	4,044,765	-	-	3,616,709	4,044,765	-10.58%
Public safety	3,359,528	2,532,171	-	-	3,359,528	2,532,171	32.67%
Public works	3,641,986	1,792,145	-	-	3,641,986	1,792,145	103.22%
Health and welfare	1,758,347	1,836,228	-	-	1,758,347	1,836,228	-4.24%
Proprietary expenses	-	-	6,084,637	5,514,918	6,084,637	5,514,918	10.33%
Total expenses	<u>12,376,570</u>	<u>10,205,309</u>	<u>6,084,637</u>	<u>5,514,918</u>	<u>18,461,207</u>	<u>15,720,227</u>	<u>17.44%</u>
Increase in Net Assets before Transfer Transfers	2,261,174	988,810	1,019,008	1,209,987	3,280,182	2,198,797	49.18%
Increase in Net Assets	<u>2,261,174</u>	<u>196,000</u>	<u>(75)</u>	<u>(196,000)</u>	<u>3,280,182</u>	<u>-</u>	<u>49.18%</u>
Net Assets, Beginning of Year	25,503,198	24,318,388	7,636,415	6,622,428	33,139,613	30,940,816	7.11%
Ending Net Assets	<u>\$ 27,764,372</u>	<u>\$ 25,503,198</u>	<u>\$ 8,655,348</u>	<u>\$ 7,636,415</u>	<u>\$ 36,419,795</u>	<u>\$ 33,139,613</u>	<u>9.90%</u>

STATE OF NEW MEXICO  
COUNTY OF LUNA  
June 30, 2006

**Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

As noted earlier, County of Luna uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of County of Luna's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing County of Luna'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. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, and Capital Project Funds.

As of the end of the current fiscal year, County of Luna's governmental funds reported combined ending fund balances of \$15,025,657, a decrease of \$230,809 before transfers in comparison with the prior year. The decrease is primarily due to the increase in capital outlay expenditures. Approximately 97 percent of this total amount, \$14,537,851, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for Road Fund inventory in the amount of \$487,806.

Revenues for governmental functions overall totaled \$15,209,550 in the fiscal year-ended June 30, 2006, which represents an increase of \$3,990,677 from the fiscal year-ended June 30, 2005. Expenditures for governmental functions totaled \$15,440,359. This was an increase of \$4,686,131 from the fiscal year-ended June 30, 2005. In the fiscal year-ended June 30, 2006, expenditures for governmental functions exceeded revenues by \$230,809.

The General Fund is the chief operating fund of County of Luna. At the end of the current fiscal year, *unreserved* fund balance of the General Fund was \$1,812,083.

The fund balance of County of Luna's General Fund increased \$290,451 during the current fiscal year, due to revenue in excess of expenses and operating transfers. The increase does include the transfer of \$739,975 to various funds, which occurred during 2006.

The Road Fund has total fund equity of \$1,352,655. The net decrease in fund balance during the current year in the Road Fund was \$219,002. This decrease is due primarily to increased expenses for road repairs by the fund.

The County Maintenance Fund has a total fund balance of \$11,272,614. The net increase in fund balance during the current year in the County Maintenance Fund was \$449,886. This increase is due primarily to increased tax revenue.

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

At the end of the fiscal year, the unrestricted net assets for the detention center were \$2,798,686. The total increase in net assets for the Proprietary Funds was \$1,018,933. Factors concerning the finances of this fund have been addressed previously in the discussion of the County's business-type activities.

**Fiduciary Funds.** The County maintains fiduciary funds for the assets of various agency funds. Changes to the fiduciary funds were immaterial for the fiscal year.

**Budgetary Highlights**

The State of New Mexico budget process is defined under State law and regulation. To enhance the process of developing a budget at the county level, County of Luna utilizes goals and objectives defined by the County Commissioners, community input meetings, long-term plans and input from various staff groups to develop the County budget. County priorities are well defined through this process.



**STATE OF NEW MEXICO  
COUNTY OF LUNA  
June 30, 2006**

**Management's Discussion and Analysis**

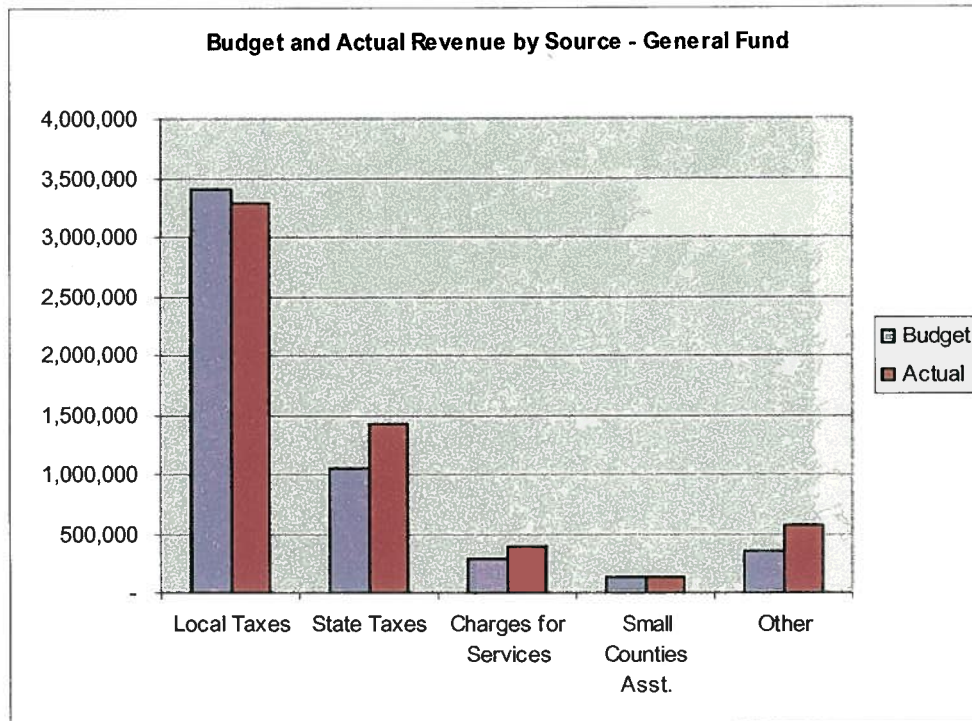
**Budgetary Highlights (continued)**

**General Fund Budgetary Highlights.** The General Fund accounts for all of the general services provided by the County of Luna.

The County has found it necessary to modify the budget at various times throughout the fiscal year. This is done with resolutions to the budget. The following chart shows the adjustments for the year:

Type	Original Budget	Final Budget	Modification	Reason
Revenue-Other revenue	\$ 63,700	54,700	(9,000)	Reduction in rental income
Expense-General government	2,818,003	2,928,141	110,138	Increase in salaries, increased printing and postage costs, increase in allotments for recreation
Expense-Public safety	2,115,669	2,151,779	36,110	Increase in Humane Society allotment, increased fuel costs, and purchase of wireless equipment
Expense-Public works	382,503	394,503	12,000	Increase in HVAC repairs
<b>Totals</b>	<b>\$ 5,379,875</b>	<b>\$ 5,529,123</b>	<b>\$ 149,248</b>	

At the end of 2006, the cash and investments balance of the General Fund increased by \$456,852. The following chart demonstrates a summary of the major revenue sources received compared to the approved budget for the General Fund.

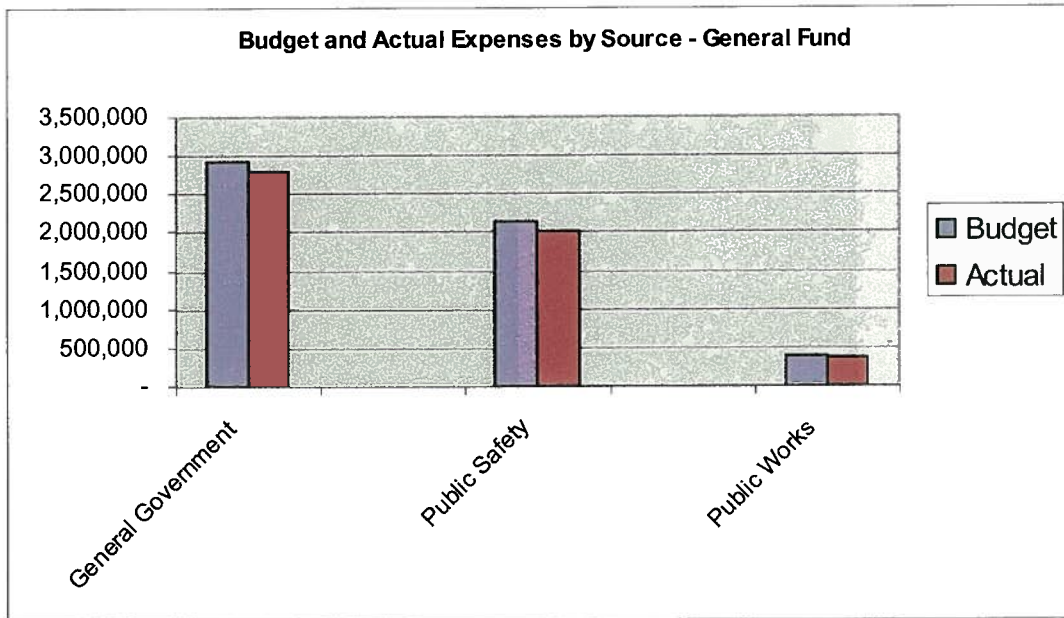


**STATE OF NEW MEXICO  
COUNTY OF LUNA  
June 30, 2006**

**Management's Discussion and Analysis**

**Budgetary Highlights (continued)**

General government expenditures include all administrative functions of the County which include: County Commissioners, Administration, Finance, Maintenance, Public Safety, Road Repairs, and Health. The following chart shows a summary of functional categories for expenditures:



**Capital Asset and Debt Administration**

**Capital Assets.** The County of Luna's capital assets for its governmental and business-type activities as of June 30, 2006 amount to \$17,914,148 (net of accumulated depreciation). Capital assets include land improvements, buildings, machinery, equipment and infrastructure. The total increase in the County's capital assets (excluding accumulated depreciation) for the current fiscal year was \$3,493,572 for governmental activities. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$682,427.

**Capital Assets, Net of Depreciation  
June 30, 2006**

	Government Activities	Business-Type Activities	Totals
Land and Construction in Process	\$ 4,140,492	\$ 244,714	\$ 4,385,206
Buildings	6,227,159	5,147,915	11,375,074
Furniture and Equipment	1,689,835	464,033	2,153,868
Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,057,486</u>	<u>\$ 5,856,662</u>	<u>\$ 17,914,148</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 6 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
June 30, 2006**

**Management's Discussion and Analysis**

**Capital Asset and Debt Administration (continued)**

The Statement of Net Assets shows the Investment in Capital Assets-Governmental Funds in the amount of \$12,026,289. This investment includes the land, buildings, land and building improvements, equipment, construction in progress, and all applicable debt service. The total increase in capital assets was \$3,493,572, which included construction projects totaling \$3,280,518, of which \$2,861,934 was in progress at the end of the year. Equipment costing \$213,054 was purchased for the County. The deletions consisted of the disposal of obsolete equipment costing \$183,164.

The additions in business-type activities total \$682,427 in equipment and improvements to the detention center.

The County's loans decreased \$7,798 through principal payments. Additional information on the County's debt can be found in Note 7.

The following is a schedule showing the Net Value of the Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

	Government Activities:	Business-Type Activities:	Balance as of June 30, 2006
Net Value of Capital Assets	\$ <u>12,057,486</u>	\$ <u>5,856,662</u>	\$ <u>17,914,148</u>
Long-Term Debt Principal Balance:			
Fire Truck Loan	<u>31,197</u>	<u>-</u>	<u>31,197</u>
Total Investment in Capital Assets Net of Related Debt	\$ <u>12,026,289</u>	\$ <u>5,856,662</u>	\$ <u>17,882,951</u>

**Economic Factors and Next Year's Budgets and Rates**

- Inflationary trends in the region compare favorably to national indices.

The above factors were considered in preparing County of Luna's budget for the 2006 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of County of Luna's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County's Financial Services Director, 321 West Spruce, Deming, New Mexico 88030.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Government-wide Statement of Net Assets**  
**June 30, 2006**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 4,257,732	\$ 2,607,266	\$ 6,864,998
Investments	10,903,992	-	10,903,992
Taxes receivable	163,132	-	163,132
Property taxes receivable	394,790	-	394,790
Other receivables	4,384	-	4,384
Due from other governments	533,792	495,250	1,029,042
Inventory	487,806	-	487,806
Capital assets:			
Land and construction in process	4,140,492	244,714	4,385,206
Other capital assets, net of depreciation	7,916,994	5,611,948	13,528,942
<b>Total assets</b>	<b>\$ 28,803,114</b>	<b>\$ 8,959,178</b>	<b>\$ 37,762,292</b>
<b>Liabilities</b>			
Accounts payable	\$ 743,447	\$ 119,033	\$ 862,480
Accrued salaries	118,992	91,370	210,362
Long-term liabilities			
Due within one year	7,798	-	7,798
Due in more than one year	168,430	93,427	261,857
<b>Total liabilities</b>	<b>1,038,667</b>	<b>303,830</b>	<b>1,342,497</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	12,026,289	5,856,662	17,882,951
Unrestricted	15,738,158	2,798,686	18,536,844
<b>Total net assets</b>	<b>\$ 27,764,447</b>	<b>\$ 8,655,348</b>	<b>\$ 36,419,795</b>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 COUNTY OF LUNA  
 Statement of Activities  
 For the Year Ended June 30, 2006

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENT ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<b>PRIMARY GOVERNMENT:</b>							
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 3,616,709	\$ 293,746	\$ 247,242	\$ 550,069	\$ (2,525,652)	\$ -	\$ (2,525,652)
Public safety	3,359,528	-	539,719	-	(2,819,809)	-	(2,819,809)
Public works	3,641,986	10,917	95,722	-	(3,535,347)	-	(3,535,347)
Health and welfare	1,758,347	-	1,535,673	361,186	138,512	-	138,512
Total governmental activities	12,376,570	304,663	2,418,356	911,255	(8,742,296)	-	(8,742,296)
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Detention facility	6,084,637	7,026,143	-	-	-	941,506	941,506
Total business-type activities	6,084,637	7,026,143	-	-	(8,742,296)	941,506	(7,800,790)
<b>TOTAL PRIMARY GOVERNMENT</b>							
General revenues:							
Taxes							
Gross receipts taxes					1,467,728		1,467,728
State shared taxes					6,754,024		6,754,024
State allocations					800,504		800,504
State shared assistance					140,000		140,000
Small counties assistance					983,156	77,502	1,060,658
Interest income					858,058	-	858,058
Other income					75	(75)	-
Transfers					-	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					11,003,545	77,427	11,080,972
<b>CHANGES IN NET ASSETS</b>					2,261,249	1,018,933	3,280,182
<b>NET ASSETS, BEGINNING OF YEAR</b>					25,503,198	7,636,415	33,139,613
<b>NET ASSETS, ENDING</b>					\$ 27,764,447	\$ 8,655,348	\$ 36,419,795



**GOVERNMENTAL FUNDS**

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
GOVERNMENTAL FUNDS  
Balance Sheet  
For the Year-Ended June 30, 2006**

	General Fund	Road Fund	County Maintenance	Total Non-Major Funds	Total Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 322,605	\$ 757,853	\$ 1,048,218	\$ 2,129,056	\$ 4,257,732
Investments	2,114,859	-	8,789,133	-	10,903,992
Taxes receivable	1,532	161,600	-	-	163,132
Property taxes receivable	394,790				394,790
Other receivables	415	-	-	3,969	4,384
Due from other governments	874	-	497,318	35,600	533,792
Inventory	-	487,806	-	-	487,806
Due from other funds	-	-	1,525,248	89,326	1,614,574
<b>Total Assets</b>	<u>\$ 2,835,075</u>	<u>\$ 1,407,259</u>	<u>\$ 11,859,917</u>	<u>\$ 2,257,951</u>	<u>\$ 18,360,202</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 85,873	\$ 34,440	\$ 587,303	\$ 35,831	\$ 743,447
Accrued salaries	79,587	20,164	-	19,241	118,992
Deferred revenue	857,532	-	-	-	857,532
Due to other funds	-	-	-	1,614,574	1,614,574
<b>Total liabilities</b>	<u>1,022,992</u>	<u>54,604</u>	<u>587,303</u>	<u>1,669,646</u>	<u>3,334,545</u>
<b>Fund balances:</b>					
Reserved		487,806			487,806
Unreserved for capital projects funds				(1,525,248)	(1,525,248)
Unreserved for special revenue funds		864,849	11,272,614	2,113,553	14,251,016
Unreserved	1,812,083	-	-	-	1,812,083
<b>Total fund balances</b>	<u>1,812,083</u>	<u>1,352,655</u>	<u>11,272,614</u>	<u>588,305</u>	<u>15,025,657</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,835,075</u>	<u>\$ 1,407,259</u>	<u>\$ 11,859,917</u>	<u>\$ 2,257,951</u>	<u>\$ 18,360,202</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Governmental Funds  
Reconciliation of the Balance Sheet to the Statement of Net Assets  
June 30, 2006**

**Total fund balances – governmental funds** \$ 15,025,657

Amounts reported for governmental activities 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.

Cost of the assets	\$	18,542,569	
Accumulated depreciation		<u>(6,485,083)</u>	
	\$	<u>12,057,486</u>	12,057,486

Certain assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 857,532

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

NMFA loan payable	\$	31,197	
Compensated absences		<u>145,031</u>	
	\$	<u>176,228</u>	(176,228)

**Total net assets – governmental activities** \$ 27,764,447

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**GOVERNMENTAL FUNDS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year-Ended June 30, 2006**

	General Fund	Road Fund	County Maintenance Fund	Total Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 1,467,728	\$ -	\$ -	\$ -	\$ 1,467,728
State shared taxes	3,407,793	1,585,995	818,799	1,513,243	7,325,830
Small counties assistance	140,000	-	-	-	140,000
State allocation	239,007	233,256	-	328,241	800,504
Charges for services	124,146	10,917	-	169,600	304,663
Interest income	335,702	13,768	621,154	12,532	983,156
Federal grants	-	-	-	309,548	309,548
State grants	247,242	95,722	-	2,677,099	3,020,063
Other income	353,362	13,222	323,585	167,889	858,058
Total revenues	<u>6,314,980</u>	<u>1,952,880</u>	<u>1,763,538</u>	<u>5,178,152</u>	<u>15,209,550</u>
<b>Expenditures</b>					
Current:					
General government	2,825,515	-	-	353,613	3,179,128
Public safety	2,077,470	-	-	1,282,058	3,359,528
Public works	381,569	2,262,897	984,159	13,361	3,641,986
Health & welfare	-	-	-	1,758,347	1,758,347
Debt service					
Principal	-	-	-	7,798	7,798
Capital outlay	-	82,796	806,943	2,603,833	3,493,572
Total expenditures	<u>5,284,554</u>	<u>2,345,693</u>	<u>1,791,102</u>	<u>6,019,010</u>	<u>15,440,359</u>
<b>Excess (deficiency) of revenues Over (under) expenditures</b>	<u>1,030,426</u>	<u>(392,813)</u>	<u>(27,564)</u>	<u>(840,858)</u>	<u>(230,809)</u>
<b>Other financing sources (uses)</b>					
Transfers in	138,331	173,811	1,727,450	238,330	2,277,922
Transfers out	(878,306)	-	(1,250,000)	(149,541)	(2,277,847)
Total other financing sources (uses)	<u>(739,975)</u>	<u>173,811</u>	<u>477,450</u>	<u>88,789</u>	<u>75</u>
Net change in fund balances	290,451	(219,002)	449,886	(752,069)	(230,734)
Fund balance:					
Balances - beginning of year	<u>1,521,632</u>	<u>1,571,657</u>	<u>10,822,728</u>	<u>1,340,374</u>	<u>15,256,391</u>
Balances - end of year	<u>\$ 1,812,083</u>	<u>\$ 1,352,655</u>	<u>\$ 11,272,614</u>	<u>\$ 588,305</u>	<u>\$ 15,025,657</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year-Ending June 30, 2006**

**Total net change in fund balances-governmental funds** \$ (230,734)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$	3,493,5721	
Asset disposal		(15,077)	
Depreciation expense		<u>(544,922)</u>	
	\$	<u>2,933,573</u>	2,933,573

Certain revenues are deferred in the funds based on available and measurable criteria, whereas they are recorded as revenue in Statement of Activities (571,806)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation leave used (\$276,639) exceeded the amounts earned (\$154,221). 122,418

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 7,798

**Change in net assets of governmental activities** \$ 2,261,249

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<b>Revenues:</b>				
Taxes	\$ 3,411,424	\$ 3,411,424	\$ 3,287,554	\$ (123,870)
Payment in lieu of taxes	1,054,760	1,054,760	1,416,845	362,085
Penalty and interest	108,000	108,000	154,142	46,142
Licenses and permits	2,200	2,200	7,275	5,075
Intergovernmental revenue	209,779	209,779	316,050	106,271
Fees and service charges	172,800	172,800	225,076	52,276
Investment income	225,000	225,000	335,702	110,702
Other revenue	63,700	54,700	65,143	10,443
Total revenues	5,247,663	5,238,663	5,807,787	569,124
 Beginning cash	1,027,233	1,027,233		
	6,274,896	6,265,896		
 <b>Expenditures:</b>				
Current				
General government	2,818,003	2,928,141	2,787,844	140,297
Public safety	2,115,669	2,151,779	2,018,946	132,833
Public works	382,503	394,503	371,162	23,341
Capital outlay	-	-	6,867	(6,867)
Total expenditures	5,316,175	5,474,423	5,184,819	289,604
 Excess (deficiency) revenues over expenditures			622,968	
 Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(739,975)	(739,975)	(739,975)	-
Total other financing sources (uses)	(739,975)	(739,975)	(739,975)	-
 Net change in fund balances			(117,007)	
 Difference between GAAP and Non-GAAP				
Adjust accrued receivables		507,193		
Adjust accrued liabilities		(99,735)		
			407,458	
 Fund balances – beginning of year			1,521,632	
 Fund balances – end of year			\$ 1,812,083	

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Road Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<b>Revenues:</b>				
Taxes	\$ 225,000	\$ 225,000	\$ 210,470	\$ (14,530)
Licenses and permits	10,000	10,000	10,917	917
Intergovernmental	798,057	798,057	587,787	(210,270)
State shared taxes	800,000	800,000	1,077,266	277,266
Investment income	-	-	14,375	14,375
Miscellaneous income	3,000	3,000	12,615	9,615
Total revenues	<u>1,836,057</u>	<u>1,836,057</u>	<u>1,913,430</u>	<u>77,373</u>
<b>Beginning cash</b>	<u>1,040,913</u>	<u>1,040,913</u>		
	2,876,970	2,876,970		
<b>Expenditures:</b>				
Public works				
Personnel expenses	1,058,279	1,078,279	1,112,208	(33,929)
Operating expenses	923,904	1,476,434	1,175,476	300,958
Capital outlay	-	82,596	82,796	(200)
Total expenditures	<u>1,982,183</u>	<u>2,637,309</u>	<u>2,370,480</u>	<u>266,829</u>
Excess (deficiency) of revenues over expenditures			<u>(457,050)</u>	
Other financing sources (uses)				
Transfers in	173,811	173,811	173,811	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>173,811</u>	<u>173,811</u>	<u>173,811</u>	<u>-</u>
Net change in fund balance			(283,239)	
Difference between GAAP and Non-GAAP				
Adjust accrued receivables		39,450		
Adjust accrued liabilities		<u>24,787</u>		
			64,237	
Fund balance – beginning of year			<u>1,571,657</u>	
Fund balance – end of year			<u>\$ 1,352,655</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**County Maintenance Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental	\$ 3,247,000	\$ 3,247,000	\$ 568,044	\$ (2,678,956)
Investment income	325,000	325,000	621,154	296,154
Total revenues	<u>3,572,000</u>	<u>3,572,000</u>	<u>1,189,198</u>	<u>(2,382,802)</u>
Beginning cash	<u>829,332</u>	<u>829,332</u>		
	4,401,332	4,401,332		
Expenditures:				
General government				
Operating expenses	2,331,570	2,382,967	26,430	2,356,537
Capital outlay	1,226,302	1,226,302	1,255,248	(28,946)
Total expenditures	<u>3,557,872</u>	<u>3,609,269</u>	<u>1,281,678</u>	<u>2,327,591</u>
Excess (deficiency) revenues over expenditures			<u>(92,480)</u>	
Other financing sources (uses)				
Transfers in	1,727,450	1,727,450	1,727,450	-
Transfers out	(1,250,000)	(1,250,000)	(1,250,000)	-
Total other financing sources (uses)	<u>477,450</u>	<u>477,450</u>	<u>477,450</u>	<u>-</u>
Net change in fund balance			384,970	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		574,340		
Adjust accrued expenses		<u>(509,424)</u>		
			64,916	
Fund balances – beginning of year			<u>10,822,728</u>	
Fund balances – end of year			\$ <u>11,272,614</u>	

The accompanying notes are an integral part of these financial statements.

**PROPRIETARY FUNDS**

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Proprietary Funds – Detention Center  
Statement of Net Assets  
June 30, 2006**

Assets	
Current assets	
Cash	\$ 2,607,266
Due from other governments	495,250
Total current assets	<u>3,102,516</u>
Non-current assets	
Capital assets	7,437,197
Accumulated depreciation	<u>(1,580,535)</u>
Total non-current assets	<u>5,856,662</u>
Total assets	<u>\$ 8,959,178</u>
Liabilities:	
Current liabilities	
Accounts payable	\$ 119,033
Accrued salaries	91,370
Accrued compensated absences	<u>93,427</u>
Total liabilities	<u>303,830</u>
Net assets:	
Invested in capital assets	5,856,662
Unrestricted	<u>2,798,686</u>
Total net assets	<u>8,655,348</u>
Total liabilities and net assets	<u>\$ 8,959,178</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds – Detention Center**  
**For the Year-Ended June 30, 2006**

Operating revenues:	
Correction fees	\$ 101,843
Adult prisoner fees	5,866,344
Juvenile prisoner fees	125,593
Dispatch-city	234,034
State shared taxes	692,531
Miscellaneous revenue	5,798
Total operating revenues	<u>7,026,143</u>
Operating expenses:	
Personnel expenses	4,117,502
Depreciation	264,881
Other operating costs	1,532,889
Total operating expenses	<u>5,915,272</u>
Operating income (loss)	<u>1,110,871</u>
Non-operating revenues (expenses):	
Interest revenue	77,502
Interest expense	<u>(169,365)</u>
Total Non-operating revenues (expenses)	(91,863)
Income (loss) before transfers	1,019,008
Transfers out	<u>(75)</u>
Change in net assets:	1,018,933
Total net assets, beginning of year	<u>7,636,415</u>
Total net assets, end of year	<u>\$ 8,655,348</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Statement of Cash Flows  
Proprietary Fund – Detention Center  
For the Year-Ended June 30, 2006**

Cash flows from operating activities:	
Cash received from correction fees and taxes	\$ 7,017,043
Cash payments to employees for services	(4,130,855)
Cash payments to suppliers for goods and services	<u>(1,479,133)</u>
Net cash provided by operating activities	1,407,055
Cash flows from non-capital financing activities:	
Defeasance of bond loan	(2,740,000)
Intergovernmental transfers	(75)
Interest income	77,502
Interest expense	<u>(193,089)</u>
Net cash used for non-capital financing activities	<u>(2,855,662)</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(682,427)</u>
Net cash used for capital financing activities	(682,427)
Net decrease in cash and cash equivalents	(2,131,034)
Cash and cash equivalents – beginning of year	<u>4,738,300</u>
Cash and cash equivalents – end of year	<u>\$ 2,607,266</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ 1,110,871
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	264,881
Changes in Assets and Liabilities	
Receivables	(9,100)
Inventories	
Inter-fund account	
Accrued expenses	(13,353)
Accounts payable	<u>53,756</u>
Net cash provided (used) by operating activities	<u>\$ 1,407,055</u>

The accompanying notes are an integral part of these financial statements.



**FIDUCIARY FUNDS**

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Fiduciary Funds  
Statement of Fiduciary Net Assets  
June 30, 2006**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ 133,169
Property taxes receivable	<u>871,194</u>
<b>Total assets</b>	<b>\$ <u>1,004,363</u></b>
<b>Liabilities</b>	
Due to inmates	\$ 3,065
Due to other governments	933,484
Prepaid taxes	4,480
Overpayment of taxes	14,508
Taxes paid in advance	18,426
Due to taxpayers	<u>30,400</u>
<b>Total Liabilities</b>	<b>\$ <u>1,004,363</u></b>

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Notes to Financial Statements**  
**June 30, 2006**

**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.

The financial statements of County of Luna (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the County's accounting policies are described below.

*Financial Reporting Entity*

In evaluating how to define the County, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the County has no component units, and is not a component unit of another governmental agency.

*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. For the most part, the effect of inter-fund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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.

STATE OF NEW MEXICO  
COUNTY OF LUNA  
Notes to Financial Statements  
June 30, 2006

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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 proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major funds.

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

The County reports the following major governmental funds:

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

*Road Fund.* This is used to account for the revenue received and expenses incurred in maintaining the County roads. Authority for the creation of this fund is by County resolution.

*County Maintenance.* This is used to account for the major repairs and maintenance of County buildings. Authority for the creation of this fund is by County resolution.

The County reports the following major proprietary 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 and Financial Statement Presentation*

The 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 when a liability is incurred, regardless of the timing of related cash flows. Non-exchange 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 as soon as they are both 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 a 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.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)*

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 proprietary 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

The County implemented the provisions of GASB No.'s 34, 37 and 38 effective July 1, 2003. The County implemented the provisions of GASB No. 40 effective July 1, 2004.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Amounts reported as *program* revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources, as they are needed.

The County reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The County does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the County's proprietary fund is charges for correction fees. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for us, it is the County's policy to use restricted resources first, and then unrestricted resources, as they are needed.

*Implementation of New Accounting Principles of the United States of America*

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement affects the manner in which the County records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB Statement No 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Implementation of New Accounting Principles of the United States of America (continued)*

The statement includes the following sections, which were not previously included in the basic financial statements. The governmental fund financial statements continue to be presented as a building block for the new GASB Statement No. 34 statements.

- a. *Management's Discussion and Analysis* – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.
- b. *Government-Wide Financial Statements* – The reporting model includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.
- c. *Statement of Net Assets* – The statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The County now reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net assets of the County are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.
- d. *Statement of Activities* – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statements of activities.

*Assets, Liabilities and Net Assets or 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.

*Deposits and Investments:* The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in Certificates of Deposit, obligations of the U.S. Government, and fully collateralized repurchase agreements.

Investments for the County are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

*Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of inter-fund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Receivables and Payables (continued)*

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

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.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10<sup>th</sup> and April 10<sup>th</sup>. Property taxes uncollected after November 10<sup>th</sup> and April 10<sup>th</sup> are considered delinquent and the County may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent.

*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.

*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 in both the government-wide and proprietary financial statements.

*Restricted Assets*

Certain proceeds of proprietary 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. Due to the bond being defeased in the current year there are no restricted assets at this time (see Note 7).



**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Notes to Financial Statements  
June 30, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-side financial statements. Capital assets including computer software are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. No computer software is developed in-house.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Permanent Buildings	40
Land Improvements	20
Vehicles	5
Computer Equipment and Software	5
Other Furniture and Equipment	5-10

*Deferred Revenue*

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Funds are shown as deferred revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as deferred revenue.

*Compensated Absences*

Accrued annual 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 hours of accrued annual leave. Accumulated vacation pay for the County totaled \$145,031 as of June 30, 2006. Of the total, \$93,427 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 \$ 40,465 as of June 30, 2006. Of the total \$ 9,840 is allocable to the Business-Type Activities – Detention Center.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Assets, Liabilities and Net Assets or Equity (continued)*

*Long-Term Obligations*

In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

*Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*Inter-Fund Transactions*

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

1. Two months prior to June 30<sup>th</sup>, the County Manager submits to the County Commission a proposed operating budget for the upcoming fiscal year commencing the following July 1<sup>st</sup>. 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.

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Notes to Financial Statements  
June 30, 2006**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

7. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds.

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, Duke Energy, Recreation, and Juvenile Justice and Delinquency special revenue funds; also the Port of Entry and Distance Learning Center and the CDBG Grants Senior Center capital projects funds as no revenues or expenditures were anticipated.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since 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, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year-ended June 30, 2006 is presented.

The following is reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund type:

	<u>General Fund</u>	<u>Road Fund</u>	<u>County Maintenance Fund</u>	<u>Non-Major Funds</u>	<u>Proprietary Fund</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)	\$ 753,193	\$ (219,002)	\$ 449,886	\$ (1,030,984)	\$ 1,018,933
Adjustments:					
To revenues for tax accruals, earnings on investments and other deferrals and accruals.	(969,935)	(39,450)	(574,340)	589,956	(14,824)
Adjustments:					
To adjust expenditures for payables, payroll taxes, prepaid expenses and other accruals.	<u>99,735</u>	<u>(24,787)</u>	<u>509,424</u>	<u>84,770</u>	<u>(3,140,867)</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)	\$ <u>(117,007)</u>	\$ <u>(283,239)</u>	\$ <u>384,970</u>	\$ <u>(356,258)</u>	\$ <u>(2,136,758)</u>

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Notes to Financial Statements  
June 30, 2006**

**NOTE 3 CUSTODIAL CREDIT RISK - DEPOSITS**

The County had the following depository accounts. All deposits are carried at cost plus accrued interest. The County does not have a deposit policy.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	S 200,000
Collateralized:	
Collateral held by pledging bank's trust department not in the county's name	2,382,583
Uninsured and uncollateralized	<u>-</u>
 Total Cash and Investments, Primary Government	 S <u>2,582,583</u>

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 County does not have a deposit policy for custodial risk. As of June 30, 2006, \$2,382,583 of the County's bank balance of \$2,582,583 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	S -
Uninsured and collateral held by pledging bank's trust department not in County's name	2,382,583
Total Cash and Investments, Primary Government	S <u>2,382,583</u>

**NOTE 4 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.

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Notes to Financial Statements  
June 30, 2006**

**NOTE 4 INVESTMENTS (continued)**

County of Luna 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. The unrealized loss totals (\$553,772) at June 30, 2006.

*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.

*Concentration of Credit Risk*

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

LGIP	27.77%
Mid Small Cap	6.37%
GNMA	24.44%
CD's	39.77%

The County portfolio concentrations are noted below.

Description	Type	Annual Yield	Cost	Market Value	Unrealized Gain (Loss)	Percent Of Portfolio
Non US Developed	N/A	VAR	94,679	94,679	-	
Emerging Markets	N/A	VAR	56,686	56,686	-	
			151,365	151,365	-	.96%
Core Bonds	N/A	VAR	109,141	109,141	-	.69%
Mid Small Cap	N/A	VAR	1,008,772	1,008,772	-	6.37%
LGIP – 7106	N/A	VAR	\$ 2,200,842	\$ 2,200,842	-	
LGIP – MM Hosp Trust	N/A	VAR	2,195,001	2,195,001	-	
Sub-total			4,395,843	4,395,843	-	27.77%

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Notes to Financial Statements  
June 30, 2006**

**NOTE 4. INVESTMENTS (continued)**

Description	Type	Annual Yield	Cost	Market Value	Unrealized Gain (Loss)	Percent Of Portfolio
#403386-GNMA	Sec	4.85	145,627	132,110	(13,517)	
#615948-GNMA	Sec	5.07	268,741	252,321	(16,420)	
#604497-GNMA	Sec	5.08	199,978	187,904	(12,074)	
#445622-GNMA	Sec	4.66	192,257	173,136	(19,121)	
GNMA-3227	Sec	5.90	38,052	36,411	(1,641)	
GNMA-3582	Sec	5.00	236,467	222,795	(13,672)	
#781603-GNMA	Sec	5.01	234,607	221,103	(13,504)	
GNMA-603746	Sec	4.63	169,461	156,631	(12,830)	
#607693 GNMA	Sec	5.02	120,873	108,796	(12,077)	
#607708 GNMA	Sec	4.87	41,810	33,409	(8,401)	
GNMA-2575	Sec	5.60	66,342	67,496	1,154	
GNMA 625893	Sec	5.25	249,788	242,151	(7,637)	
GNMA 3544	Sec	5.50	195,732	193,117	(2,615)	
GNMA II-3498	Sec	4.50	298,209	276,150	(22,059)	
GNMA II-3499	Sec	4.99	207,718	-	(207,718)	
#583203-GNMA	Sec	6.00	149,674	150,345	671	
#359907-GNMA	Sec	6.10	84,686	82,715	(1,971)	
#575477-GNMA	Sec	6.10	44,397	44,461	64	
#2741-GNMA II	Sec	6.30	30,747	-	(30,747)	
#2741-GNMA	Sec	6.30	42,013	65,824	23,811	
#402577-GNMA	Sec	6.20	18,497	17,159	(1,338)	
#470426-GNMA	Sec	6.50	4,543	4,697	154	
#2632-GNMA	Sec	6.54	9,548	9,609	61	
#2704-GNMA	Sec	6.62	7,068	7,125	57	
#452961-GNMA	Sec	6.40	13,500	19,425	5,925	
#492981-GNMA	Sec	6.10	60,073	61,475	1,402	
#580363-GNMA	Sec	5.38	85,289	82,073	(3,216)	
#614620-GNMA	Sec	5.50	201,317	195,867	(5,450)	
#601571-GNMA	Sec	5.50	162,963	154,193	(8,770)	
#3499-GNMA	Sec	4.86	240,510	420,774	180,264	
#3513-GNMA	Sec	5.00	212,020	199,406	(12,614)	
#1142-GNMA	Sec	9.50	6,900	6,709	(191)	
#492892-GNMA	Sec	7.00	2,222	2,140	(82)	
#337531-GNMA	Sec	6.00	982	947	(35)	
#1531-GNMA	Sec	7.00	8,832	8,630	(202)	
#1593-GNMA	Sec	5.50	4,639	4,951	312	
#372096-GNMA	Sec	6.50	7,786	8,005	219	
#530607-GNMA	Sec	6.47	10,418	3,648	(6,770)	
#449188-GNMA	Sec	6.85	13,292	6,419	(6,873)	
#3011-GNMA	Sec	6.85	18,158	7,739	(10,419)	
Sub-total			<u>4,105,736</u>	<u>3,867,866</u>	<u>(237,870)</u>	24.44%

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 4 INVESTMENTS (continued)**

Description	Type	Annual Yield	Cost	Market Value	Unrealized Gain (Loss)	Percent Of Portfolio
Savings Account		VAR	530,016	530,016	-	
Cusip#33761KX59	CD	5.25	100,000	93,015	(6,985)	
Cusip#38012aaf7	CD	5.50	100,000	94,188	(5,812)	
Cusip#56036UAF0	CD	4.50	100,000	98,414	(1,586)	
Cusip#42723LAJ0	CD	5.30	99,000	98,208	(792)	
Cusip#21685PAD4	CD	4.70	100,000	98,517	(1,483)	
Cusip#45662WGA5	CD	4.70	100,000	98,565	(1,435)	
Cusip#218892DE4	CD	4.65	100,000	98,571	(1,429)	
Cusip#041002GG7	CD	4.20	100,000	97,227	(2,773)	
Cusip#01073NBK4	CD	4.25	100,000	97,331	(2,669)	
Cusip#041002GG5	CD	4.24	100,000	96,349	(3,651)	
Cusip#55266CBU1	CD	5.00	100,000	94,688	(5,312)	
Cusip#82514PHF1	CD	5.00	100,000	93,402	(6,598)	
Cusip#89465ALR7	CD	6.00	100,000	93,978	(6,022)	
#07278P997	CD	4.15	100,000	97,221	(2,779)	
#59740P9A5	CD	5.38	100,000	95,931	(4,069)	
#846603MGV2	CD	4.87	100,000	94,256	(5,744)	
Cusip#5530369A4	CD	5.05	100,000	94,370	(5,630)	
Cusip#25467B9A8	CD	6.00	100,000	94,936	(5,064)	
Cusip#063248-BH-0	CD	6.00	100,000	95,018	(4,982)	
Cusip#9598979A9	CD	5.00	100,000	93,809	(6,191)	
Cusip#554877BH2	CD	4.60	100,000	99,165	(835)	
Cusip#39164PAD6	CD	5.00	100,000	97,877	(2,123)	
Cusip#70335XBK1	CD	4.65	100,000	98,543	(1,457)	
Cusip#048874AP6	CD	4.70	100,000	98,620	(1,380)	
Cusip#919343BX0	CD	4.40	100,000	98,218	(1,782)	
Cusip#31984scn1	CD	4.30	100,000	96,287	(3,713)	
Cusip#42723JAE6	CD	4.15	100,000	98,293	(1,707)	
Cusip#52170WDE1	CD	4.25	100,000	97,093	(2,907)	
Cusip#454672AA4	CD	4.20	100,000	96,985	(3,015)	
Cusip#34347RAP6	CD	4.20	100,000	97,208	(2,792)	
Cusip#20056QEM1	CD	4.35	100,000	96,898	(3,102)	
Cusip#846024BB2	CD	4.05	100,000	97,823	(2,177)	
Cusip#42712AAE5	CD	4.50	100,000	96,747	(3,253)	
Cusip#26924V-GT-0	CD	5.35	100,000	92,960	(7,040)	
Cusip#554505PBW8	CD	5.25	100,000	91,097	(8,903)	
Cusip#143876FC9	CD	5.00	100,000	93,678	(6,322)	
Cusip#786580BV-1	CD	5.00	100,000	93,769	(6,231)	
Cusip#318926AC6	CD	5.00	100,000	95,713	(4,287)	
Cusip#74267G-DY0	CD	4.84	99,750	94,209	(5,541)	
Cusip#31604r-AS-4	CD	5.00	100,000	87,655	(12,345)	
Cusip#059646CJ6	CD	5.30	100,000	89,208	(10,792)	
Cusip#842871DJ1	CD	5.25	100,000	88,282	(11,718)	
Cusip#680061FB9	CD	5.25	100,000	92,503	(7,497)	
Cusip#743838K45	CD	5.00	100,000	93,169	(6,831)	
Cusip#856555AK3	CD	4.75	100,000	88,900	(11,100)	
Cusip#02341vgw9	CD	4.99	90,000	85,535	(4,465)	
Cusip#340558EP6	CD	5.00	100,000	95,037	(4,963)	
Cusip#060703-BC-8	CD	5.60	100,000	95,058	(4,942)	
Cusip#025121-AL-8	CD	5.00	100,000	95,033	(4,967)	

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
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June 30, 2006**

**NOTE 4 INVESTMENTS (continued)**

Description	Type	Annual Yield	Cost	Market Value	Unrealized Gain (Loss)	Percent Of Portfolio
Cusip#761198DZ0	CD	5.00	100,000	93,359	(6,641)	
Cusip#173702AM3	CD	5.00	100,000	95,741	(4,259)	
Cusip#61747MAZ4	CD	5.50	100,000	93,113	(6,887)	
89387WDE2	CD	5.00	100,000	90,304	(9,696)	
#634518bg8	CD	5.05	100,000	94,334	(5,666)	
#059457EJ6	CD	6.00	98,000	92,756	(5,244)	
Cusip#844776AB0	CD	5.25	100,000	91,708	(8,292)	
Cusip#94675PAM3	CD	5.00	100,000	90,352	(9,648)	
Cusip#29874FW07	CD	5.50	96,000	90,084	(5,916)	
Cusip#195554HE3	CD	5.00	100,000	92,252	(7,748)	
Cusip#74407Y-9D-3	CD	4.00	100,000	92,070	(7,930)	
Cusip#52519HAL1	CD	5.00	100,000	91,218	(8,782)	
Sub-total			<u>6,612,766</u>	<u>6,296,864</u>	<u>(315,902)</u>	<u>39.77%</u>
Grand total			\$ <u>16,383,623</u>	15,829,851	\$ <u>(553,772)</u>	<u>100.00%</u>
Less: Cash equivalents				<u>4,925,859</u>		
				\$ <u>10,903,992</u>		

**NOTE 5 RECEIVABLES**

Receivables as of June 30, 2006, are as follows:

	Governmental Fund	Proprietary Fund	Total
Taxes receivable	\$ 163,132	\$	\$ 163,132
Property taxes receivable	394,790		394,790
Other receivable	4,384		4,384
Due from other governments	<u>533,792</u>	<u>495,250</u>	<u>1,029,042</u>
Net receivables	\$ <u>1,096,098</u>	\$ <u>495,250</u>	\$ <u>1,591,348</u>

The above receivables are deemed 100% collectible.



**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 6 CAPITAL ASSETS**

The following is a summary of capital assets and changes occurring during the year-ended June 30, 2006. Land is not subject to depreciation.

**Governmental Activities:**

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets:				
Land	\$ 1,278,558	\$ -	\$ -	\$ 1,278,558
Construction in progress	-	2,861,934	-	2,861,934
Depreciable capital assets:				
Building and improvements	6,860,623	418,584		7,279,207
Furniture and equipment	7,092,980	213,054	(183,164)	7,122,870
Total	<u>15,232,161</u>	<u>3,493,572</u>	<u>(183,164)</u>	<u>18,542,569</u>
Accumulated depreciation:				
Buildings and improvements	913,567	138,481		1,052,048
Machinery and equipment	5,194,681	406,441	(168,087)	5,433,035
Total accumulated depreciation	<u>6,108,248</u>	<u>544,922</u>	<u>(168,087)</u>	<u>6,485,083</u>
Net capital assets	<u>\$ 9,123,913</u>	<u>2,948,650</u>	<u>(15,077)</u>	<u>12,057,486</u>

Depreciation expense for the year-ended June 30, 2006 was charged as follows:

General Governmental	\$ 226,180
Public Safety	189,367
Public Works	103,994
Health and Welfare	25,381
Total Depreciation Expense	<u>\$ 544,922</u>

**Business-Like Activities:**

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets:				
Land and improvements	\$ 244,714	\$ -	\$ -	\$ 244,714
Depreciable capital assets:				
Building and improvements	5,759,174	486,300	-	6,245,474
Furniture and equipment	750,882	196,127	-	947,009
Total	<u>6,754,770</u>	<u>682,427</u>	<u>-</u>	<u>7,437,197</u>
Accumulated depreciation				
Building and improvements	926,246	171,313	-	1,097,559
Machinery and equipment	389,408	93,568	-	482,976
Total accumulated depreciation	<u>1,315,654</u>	<u>264,881</u>	<u>-</u>	<u>1,580,535</u>
Net capital assets	<u>\$ 5,439,116</u>	<u>\$ 417,546</u>	<u>\$ -</u>	<u>\$ 5,856,662</u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2006 totaled \$264,881.

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Notes to Financial Statements  
June 30, 2006**

**NOTE 7 LONG-TERM DEBT**

*Governmental Activities:* During the year-ended June 30, 2006, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006	Due within one year
NMFA Loan					
Fire Truck	\$ 38,995	\$	\$ 7,798	\$ 31,197	\$ 7,798
Compensated absences	267,449	154,221	276,639	145,031	-
	<u>\$ 306,444</u>	<u>\$ 154,221</u>	<u>\$ 284,437</u>	<u>\$ 176,228</u>	<u>\$ 7,798</u>

Compensated absences typically have been liquidated in the fund to which the employees are assigned. The NMFA loan is deducted from the fire allotment by NMFA.

*Loan – New Mexico Finance Authority*

In 2001 the County entered into a loan agreement with the New Mexico Finance Authority for the purchase of a fire truck for the Sunshine volunteer fire department. The county pledged revenues from the Fire Protection Fund Revenue distributions made annually to Sunshine Fire District by the State Fire Marshall. This revenue is subject to an intercept agreement. The original amount of the loan is \$77,985. Interest on the loan is 0%. The term of the loan is for ten years.

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2007	\$ 7,798	\$ -	\$ 7,798
2008	7,798	-	7,798
2009	7,798	-	7,798
2010	7,803	-	7,803
	<u>\$ 31,197</u>	<u>\$ -</u>	<u>\$ 31,197</u>

There was no short-term debt activity.

*Business-Type Activities:* During the year-ended June 30, 2006, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

The outstanding bonds at June 30, 2006 consisted of the following:

	Balance June 30, 2005	Increase	Decrease	Balance June 30, 2006	Due within one year
Revenue bonds payable	2,740,000	-	2,740,000	-	-
Compensated absences	120,842	88,396	115,811	93,427	-
	<u>2,860,842</u>	<u>88,396</u>	<u>2,855,811</u>	<u>93,427</u>	<u>-</u>

Compensated absences typically have been liquidated in the detention center fund.

*Revenue bonds payable:* Bonds outstanding at June 30, 2005 consisted of Gross Receipts Tax Revenue Bonds Series 1998. Interest was accrued on May 1 and November 1 at variable rates between 3.75% and 5.20%. The balance of the revenue bond was paid in full in May 2006. The bond was defeased by the Detention Center fund. This loan is expected to be paid back, but the terms have not been finalized by the board as of June 30, 2006.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 8 RISK MANAGEMENT**

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, 2005 through June 30, 2006, the premiums paid by the County were \$460,688. 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).

**NOTE 9 PERA PENSION PLAN**

Substantially all of County of Luna's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee 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% for municipal employees and 16.3% of gross salaries for law enforcement employees. The County 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 are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The county's contributions to PERA for the years ended June 30, 2006, 2005, and 2004 were \$594,468, \$599,617 and \$564,040 equal to the amount of the required contributions for the years, respectively.

**NOTE 10 POST-EMPLOYMENT BENEFITS**

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 NMTCHA 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.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 10 POST-EMPLOYMENT BENEFITS (continued)**

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), and 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, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal year ended June 30, 2006, the County remitted \$76,860 in employer contributions to the Retiree Health Care Authority.

**NOTE 11 CONTINGENT LIABILITIES**

The County is involved in a Courthouse Renovation and has a construction contract for \$2,215,000 in progress as of June 30, 2006.

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.

The County is party to various claims and lawsuits arising in the normal course of business. The County is insured through the New Mexico County Insurance authority. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the County.

**NOTE 12 FEDERAL AND STATE GRANTS**

In the normal course of operations, the County receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

**NOTE 13 DEFICIT FUND BALANCE AND EXCESS EXPENDITURES OVER APPROPRIATIONS**

The following funds had a deficit fund balance as of June 30, 2006:

Fund	
MVLC Addition	\$ 177,481
Courthouse Renovation	1,347,767
Juvenile Field Services	90,411
	<u>\$ 1,615,659</u>

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Notes to Financial Statements  
June 30, 2006**

**NOTE 14 INTER-FUND TRANSFERS AND BALANCES**

Transfers to/from other funds at June 30, 2006, consist of the following:

	From	To	Purpose
\$ 10,000	General	Farm & Range	To cover operating expenses
54,409	General	Solid Waste	To cover operating expenses
16,500	General	Sirolli Institute	To cover operating expenses
50,000	General	MVLC	To cover construction expenses
7,000	General	Farm & Range	To cover operating expenses
92,586	General	Healthy Start	To cover operating expenses
82,596	General	Road	To cover operating expenses
399,000	General	County Maintenance	To cover construction expenses
60,000	General	Road	To cover operating expenses
20,465	General	Road	To cover operating expenses
10,750	General	Road	To cover operating expenses
75,000	General	County Maintenance	To cover construction expenses
270	Treasurer MH	General	To reimburse for expenses
1,250,000	MM Hosp Trust	County Maintenance	Loan from 2006 severance bond
37,867	Duke Energy	General	To close fund
50	Correction	General	To reimburse for expenses
25	Correction	Healthy Start	To reimburse for expenses
3,450	Law Enforcement	County Maintenance	To reimburse for expenses
7,811	Fire Protection	Volunteer Fire Dept	To cover operating expenses
100,000	Fire Protection	General	To reimburse for expenses
\$ <u>2,277,779</u>	Total		

Amounts due as of June 30, 2006, are as follows:

Receivable Fund	Payable Fund	Purpose	General Fund
Healthy Start Initiative	Juvenile Field Services	Advance Funds	\$ 89,326
County Maintenance	MVLC Addition	Advance Funds	177,481
County Maintenance	Courthouse Renovation	Advance Funds	<u>1,347,767</u>
		Total	\$ <u>1,614,574</u>

Inter-fund balances represent short-term advances for funds that receive taxes and grants on a reimbursement basis.

**NOTE 15 RELATED-PARTY TRANSACTIONS**

The County purchase gravel for the roads from a family member of one of the County commissioners in the amount of \$7,643, which was not material in amount and will not have a material effect on the financial statements for the year.

**NON-MAJOR GOVERNMENTAL FUND TYPES**

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Non- Major Governmental Fund Types**  
**June 30, 2006**

**Ambulance County (1/8% GRT)** – To account 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.

**DWI Grants** – To account for various funds provided to promote awareness and prevention of DWI. This fund created by County ordinance.

**Farm and Range Fund** – To account for the operations and maintenance of County roads and predatory animal control. Financing is provided by the County’s share of grazing fees. Such fees provide for payment of all current operating costs and may be used only for that purpose. Authority is NMSA 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** – To account 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** – To account 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** – To account 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 Protection Fund** – To account for revenues and expenditures for maintaining and improving the County’s law enforcement department in order to enhance its efficiency and effectiveness. Funding is from the State appropriation authorized by Section 29-13-3F, NMSA.

**Reappraisal Program** – To account for 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** – To account for the proceeds collected by the county clerk’s office for recording fees. The authority to create this fund is by County ordinance.

**Recreation** – To account for the 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** – To account 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** – To account 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** – To account for funds received from state fire distribution for tanker fire truck debt service to New Mexico Finance Authority. Authorized by County Resolution 2003-23 and Section 59A-53-7 NMSA 1978.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Non- Major Governmental Fund Types**  
**June 30, 2006**

**Sirilli Institute** – To account for a grant that is an effort to develop community opportunity for economic development. The fund was established by County ordinance.

**Mimbres Valley Learning Center** – To account for the revenues and expenditures for maintaining and improving the learning center.

**Duke Energy** – To account for the revenues and expenditures of the revenue bond fund.

**Solid Waste Grant** – To account for grant funds that are to be used to close the landfill formerly operated by the County. Financing is provided by a grant from the New Mexico Environment Department under the New Mexico Rural Infrastructure Act, Section 75-1-1, NMSA 1978.



**STATE OF NEW MEXICO  
COUNTY OF LUNA  
NON-MAJOR GOVERNMENTAL FUND TYPES  
Combining Balance Sheet  
For the Year-Ended June 30, 2006**

	Special Revenue Funds	Capital Projects Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and investments	\$ 2,129,056	\$ -	\$ 2,129,056
Other receivables	3,969	-	3,969
Due from other governments	35,600	-	35,600
Due from other funds	89,326	-	89,326
<b>Total assets</b>	<b>\$ <u>2,257,951</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>2,257,951</u></b>
<b>Liabilities and fund balance:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 35,831	\$ -	\$ 35,831
Accrued salaries	19,241	-	19,241
Due to other funds	89,326	1,525,248	1,614,574
<b>Total liabilities</b>	<b><u>144,398</u></b>	<b><u>1,525,248</u></b>	<b><u>1,669,646</u></b>
<b>Fund Balances:</b>			
Unreserved for Capital Projects Funds	-	(1,525,248)	(1,525,248)
Unreserved for Special Revenue Funds	2,113,553	-	2,113,553
<b>Total Fund Balance</b>	<b><u>2,113,553</u></b>	<b><u>(1,525,248)</u></b>	<b><u>588,305</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>2,257,951</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>2,257,951</u></b>

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
NON-MAJOR GOVERNMENTAL FUND TYPES  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year-Ended June 30, 2006**

	Special Revenue Funds	Capital Projects Funds	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
State shared taxes	\$ 1,513,243	-	1,513,243
State allocation	328,241	-	328,241
Charges for services	169,600	-	169,600
Interest income	12,532	-	12,532
Federal grants	19,548	290,000	309,548
State grants	1,574,816	1,102,283	2,677,099
Other income	87,275	80,614	167,889
Total revenues	<u>3,705,255</u>	<u>1,472,897</u>	<u>5,178,152</u>
Expenditures:			
Current:			
General government	353,613	-	353,613
Public safety	1,282,058	-	1,282,058
Public works	13,361	-	13,361
Health & welfare	1,758,347	-	1,758,347
Debt service principal	7,798	-	7,798
Capital outlay	86,716	2,517,117	2,603,833
Total expenditures	<u>3,501,893</u>	<u>2,517,117</u>	<u>6,019,010</u>
Excess (deficiency) revenues over expenditures	203,362	(1,044,220)	(840,858)
Other financing sources (uses):			
Operating transfers in	238,330	-	238,330
Operating transfers out	(149,541)	-	(149,541)
Total other financing sources (uses)	<u>88,789</u>	<u>-</u>	<u>88,789</u>
Net change in fund balance	292,151	(1,044,220)	(752,069)
Fund balance – beginning of year	<u>1,821,402</u>	<u>(481,028)</u>	<u>1,340,374</u>
Fund balance – end of year	\$ <u>2,113,553</u>	\$ <u>(1,525,248)</u>	\$ <u>588,305</u>

STATE OF NEW MEXICO  
COUNTY OF LUNA  
Nonmajor Governmental Funds  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2006

	Ambulance County (1/8% GRT)	DWI Grant	Farm and Range	Fire Protection (1/4% GRT)	Healthy Start Initiative	Indigent Claims Fund	Sub-total
<b>Assets</b>							
Cash and Equivalents	\$ 649,375	\$ 10,798	\$ 958	\$ 146,036	\$ 104,377	\$ 429,487	\$ 1,341,031
Investments	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	89,326	-	89,326
<b>Total Assets</b>	<b>\$ 649,375</b>	<b>\$ 10,798</b>	<b>\$ 958</b>	<b>\$ 146,036</b>	<b>\$ 193,703</b>	<b>\$ 429,487</b>	<b>\$ 1,430,357</b>
<b>Liabilities</b>							
Accounts Payable	\$ -	\$ 160	\$ -	\$ -	\$ 1,257	\$ 6,704	\$ 8,121
Accrued Salaries	-	2,231	-	-	12,471	-	14,702
Due to Other funds	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>2,391</b>	<b>-</b>	<b>-</b>	<b>13,728</b>	<b>6,704</b>	<b>22,823</b>
<b>Fund Balances</b>							
Unreserved for:							
Special Revenues	649,375	8,407	958	146,036	179,975	422,783	1,407,534
<b>Total Fund Balances</b>	<b>649,375</b>	<b>8,407</b>	<b>958</b>	<b>146,036</b>	<b>179,975</b>	<b>422,783</b>	<b>1,407,534</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 649,375</b>	<b>\$ 10,798</b>	<b>\$ 958</b>	<b>\$ 146,036</b>	<b>\$ 193,703</b>	<b>\$ 429,487</b>	<b>\$ 1,430,357</b>

The accompanying notes are an integral part of these financial statements.  
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STATE OF NEW MEXICO  
COUNTY OF LUNA  
Nonmajor Governmental Funds  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2006

	Juvenile Field Services	Juvenile Delinquency Prevention	Law Enforcement	Reappraisal Program	Recording Fees	Recreation	Cumulative Sub-total
<b>Assets</b>							
Cash and Equivalents	\$ -	\$ -	\$ 45,412	\$ 46,782	\$ 82,167	\$ 13	\$ 1,515,405
Investments	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-	-
Due from Other Governments	-	-	35,600	-	-	-	35,600
Inventory	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	89,326
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 81,012</b>	<b>\$ 46,782</b>	<b>\$ 82,167</b>	<b>\$ 13</b>	<b>\$ 1,640,331</b>
<b>Liabilities</b>							
Accounts Payable	\$ 1,085	\$ -	\$ 344	\$ -	\$ -	\$ -	\$ 9,550
Accrued Salaries	-	-	2,877	1,662	-	-	19,241
Due to Other funds	89,326	-	-	-	-	-	89,326
<b>Total Liabilities</b>	<b>90,411</b>	<b>-</b>	<b>3,221</b>	<b>1,662</b>	<b>-</b>	<b>-</b>	<b>118,117</b>
<b>Fund Balances</b>							
Unreserved for:							
Special Revenues	(90,411)	-	77,791	45,120	82,167	13	1,522,214
<b>Total Fund Balances</b>	<b>(90,411)</b>	<b>-</b>	<b>77,791</b>	<b>45,120</b>	<b>82,167</b>	<b>13</b>	<b>1,522,214</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 81,012</b>	<b>\$ 46,782</b>	<b>\$ 82,167</b>	<b>\$ 13</b>	<b>\$ 1,640,331</b>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

	Rural Addressing	Treasurer's Mobile Home Sales	Volunteer Fire Departments	Sirolli Institute	Mimbres Valley Learning Center	Duke Energy	Solid Waste	Total
<b>Assets</b>								
Cash and Equivalents	\$ -	\$ 97,288	\$ 252,768	\$ 52,022	\$ 103,933	\$ -	\$ 107,640	\$ 2,129,056
Investments	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	3,969	-	-	3,969
Due from Other Governments	-	-	-	-	-	-	-	35,600
Inventory	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	89,326
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 97,288</b>	<b>\$ 252,768</b>	<b>\$ 52,022</b>	<b>\$ 107,902</b>	<b>\$ -</b>	<b>\$ 107,640</b>	<b>\$ 2,257,951</b>
<b>Liabilities</b>								
Accounts Payable	\$ -	\$ -	\$ 2,311	\$ 17,211	\$ 6,759	\$ -	\$ -	\$ 35,831
Accrued Salaries	-	-	-	-	-	-	-	19,241
Due to Other funds	-	-	-	-	-	-	-	89,326
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,311</b>	<b>17,211</b>	<b>6,759</b>	<b>-</b>	<b>-</b>	<b>144,398</b>
<b>Fund Balances</b>								
Unreserved for:								
Special Revenues	-	97,288	250,457	34,811	101,143	-	107,640	2,113,553
<b>Total Fund Balances</b>	<b>-</b>	<b>97,288</b>	<b>250,457</b>	<b>34,811</b>	<b>101,143</b>	<b>-</b>	<b>107,640</b>	<b>2,113,553</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 97,288</b>	<b>\$ 252,768</b>	<b>\$ 52,022</b>	<b>\$ 107,902</b>	<b>\$ -</b>	<b>\$ 107,640</b>	<b>\$ 2,257,951</b>

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2006**

	Ambulance County (1/8% GRT)	DWI Grant	Farm and Range	Fire Protection (1/4% GRT)	Healthy Start Initiative	Indigent Claims Fund	Sub-total
<b>Revenues</b>							
State Shared Taxes	\$ 461,687	\$ -	\$ 889	\$ 342,246	\$ -	\$ 693,111	\$ 1,497,933
State Allocation	-	-	23,889	-	-	-	23,889
Charges for Services	-	-	-	-	-	-	-
Interest Income	-	-	201	-	-	9,652	9,853
Federal Grants	-	-	-	-	736,763	-	736,763
State Grants	-	196,850	-	-	107,629	-	304,479
Other Income	-	4,000	-	-	937	-	4,937
<b>Total Revenues</b>	<b>461,687</b>	<b>200,850</b>	<b>24,979</b>	<b>342,246</b>	<b>845,329</b>	<b>702,763</b>	<b>2,577,854</b>
<b>Expenditures</b>							
Current:							
General Government	-	-	-	-	-	-	-
Public Safety	295,940	147,809	60,750	114,700	-	-	619,199
Public Works	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	1,069,377	688,970	1,758,347
Debt Service Principal	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>295,940</b>	<b>147,809</b>	<b>60,750</b>	<b>114,700</b>	<b>1,069,377</b>	<b>688,970</b>	<b>2,377,546</b>
<b>Excess (Deficiency) Revenues Over Expenditures</b>	<b>165,747</b>	<b>53,041</b>	<b>(35,771)</b>	<b>227,546</b>	<b>(224,048)</b>	<b>13,793</b>	<b>200,308</b>
<b>Other Financing Sources (Uses)</b>							
Transfers Out	-	-	-	(107,811)	-	-	(107,811)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(107,811)</b>	<b>-</b>	<b>-</b>	<b>(107,811)</b>
<b>Net Change in Fund Balances</b>	<b>165,747</b>	<b>53,041</b>	<b>(35,771)</b>	<b>119,735</b>	<b>(224,048)</b>	<b>13,793</b>	<b>92,497</b>
<b>Fund Balances - Beginning of Year</b>	<b>483,628</b>	<b>(44,634)</b>	<b>19,729</b>	<b>26,301</b>	<b>311,413</b>	<b>408,990</b>	<b>1,205,427</b>
<b>Fund Balances - End of Year</b>	<b>\$ 649,375</b>	<b>\$ 8,407</b>	<b>\$ (16,042)</b>	<b>\$ 146,036</b>	<b>\$ 87,365</b>	<b>\$ 422,783</b>	<b>\$ 1,297,924</b>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2006**

	Juvenile Field Services	Juvenile Delinquency Prevention	Law Enforcement	Reappraisal Program	Recording Fees	Recreation	Cumulative Sub-total
<b>Revenues</b>							
State Shared Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,497,933
State Allocation	-	-	80,497	-	-	-	104,386
Charges for Services	-	-	-	66,121	37,479	-	103,600
Interest Income	-	-	417	-	-	-	10,270
Federal Grants	-	-	19,548	-	-	-	756,311
State Grants	210,253	-	323,321	-	-	-	838,053
Other Income	-	17,943	9,703	-	-	-	32,583
<b>Total Revenues</b>	<b>210,253</b>	<b>17,943</b>	<b>433,486</b>	<b>66,121</b>	<b>37,479</b>	<b>0</b>	<b>3,343,136</b>
<b>Expenditures</b>							
Current:							
General Government	-	-	-	48,197	28,850	-	77,047
Public Safety	211,338	-	349,313	-	-	-	1,179,850
Public Works	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	1,758,347
Debt Service Principal	-	-	-	-	-	-	-
Capital Outlay	-	-	38,348	-	-	-	38,348
<b>Total Expenditures</b>	<b>211,338</b>	<b>0</b>	<b>387,661</b>	<b>48,197</b>	<b>28,850</b>	<b>0</b>	<b>3,053,592</b>
<b>Excess (Deficiency) Revenues Over Expenditures</b>	<b>(1,085)</b>	<b>17,943</b>	<b>45,825</b>	<b>17,924</b>	<b>8,629</b>	<b>0</b>	<b>289,544</b>
<b>Other Financing Sources (Uses)</b>							
Transfers Out	-	-	(3,450)	-	-	-	(111,261)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(3,450)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(111,261)</b>
<b>Net Change in Fund Balances</b>	<b>(1,085)</b>	<b>17,943</b>	<b>42,375</b>	<b>17,924</b>	<b>8,629</b>	<b>0</b>	<b>178,283</b>
<b>Fund Balances - Beginning of Year</b>	<b>(89,326)</b>	<b>(17,943)</b>	<b>35,416</b>	<b>27,196</b>	<b>73,538</b>	<b>13</b>	<b>1,234,321</b>
<b>Fund Balances - End of Year</b>	<b>\$ (90,411)</b>	<b>\$ -</b>	<b>\$ 77,791</b>	<b>\$ 45,120</b>	<b>\$ 82,167</b>	<b>\$ 13</b>	<b>\$ 1,412,604</b>

The accompanying notes are an integral part of these financial statements.  
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**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
Nonmajor Governmental Funds  
Special Revenue Funds  
**Combining Statement of Revenues, Expenditures, and Changes IN Fund Balances**  
For the Year Ended June 30, 2006

	Rural Addressing	Treasurer's Mobile Home Sales	Volunteer Fire Departments	Sirrolli Institute	Mimbres Valley Learning Center	Duke Energy	Solid Waste	Total
<b>Revenues</b>								
State Shared Taxes	\$ -	\$ -	\$ -	\$ -	\$ 15,310	\$ -	\$ -	\$ 1,513,243
State Allocation	-	-	223,855	-	-	-	-	328,241
Charges for Services	-	-	-	66,000	-	-	-	169,600
Interest Income	-	-	2,262	-	-	-	-	12,532
Federal Grants	-	-	-	-	-	-	-	756,311
State Grants	-	-	-	-	-	-	-	838,053
Other Income	-	28,402	5,245	-	21,045	-	-	87,275
<b>Total Revenues</b>	<b>0</b>	<b>28,402</b>	<b>231,362</b>	<b>66,000</b>	<b>36,355</b>	<b>-</b>	<b>-</b>	<b>3,705,255</b>
<b>Expenditures</b>								
Current:								
General Government	-	22,555	-	59,784	194,227	-	-	353,613
Public Safety	-	-	102,208	-	-	-	-	1,282,058
Public Works	-	-	-	-	-	-	13,361	13,361
Health and Welfare	-	-	-	-	-	-	-	1,758,347
Debt Service Principal	-	-	7,798	-	-	-	-	7,798
Capital Outlay	-	-	48,368	-	-	-	-	86,716
<b>Total Expenditures</b>	<b>0</b>	<b>22,555</b>	<b>158,374</b>	<b>59,784</b>	<b>194,227</b>	<b>-</b>	<b>13,361</b>	<b>3,501,893</b>
<b>Excess (Deficiency) Revenues Over Expenditures</b>	<b>0</b>	<b>5,847</b>	<b>72,988</b>	<b>6,216</b>	<b>(157,872)</b>	<b>-</b>	<b>(13,361)</b>	<b>203,362</b>
<b>Other Financing Sources (Uses)</b>								
Transfers Out	(143)	(270)	-	-	-	(37,867)	-	(149,541)
<b>Total Other Financing Sources (Uses)</b>	<b>(143)</b>	<b>(270)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,867)</b>	<b>-</b>	<b>(149,541)</b>
<b>Net Change in Fund Balances</b>	<b>(143)</b>	<b>5,577</b>	<b>72,988</b>	<b>6,216</b>	<b>(157,872)</b>	<b>(37,867)</b>	<b>(13,361)</b>	<b>53,821</b>
<b>Fund Balances - Beginning of Year</b>	<b>143</b>	<b>91,711</b>	<b>169,658</b>	<b>12,095</b>	<b>209,015</b>	<b>37,867</b>	<b>66,592</b>	<b>1,821,402</b>
<b>Fund Balances - End of Year</b>	<b>\$ -</b>	<b>\$ 97,288</b>	<b>\$ 242,646</b>	<b>\$ 18,311</b>	<b>\$ 51,143</b>	<b>\$ -</b>	<b>\$ 53,231</b>	<b>\$ 1,875,223</b>

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Ambulance 1/8% GRT Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
State shared taxes	\$ 375,000	\$ 375,000	\$ 461,687	\$ 86,687
Total revenues	<u>375,000</u>	<u>375,000</u>	<u>461,687</u>	<u>86,687</u>
Beginning cash:	<u>544,044</u>	<u>544,044</u>		
	<u>919,044</u>	<u>919,044</u>		
Expenditures:				
Health and welfare				
Operating expenses	275,000	375,000	356,356	18,644
Capital outlay	38,000	36,800	-	36,800
Total expenditures	<u>313,000</u>	<u>411,800</u>	<u>356,356</u>	<u>55,444</u>
Excess (deficiency) revenues				
Over expenditures			105,331	
Other financing sources (Uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			105,331	
Difference between GAAP and Non-GAAP				
Adjust accrued expenses			60,416	
Fund balances – beginning of year			<u>483,628</u>	
Fund balances – end of year			<u>\$ 649,375</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Special Revenue Fund  
DWI Grant Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental	\$ 133,691	\$ 133,691	\$ 200,850	\$ 67,159
Total revenues	<u>133,691</u>	<u>133,691</u>	<u>200,850</u>	<u>67,159</u>
Beginning cash	<u>-</u>	<u>-</u>		
	<u>133,691</u>	<u>133,691</u>		
Expenditures:				
Health & welfare				
Personnel expenses	91,430	95,336	92,382	2,954
Operating expenses	45,194	55,588	54,990	598
Total expenditures	<u>136,624</u>	<u>150,924</u>	<u>147,372</u>	<u>3,552</u>
Excess (deficiency) revenues over expenditures			<u>53,478</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			53,478	
Difference between GAAP and Non-GAAP Adjust accrued expenses			(437)	
Fund balances – beginning of year			<u>(44,634)</u>	
Fund balances – end of year			<u>\$ 8,407</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Farm and Range Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues:				
Private sources	\$ 23,350	\$ 23,350	\$ 24,778	\$ 1,428
Interest income	-	-	201	201
Total revenues	<u>23,350</u>	<u>23,350</u>	<u>24,979</u>	<u>1,629</u>
Beginning cash	<u>19,729</u>	<u>19,729</u>		
	<u>43,079</u>	<u>43,079</u>		
Expenditures:				
General government				
Operating expenses	<u>50,000</u>	<u>60,750</u>	<u>60,750</u>	-
Total expenditures	<u>50,000</u>	<u>60,750</u>	<u>60,750</u>	-
Excess (deficiency) revenues over expenditures			<u>(35,771)</u>	
Other financing sources (uses)				
Transfers in	17,000	17,000	17,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>17,000</u>	<u>-</u>
Net change in fund balance			(18,771)	
Fund balances – beginning of year			<u>19,729</u>	
Fund balances – end of year			<u>\$ 958</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Fire Protection Fund (1/4% GRT)**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental	\$ 346,500	\$ 346,500	\$ 342,246	\$ (4,254)
Total revenues	<u>346,500</u>	<u>346,500</u>	<u>342,246</u>	<u>(4,254)</u>
Beginning cash	<u>34,702</u>	<u>34,702</u>		
	<u>381,202</u>	<u>381,202</u>		
Expenditures:				
Public safety				
Operating expenses	<u>243,019</u>	<u>307,519</u>	<u>129,100</u>	<u>178,419</u>
Total expenditures	<u>243,019</u>	<u>307,519</u>	<u>129,100</u>	<u>178,419</u>
Excess (deficiency) revenues over expenditures			<u>213,146</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>(107,811)</u>	<u>(107,811)</u>	<u>(107,811)</u>	<u>-</u>
Total other financing sources (uses)	<u>(107,811)</u>	<u>(107,811)</u>	<u>(107,811)</u>	<u>-</u>
Net change in fund balance			105,335	
Difference between GAAP and Non-GAAP Adjust accrued expenses			14,400	
Fund balances – beginning of year			<u>26,301</u>	
Fund balances – end of year			<u>\$ 146,036</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Healthy Start Initiative Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues:				
Intergovernmental	\$ 835,780	\$ 835,780	\$ 858,909	\$ 23,129
Total revenues	<u>835,780</u>	<u>835,780</u>	<u>858,909</u>	<u>23,129</u>
Beginning cash	<u>202,367</u>	<u>202,367</u>		
	1,038,147	1,038,147		
Expenditures:				
Health and welfare				
Personnel expenses	430,546	444,217	442,554	1,663
Operating expenses	346,504	401,333	387,411	13,922
Total expenditures	<u>777,050</u>	<u>845,550</u>	<u>829,965</u>	<u>15,585</u>
Excess (deficiency) revenues over expenditures			<u>28,944</u>	
Other financing sources (uses)				
Transfers in	92,610	92,610	92,610	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>92,610</u>	<u>92,610</u>	<u>92,610</u>	<u>-</u>
Net change in fund balance			121,554	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		(13,580)		
Adjust accrued expenses		<u>(239,412)</u>	(252,992)	
Fund balances – beginning of year			<u>311,413</u>	
Fund balances – end of year			\$ <u>179,975</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Indigent Hospital Claims Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Health care county supplement	\$ 193,333	\$ 193,333	\$ -	\$ (193,333)
Indigent care revenue	580,000	580,000	693,111	113,111
Interest income	8,000	8,000	9,652	1,652
Total revenues	<u>781,333</u>	<u>781,333</u>	<u>702,763</u>	<u>(78,570)</u>
Beginning cash	<u>430,060</u>	<u>430,060</u>		
	<u>1,211,393</u>	<u>1,211,393</u>		
Expenditures:				
Health and welfare				
Personnel expenses	64,050	64,050	63,420	630
Operating expenses	712,830	819,343	639,971	179,426
Total expenditures	<u>76,880</u>	<u>883,393</u>	<u>703,337</u>	<u>180,056</u>
Excess (deficiency) revenues over expenditures			(574)	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			(574)	
Difference between GAAP and Non-GAAP Adjust accrued expenses			14,367	
Fund balances – beginning of year			<u>408,990</u>	
Fund balances – end of year			<u>\$ 422,783</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Juvenile Field Services Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental	\$ 164,498	\$ 164,498	\$ 210,253	\$ 45,755
Miscellaneous revenue	-	-	937	937
Total revenues	<u>164,498</u>	<u>164,498</u>	<u>211,190</u>	<u>46,692</u>
Beginning cash	<u>-</u>	<u>-</u>		
	164,498	164,498		
Expenditures:				
General government				
Operating expenses	<u>257,084</u>	<u>347,084</u>	<u>270,209</u>	<u>76,875</u>
Total expenditures	<u>257,084</u>	<u>347,084</u>	<u>270,209</u>	<u>76,875</u>
Excess (deficiency) revenues over expenditures			<u>(59,019)</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			(59,019)	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		(937)		
Adjust accrued expenses		<u>58,871</u>	57,934	
Fund balances – beginning of year			<u>(89,326)</u>	
Fund balances – end of year			<u>\$ (90,411)</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Law Enforcement Protection Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental	\$ 214,800	\$ 214,800	\$ 402,247	\$ 187,447
Interest income	-	-	417	417
Miscellaneous revenue	-	-	9,703	9,703
Total revenues	<u>214,800</u>	<u>214,800</u>	<u>412,367</u>	<u>197,567</u>
Beginning cash	<u>20,935</u>	<u>20,935</u>		
	235,735	235,735		
Expenditures:				
Public safety				
Personnel expenses	101,627	246,293	178,032	68,261
Operating expenses	55,800	204,250	116,661	87,589
Capital outlay	32,800	40,800	108,605	(67,805)
Total expenditures	<u>190,227</u>	<u>491,343</u>	<u>403,298</u>	<u>88,045</u>
Excess (deficiency) revenues over expenditures			<u>9,069</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(3,450)	(3,450)	(3,450)	-
Total other financing sources (uses)	<u>(3,450)</u>	<u>(3,450)</u>	<u>(3,450)</u>	<u>-</u>
Net change in fund balance			5,619	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		21,119		
Adjust accrued expenses		<u>15,637</u>	36,756	
Fund balances – beginning of year			<u>35,416</u>	
Fund balances – end of year			<u>\$ 77,791</u>	

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Reappraisal Program Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Charges for services	\$ 54,000	\$ 54,000	\$ 66,121	\$ 12,121
Total revenues	<u>54,000</u>	<u>54,000</u>	<u>66,121</u>	<u>12,121</u>
Beginning cash	<u>28,116</u>	<u>28,116</u>		
	82,116	82,116		
Expenditures:				
General government				
Personnel expenses	54,507	54,728	45,188	9,540
Operating expenses	9,518	12,418	2,268	10,150
Capital outlay	16,800	13,678	-	13,678
Total expenditures	<u>35,600</u>	<u>35,600</u>	<u>47,456</u>	<u>33,368</u>
Excess (deficiency) revenues over expenditures			<u>18,665</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			18,665	
Differences between GAAP and Non-GAAP				
Adjust accrued expenses			(741)	
Fund balances – beginning of year			<u>27,196</u>	
Fund balances – end of year			<u>\$ 45,120</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Recording Fees Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Charges for services	\$ 25,000	\$ 25,000	\$ 37,479	\$ 12,479
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>37,479</u>	<u>12,479</u>
Beginning cash	<u>73,538</u>	<u>73,538</u>		
	98,538	98,538		
Expenditures:				
General government				
Operating expenses	5,000	5,000	2,116	2,884
Capital outlay	30,000	30,000	26,734	3,266
Total expenditures	<u>35,000</u>	<u>35,000</u>	<u>28,850</u>	<u>6,150</u>
Excess (deficiency) revenues over expenditures			<u>8,629</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			8,629	
Fund balances – beginning of year			<u>73,538</u>	
Fund balances – end of year			\$ <u>82,167</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Treasurer's Mobile Home Sales Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable)  <u>Final to Actual</u>
Revenues:				
Charges for services	\$ 32,500	\$ 32,500	\$ 28,402	\$ (4,368)
Total revenues	<u>32,500</u>	<u>32,500</u>	<u>28,402</u>	<u>(4,368)</u>
Beginning cash	<u>91,711</u>	<u>91,711</u>		
	124,211	124,211		
Expenditures:				
General government				
Operating expenses	5,000	5,000	2,556	2,444
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>19,999</u>	<u>5,001</u>
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>22,555</u>	<u>7,445</u>
Excess (deficiency) revenues over expenditures			<u>5,847</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>(270)</u>	<u>(270)</u>	<u>(270)</u>	<u>-</u>
Total other financing sources (uses)	<u>(270)</u>	<u>(270)</u>	<u>(270)</u>	<u>-</u>
Net change in fund balance			5,577	
Fund balances – beginning of year			<u>91,711</u>	
Fund balances – end of year			\$ <u>97,288</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Volunteer Fire Departments Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental	\$ 90,275	\$ 90,275	\$ 221,302	\$ 131,027
Interest income	-	-	2,262	2,262
Total revenues	<u>90,275</u>	<u>90,275</u>	<u>223,564</u>	<u>133,289</u>
Beginning cash	<u>169,658</u>	<u>169,658</u>		
	259,933	259,933		
Expenditures:				
Cooks Peak				
Operating expenses	27,339	30,339	21,023	9,316
Capital outlay	8,000	8,000	7,119	881
Total Cooks Peak expenditures	<u>35,339</u>	<u>38,339</u>	<u>28,142</u>	<u>10,197</u>
Sunshine Valley				
Operating expenses	53,300	56,000	36,788	19,212
Capital outlay	20,000	30,000	21,307	8,693
Total Sunshine Valley expenditures	<u>73,300</u>	<u>86,000</u>	<u>58,095</u>	<u>27,905</u>
Florida Mountain				
Operating expenses	31,870	39,870	30,322	9,548
Capital outlay	98,000	90,000	31,705	58,295
Total Florida Mountain expenditures	<u>129,870</u>	<u>129,870</u>	<u>62,027</u>	<u>67,843</u>
Total expenditures	<u>238,509</u>	<u>254,209</u>	<u>148,264</u>	<u>105,945</u>
Excess (deficiency) revenues over expenditures			<u>75,300</u>	
Other financing sources (uses)				
Transfers in	7,811	7,811	7,811	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>7,811</u>	<u>7,811</u>	<u>7,811</u>	<u>-</u>
Net change in fund balance			83,111	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		7,798		
Adjust accrued expense		<u>(10,110)</u>	(2,312)	
Fund balances – beginning of year			<u>169,658</u>	
Fund balances – end of year			<u>\$ 250,457</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Sirrolli Institute Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues:				
Private sources	\$ 30,500	\$ 30,500	\$ 30,500	\$ -
Intergovernmental	36,200	36,200	35,500	(700)
Total revenues	<u>66,700</u>	<u>66,700</u>	<u>66,000</u>	<u>(700)</u>
Beginning cash	<u>38,304</u>	<u>38,304</u>		
	105,004	105,004		
Expenditures:				
Health and welfare				
Personnel expenses	51,712	26,448	19,783	6,665
Operating expenses	50,834	76,098	48,999	27,099
Total expenditures	<u>102,546</u>	<u>102,546</u>	<u>68,782</u>	<u>33,764</u>
Excess (deficiency) revenues over expenditures			<u>(2,782)</u>	
Other financing sources (uses)				
Transfers in	16,500	16,500	16,500	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>16,500</u>	<u>16,500</u>	<u>16,500</u>	<u>-</u>
Net change in fund balance			13,718	
Differences between GAAP and Non-GAAP				
Adjust accrued expenses			8,998	
Fund balances – beginning of year			<u>12,095</u>	
Fund balances – end of year			<u>\$ 34,811</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Mimbres Valley Learning Center Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable)  <u>Final to Actual</u>
Revenues:				
Taxes	\$ 150,000	\$ 150,000	\$ 198,746	\$ 48,746
Intergovernmental	15,000	15,000	16,166	1,166
Miscellaneous	-	-	910	910
Total revenues	<u>165,000</u>	<u>165,000</u>	<u>215,822</u>	<u>47,822</u>
Beginning cash	<u>205,705</u>	<u>205,705</u>		
	370,705	370,705		
Expenditures:				
Health and welfare				
Operating expenses	<u>200,000</u>	<u>200,000</u>	<u>137,468</u>	<u>62,532</u>
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>137,468</u>	<u>62,532</u>
Excess (deficiency) revenues over expenditures			<u>78,354</u>	
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			78,354	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		(179,467)		
Adjust accrued expenses		<u>(6,759)</u>	(186,226)	
Fund balances – beginning of year			<u>209,015</u>	
Fund balances – end of year			<u>\$ 101,143</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Special Revenue Fund**  
**Solid Waste Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning cash	57,465	57,465		
	<u>57,465</u>	<u>57,465</u>		
Expenditures:				
General government				
Capital outlay	57,465	111,874	4,234	107,640
Total expenditures	<u>57,465</u>	<u>111,874</u>	<u>4,234</u>	<u>107,640</u>
Excess (deficiency) revenues over expenditures			<u>(4,234)</u>	
Other financing sources (uses)				
Transfers in	54,409	54,409	54,409	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>54,409</u>	<u>54,409</u>	<u>54,409</u>	<u>-</u>
Net change in fund balance			50,175	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue			(9,127)	
Fund balances – beginning of year			<u>66,592</u>	
Fund balances – end of year			<u>\$ 107,640</u>	

The accompanying notes are an integral part of these financial statements.

**CAPITAL PROJECTS FUNDS**



**STATE OF NEW MEXICO  
COUNTY OF LUNA  
CAPITAL PROJECT FUND TYPES  
Combining Balance Sheet  
For the Year-Ended June 30, 2006**

	Port of Entry and Distance Learning Center	CDBG Grants Senior Center	MVLC Addition	Courthouse Renovation	Totals
<b>Assets:</b>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities and fund balance:</b>					
<b>Liabilities:</b>					
Due to other funds	\$ -	\$ -	\$ 177,481	\$ 1,347,767	\$ 1,525,248
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 177,481</b>	<b>\$ 1,347,767</b>	<b>\$ 1,525,248</b>
<b>Fund balances:</b>					
Unreserved	-	-	(177,481)	(1,347,767)	(1,525,248)
<b>Total fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (177,481)</b>	<b>\$ (1,347,767)</b>	<b>\$ (1,525,248)</b>
<b>Total liabilities and fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**CAPITAL PROJECT FUND TYPES**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
For the Year-Ended June 30, 2006

	Port of Entry and Distance Learning Center	CDBG Grants Senior Center	MVLC Addition	Courthouse Renovation	Totals
<b>Revenues:</b>					
Federal grant	\$ -		\$ -	\$ 290,000	\$ 290,000
State grant	33,808	447,220	361,186	260,069	1,102,283
Other revenue			80,614	-	80,614
<b>Total revenues</b>	<u>33,808</u>	<u>447,220</u>	<u>441,800</u>	<u>550,069</u>	<u>1,472,897</u>
<b>Expenditures:</b>					
Capital Outlay	-		619,281	1,897,836	2,517,117
<b>Total Expenditures</b>	<u>-</u>		<u>619,281</u>	<u>1,897,836</u>	<u>2,517,117</u>
<b>Excess (Deficiency) Revenues Over Expenditures</b>	33,808	447,220	(177,481)	(1,347,767)	(1,044,220)
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	33,808	447,220	(177,481)	(1,347,767)	(1,044,220)
<b>Fund Balance – Beginning of Year</b>	<u>(33,808)</u>	<u>(447,220)</u>	<u>-</u>	<u>-</u>	<u>(481,028)</u>
<b>Fund Balance – End of Year</b>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(177,481)</u>	\$ <u>(1,347,767)</u>	\$ <u>(1,525,248)</u>

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Capital Projects Fund**  
**Mimbres Valley Learning Center Addition Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable)  Final to Actual
Revenues:				
State grant	\$ 441,000	441,000	361,186	(79,184)
Other revenue	-	-	80,614	80,614
Total revenues	<u>441,000</u>	<u>441,000</u>	<u>441,800</u>	<u>800</u>
Beginning cash	<u>-</u>	<u>-</u>		
	441,000	441,000		
Expenditures:				
General government				
Capital outlay	691,800	691,800	619,281	72,519
Total expenditures	<u>691,800</u>	<u>691,800</u>	<u>619,281</u>	<u>72,519</u>
Excess (deficiency) revenues over expenditures			<u>(177,481)</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			(177,481)	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue			-	
Fund balances – beginning of year			<u>-</u>	
Fund balances – end of year			\$ <u>(177,481)</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Capital Projects Fund**  
**Courthouse Renovation Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Federal grant	\$ 340,000	340,000	290,000	(50,000)
State grant	775,000	775,000	675,831	(99,169)
Other revenue	25,000	25,000	-	(25,000)
Total revenues	<u>1,140,000</u>	<u>1,140,000</u>	<u>965,831</u>	<u>(174,169)</u>
Beginning cash	-	-		
	<u>1,140,000</u>	<u>1,140,000</u>		
Expenditures:				
General government				
Capital outlay	2,023,581	2,023,825	1,897,836	125,989
Total expenditures	<u>2,023,581</u>	<u>2,023,825</u>	<u>1,897,836</u>	<u>125,989</u>
Excess (deficiency) revenues over expenditures			<u>(932,005)</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			(932,005)	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue			(415,762)	
Fund balances – beginning of year			-	
Fund balances – end of year			<u>\$ (1,347,767)</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Proprietary Fund**  
**Detention Center Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues:				
Charges for services	\$ 6,549,919	6,549,919	6,318,789	(231,130)
Bond income	400,000	400,000	692,531	292,531
Interest income	42,000	42,000	77,502	35,502
Total revenues	6,991,919	6,991,919	7,088,822	96,903
Beginning cash	4,744,024	4,744,024		
	11,735,943	11,735,943		
Expenditures:				
Personnel expenses	4,393,059	4,408,859	4,098,594	310,265
Operating expenses	2,040,996	2,125,897	1,978,882	147,015
Capital outlay	389,000	288,300	214,940	73,360
Debt service	2,933,089	2,933,089	2,933,089	-
Total expenditures	9,756,144	9,756,145	9,225,505	530,640
Excess (deficiency) revenues over expenditures			(2,136,683)	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(75)	(75)	(75)	-
Total other financing sources (uses)	(75)	(75)	(75)	-
Net change in fund balance			(2,136,758)	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		14,824		
Adjust accrued expenses		427,084		
Depreciation		(264,881)		
Debt service		2,763,724		
Capital		214,940	3,155,691	
Fund balances – beginning of year			7,636,415	
Fund balances – end of year			\$ 8,655,348	

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUNDS

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Fiduciary Funds – Agency Funds  
June 30, 2006**

**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.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds**  
**June 30, 2006**

<u>Taxes Collected for Others</u>	<u>June 30,</u> <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2006</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 123,182	\$ 3,353,757	\$ 3,346,835	\$ 130,104
Property taxes receivable	403,568	871,194	403,568	871,194
Total assets	<u>\$ 526,750</u>	<u>\$ 4,224,951</u>	<u>\$ 3,750,403</u>	<u>\$ 1,001,298</u>
<b>Liabilities</b>				
Due to other governments	\$ 469,110	\$ 4,194,660	\$ 3,730,286	\$ 933,484
Prepaid taxes	2,548	4,631	2,699	4,480
Overpayment of taxes	7,233	24,483	17,208	14,508
Taxes paid in advance	17,249	1,177	-	18,426
Due to taxpayers	30,610	-	210	30,400
Total liabilities	<u>\$ 526,750</u>	<u>\$ 4,224,951</u>	<u>\$ 3,750,403</u>	<u>\$ 1,001,298</u>
 <u>Inmate Accounts</u>				
<b>Assets</b>				
Cash and cash equivalents	\$ 13,600	\$ 416,847	\$ 427,382	\$ 3,065
Due from others	-	-	-	-
Total assets	<u>\$ 13,600</u>	<u>\$ 416,847</u>	<u>\$ 427,382</u>	<u>\$ 3,065</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,791	\$ -	\$ 1,791	\$ -
Due to inmates	11,809	416,847	425,591	3,065
Total liabilities	<u>\$ 13,600</u>	<u>\$ 416,847</u>	<u>\$ 427,382</u>	<u>\$ 3,065</u>
 <u>Total Assets</u>				
<b>Assets</b>				
Cash and cash equivalents	\$ 136,782	\$ 3,770,604	\$ 3,774,217	\$ 133,169
Property taxes receivable	403,568	871,194	403,568	871,194
Total assets	<u>\$ 540,350</u>	<u>\$ 4,641,798</u>	<u>\$ 4,177,785</u>	<u>\$ 1,004,363</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,791	\$ -	\$ 1,791	\$ -
Due to inmates	11,809	416,847	425,591	3,065
Due to other governments	469,110	4,194,660	3,730,286	933,484
Prepaid taxes	2,548	4,631	2,699	4,480
Overpayment of taxes	7,233	224,483	17,208	14,508
Taxes paid in advance	17,249	1,177	-	18,426
Due to taxpayers	30,610	-	210	30,400
Total liabilities	<u>\$ 540,350</u>	<u>\$ 4,641,798</u>	<u>\$ 4,177,785</u>	<u>\$ 1,004,363</u>

The accompanying notes are an integral part of these financial statements.



**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Schedule of Depositories  
June 30, 2006**

	Type	Amount Per Bank	Plus DIT	Less O/S Cks	Balance Per Books
First New Mexico NOW	CK	\$ 511,586	\$ 40,162	\$ 551,748	\$ -
First New Mexico	MM	1,228,018		19,936	1,208,082
First New Mexico	SV	530,016			530,016
First New Mexico	CK	1,861			1,861
First New Mexico	CK	1,204			1,204
Wells Fargo	CK	309,898			309,898
Subtotal		2,582,583	40,162	571,684	2,051,061
Plus cash equivalents ( Note 4)					4,946,731
Type: CK=Checking MM=Money Market SV=Savings	Plus:	Cash on hand			375
				\$	6,998,167

	First New Mexico	Wells Fargo	Total
Amount Held in Bank June 30, 2006	\$ 2,272,685	\$ 309,898	\$ 2,582,583
Less FDIC Insurance	100,000	100,000	200,000
Uninsured Public Funds	2,172,685	209,898	2,382,583
50% Collateral Requirement (Section 6-10-17 NMSA-1978)	1,086,342	104,949	1,191,291
Pledged Security	1,910,000	539,627	2,449,627
Over (Under) Collateral	\$ 823,656	\$ 434,678	\$ 1,258,336

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Schedule of Collateral Pledged by Depository for Public Funds  
June 30, 2006**

DESCRIPTION	FAIR MARKET VALUE	NAME AND LOCATION OF SAFEKEEPER
WFBS/WFBNW CUSIP#31409CV69. FNCL Maturing 05/01/36	\$ 471,250	Wells Fargo California
WFBS/WFBNW CUSIP#36225BG36. GNSF Maturing 10/15/29	8,433	Wells Fargo California
WFBS/WFBNW CUSIP#36225BNS3. G2SF Maturing 06/20/31	59,944	Wells Fargo California
FHLB	785,000	Texas Independent Bank, Dallas, TX
Bloomfield NM School District. CUSIP#590662AT9 Maturing 10/01/12	175,000	Texas Independent Bank, Dallas, TX
Quemado ISD Bond, CUSIP#149321BR1. Maturing 07/15/15	100,000	Texas Independent Bank, Dallas, TX
Jemez, NM Bond. CUSIP#475868CL7. Maturing 08/01/11	100,000	Texas Independent Bank, Dallas, TX
Gallup. Maturing 08/01/17	500,000	Texas Independent Bank, Dallas, TX
Tucumcari, NM Bond. CUSIP #898881CA3, Maturing 08/01/12	200,000	Texas Independent Bank, Dallas, TX
Wagon Mound, NM, CUSIP#930532AK2, Maturing 10/01/11	50,000	Texas Independent Bank, Dallas, TX
	<u>\$ 2,449,627</u>	

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Joint Powers Agreements  
June 30, 2006**

**Joint Services**

Participants	County of Luna and the City of Deming
Responsible Party	City of Deming
Description	Fire protection services, landfill operations, recreation services, library services, EMS and indigent ambulance services, ETZ, transportation, and purchase of new ambulance
Period	July 1, 2005-June 30, 2006
Project Costs	\$490,500
County Contribution	
Audit responsibility	City of Deming

Participants	County of Luna and the Village of Columbus
Responsible Party	Village of Columbus
Description	Fire protection services, landfill operations, recreation services, library services, EMS and indigent ambulance services, and health care clinic
Period	July 1, 2005-June 30, 2006
Project Costs	\$65,000
County Contribution	\$47,500
Audit responsibility	City of Deming

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Tax Roll Reconciliation  
June 30, 2006**

Property Taxes Receivable, Beginning of Year	\$ 864,027
Changes to Tax Roll:	
Net Taxes Charged to Treasurer for Fiscal Year	6,939,405
Adjustments:	
Increases in Taxes Receivables	6,426
Charge Off of Taxes Receivables	<u>-</u>
Total Receivables Prior to Collections	7,866,456
Collections for Fiscal Year Ended June 30, 2005	<u>(6,938,664)</u>
Property Taxes Receivable, End of Year	\$ <u>871,194</u>
 Property Taxes Receivable by years:	
1995	\$ 4,948
1996	5,979
1997	5,487
1998	8,532
1999	7,888
2000	10,779
2001	17,767
2002	43,091
2003	84,503
2004	181,885
2005	<u>500,335</u>
Total Taxes Receivable	\$ <u>871,194</u>

STATE OF NEW MEXICO  
COUNTY OF LUNA  
County Treasurer's Property Tax Schedule  
For Year Ended June 30, 2006

Agency	Property Taxes Levied 10/01/05	Collected in Current Year 06/30/06	Collected To-Date	Distributed in Current Year 06/30/06	Distributed To-Date	Increases to Taxes	Decreases to Taxes	County Receivable at Year End
General Advalorem	2,273,942	101	2,268,323	101	2,268,323	-	-	5,619
General Advalorem	2,431,057	1,743	2,423,562	1,743	2,423,562	-	-	7,495
General Advalorem	2,492,086	14,018	2,478,662	14,018	2,478,662	-	-	13,424
General Advalorem	2,447,048	19,803	2,429,835	19,803	2,429,835	-	-	17,213
General Advalorem	2,699,371	48,410	2,669,248	48,410	2,669,248	-	-	30,123
General Advalorem	2,958,977	145,204	2,904,277	145,204	2,904,277	-	-	54,700
General Advalorem	3,319,729	3,096,534	3,096,534	3,096,534	3,096,534	-	-	223,195
Total General Advalorem	18,622,210	3,325,813	18,270,441	3,325,813	18,270,441	-	-	351,769
Non-rendition fees	30,580	15	30,223	15	30,223	-	-	357
Non-rendition fees	31,063	61	30,130	61	30,130	-	-	933
Non-rendition fees	24,064	373	23,153	373	23,153	-	-	911
Non-rendition fees	33,614	763	29,137	763	29,137	-	-	4,477
Non-rendition fees	32,693	1,180	30,153	1,180	30,153	-	-	2,540
Non-rendition fees	33,934	3,770	29,376	3,770	29,376	-	-	4,558
Non-rendition fees	44,267	33,571	33,571	33,571	33,571	-	-	10,696
Total Non-rendition fees	230,215	39,733	205,743	39,733	205,743	-	-	24,472

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
COUNTY OF LUNA  
County Treasurer's Property Tax Schedule  
For Year Ended June 30, 2006

Agency	Property Taxes Levied 10/01/05	Collected in Current Year 06/30/06	Collected To-Date	Distributed in Current Year 06/30/06	Distributed To-Date	Increases to Taxes	Decreases to Taxes	County Receivable at Year End
Re-appraisal Program 1999	48,693	6	47,939	6	47,939	-	-	754
Re-appraisal Program 2000	50,494	26	50,037	26	50,037	-	-	457
Re-appraisal Program 2001	52,438	197	51,269	197	51,269	-	-	1,169
Re-appraisal Program 2002	51,976	446	48,580	446	48,580	-	-	3,396
Re-appraisal Program 2003	57,437	1,059	50,894	1,059	50,894	-	-	6,543
Re-appraisal Program 2004	63,787	3,151	60,268	3,151	60,268	-	-	3,519
Re-appraisal Program 2005	66,132	63,421	63,421	63,421	63,421	-	-	2,711
<b>Total Re-appraisal Program</b>	<b>390,957</b>	<b>68,306</b>	<b>372,408</b>	<b>68,306</b>	<b>372,408</b>	<b>-</b>	<b>-</b>	<b>18,549</b>
<b>Total Luna County</b>	<b>19,243,382.00</b>	<b>3,433,852.00</b>	<b>18,848,592.00</b>	<b>3,433,852.00</b>	<b>18,848,592.00</b>	<b>-</b>	<b>-</b>	<b>394,790.00</b>
Livestock 1999	29,144	13	29,065	13	29,078	-	-	66
Livestock 2000	31,036	-	30,927	-	30,927	-	-	109
Livestock 2001	30,522	17	30,268	17	30,268	-	-	254
Livestock 2002	28,270	-	28,151	-	28,151	-	-	119
Livestock 2003	25,956	3	24,860	3	24,860	-	-	1,096
Livestock 2004	26,784	560	26,091	554	26,091	-	-	693
Livestock 2005	29,894	28,903	28,903	28,903	28,903	-	-	991
<b>Total Livestock</b>	<b>201,606</b>	<b>29,496</b>	<b>198,265</b>	<b>29,490</b>	<b>198,278</b>	<b>-</b>	<b>-</b>	<b>3,328</b>

STATE OF NEW MEXICO  
COUNTY OF LUNA  
County Treasurer's Property Tax Schedule  
For Year Ended June 30, 2006

Agency	Property Taxes Levied 10/01/05	Collected in Current Year 06/30/06	Collected To-Date	Distributed in Current Year 06/30/06	Distributed To-Date	Increases to Taxes	Decreases to Taxes	County Receivable at Year End
State Levy	358,279	17	358,077	17	358,094	-	-	-
State Levy	384,027	243	383,908	243	383,908	-	-	119
State Levy	457,027	2,157	456,931	2,157	456,931	-	-	96
State Levy	295,852	2,080	293,582	2,080	293,582	-	-	2,270
State Levy	419,771	6,858	412,608	6,858	412,608	-	-	7,163
State Levy	299,561	15,422	288,155	15,422	288,155	-	-	11,406
State Levy	404,699	378,789	378,789	378,789	378,789	-	-	25,910
Total State Levy	2,619,216	405,566	2,572,050	405,566	2,572,067	-	-	46,964
Road Levy	91,310	436	90,588	436	91,024	-	-	286
Road Levy	196,001	436	195,101	436	195,101	-	-	900
Road Levy	194,663	2,618	193,768	2,618	193,768	-	-	895
Road Levy	217,158	5,182	207,406	5,182	207,406	-	-	9,752
Road Levy	215,899	6,617	202,792	6,617	202,792	-	-	13,107
Road Levy	218,708	16,771	196,446	16,771	196,446	-	-	22,262
Road Levy	215,801	178,823	178,823	178,823	178,823	-	-	36,978
Total Road Levy	1,349,540	210,883	1,264,924	210,883	1,265,360	-	-	84,160

The accompanying notes are an integral part of these financial statements.  
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**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**County Treasurer's Property Tax Schedule**  
**For Year Ended June 30, 2006**

Agency	Property Taxes Levied 10/01/05	Collected in Current Year 06/30/06	Collected To-Date	Distributed in Current Year 06/30/06	Distributed To-Date	Increases to Taxes	Decreases to Taxes	County Receivable at Year End
Deming Public Schools 1999	1,870,776	77	1,870,384	77	1,870,384	-	-	392
Deming Public Schools 2000	1,794,691	125	1,794,350	125	1,794,350	-	-	341
Deming Public Schools 2001	1,815,045	545	1,814,407	545	1,814,407	-	-	638
Deming Public Schools 2002	1,862,128	16,021	1,856,483	16,021	1,856,483	-	-	5,645
Deming Public Schools 2003	2,163,946	39,091	2,140,658	39,091	2,140,658	-	-	23,288
Deming Public Schools 2004	2,384,955	123,118	2,304,037	123,118	2,304,037	-	-	80,918
Deming Public Schools 2005	2,584,586	2,403,369	2,403,369	2,403,369	2,403,369	-	-	181,217
Deming Public Schools	14,476,127	2,582,346	14,183,688	2,582,346	14,183,688	-	-	292,439
City of Deming 1999	154,317	2	154,166	2	154,166	-	-	151
City of Deming 2000	168,250	2	168,102	2	168,102	-	-	148
City of Deming 2001	174,235	252	174,067	252	174,067	-	-	168
City of Deming 2002	182,652	1,249	182,538	1,249	182,538	-	-	114
City of Deming 2003	188,151	3,995	187,887	3,995	187,887	-	-	264
City of Deming 2004	224,834	9,995	222,956	9,995	222,956	-	-	1,878
City of Deming 2005	234,913	220,956	220,956	220,956	220,956	-	-	13,957
Total City of Deming	1,327,352	236,451	1,310,672	236,451	1,310,672	-	-	16,660

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**County Treasurer's Property Tax Schedule**  
**For Year Ended June 30, 2006**

Agency	Property Taxes Levied 10/01/05	Collected in Current Year 06/30/06	Collected To-Date	Distributed in Current Year 06/30/06	Distributed To-Date	Increases to Taxes	Decreases to Taxes	County Receivable at Year End
Village of Columbus	28,450	-	28,187	-	28,187	-	-	263
Village of Columbus	28,736	5	28,459	5	28,459	-	-	277
Village of Columbus	29,910	80	29,698	80	29,698	-	-	212
Village of Columbus	31,217	238	31,112	238	31,112	-	-	105
Village of Columbus	34,226	909	33,847	909	33,847	-	-	379
Village of Columbus	38,598	4,134	36,647	4,134	36,647	-	-	1,951
Village of Columbus	39,384	34,704	34,704	34,704	34,704	-	-	4,680
<b>Total Village of Columbus</b>	<b>230,521</b>	<b>40,070</b>	<b>222,654</b>	<b>40,070</b>	<b>222,654</b>	<b>-</b>	<b>-</b>	<b>7,867</b>
Incomplete Records/Agency 1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8,532
Incomplete Records/Agency 1997	-	-	-	-	-	-	-	5,487
Incomplete Records/Agency 1996	-	-	-	-	-	-	-	5,979
Incomplete Records/Agency 1995	-	-	-	-	-	-	-	4,948
<b>Total Incomplete Records</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,946</b>
<b>Grand Totals</b>	<b>\$ 39,447,744</b>	<b>\$ 6,938,664</b>	<b>\$ 38,600,845</b>	<b>\$ 6,938,658</b>	<b>\$ 38,601,311</b>	<b>\$ -</b>	<b>\$ -</b>	<b>871,194</b>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
SCHEDULE OF GRANT AGREEMENTS  
JUNE 30, 2006**

	State Grants	Federal Grants	Total
Courthouse renovations	675,831	290,000	965,831
Planning grant	-	20,967	20,967
Fairground improvements	75,726	-	75,726
Museum renovation	67,242	-	67,242
Juvenile field services	205,395	-	205,395
Beautification grant	23,827		23,827
Tire recycling	95,722		95,722
Mimbres Valley Learning Center	361,186		361,186
Healthy Start Initiative	179,939	736,763	916,702
DWI grant	5,400		5,400
Border security grant	150,000		150,000
HIDTA	-	19,548	19,548
Totals	\$ 1,840,268	\$ 1,067,278	\$ 2,907,546

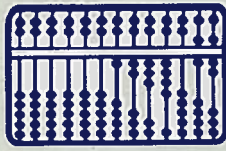
**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Schedule of Expenditures of Federal Awards  
June 30, 2006**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Health and Human Services Healthy Start Initiative	93.926	H67MC00011-4-00	736,763	736,763
U.S. Department of the Interior Passed through National Park Service Save America's Treasures	15.929	35-03-MLI-1373	340,000	290,000
U.S. Department of Housing and Urban Development Passed through the New Mexico Department of Finance and Administration-Local Government Division Zoning and Subdivision Ordinance	14.218	04-C-NR-I-6-G-88	25,000	20,967
Executive Office of the President Passed through the Office of National Drug Control Policy NM Management and Coordination	07.XXX		19,548	19,548
<b>Total</b>			<b>\$ 1,121,311</b>	<b>\$ 1,067,278</b>

Note 1 Basis of Presentation

The above Schedule of Expenditures of federal awards includes the federal grant activity of the County of Luna and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**COMPLIANCE SECTION**



**MARCUS,  
FAIRALL,  
BRISTOL + CO., L.L.P.**

**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***

Domingo P. Martinez, CGFM State Auditor  
and  
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 County of Luna, as of and for the year-ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the County's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year-ended June 30, 2006, 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 with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These financial statements are the responsibility of the County of Luna's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 opinion 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'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 and 06-01, 06-02.

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 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 none of the reportable conditions described above is a material weakness.



Compliance with 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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statements 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.

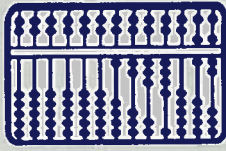
The results of our tests disclosed instances of non-compliance or other matters that we are required to report under *Government Auditing Standards* and that are described in the accompanying Schedule of Findings and Questioned Costs as Items 06-03, 06-04, 06-05, and 06-06.

This report is intended solely for the information and use of the Board of Commissioners, management, other authorized persons within the County, the New Mexico State Auditor, the New Mexico State Legislature and its committees, the New Mexico Department of Finance and Administration, and is not intended to be and should not be used by anyone other than these specified parties.

*Marcus, Fairall, Bristol + Co. LLP*

Marcus, Fairall, Bristol + Co., LLP  
El Paso, Texas

October 20, 2006



**MARCUS,  
FAIRALL,  
BRISTOL + CO., L.L.P.**

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

Domingo P. Martinez, CGFM, State Auditor  
and  
Board of County Commissioners  
County of Luna  
Luna, 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) A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year-ended June 30, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 that could have a direct and material effect on a major federal program occurred. An audit includes the examining, on a test basis, evidence about the County of Luna's compliance with those requirements and performing of 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 types of compliance requirements that apply to each of its major federal programs for the year-ended June 30, 2006.

Internal Control over Compliance

The management of the County of Luna's 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 the internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be considered to 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 the 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 Board of Commissioners, management, other authorized persons within the County, the New Mexico State Auditor, the New Mexico State Legislature and its committees, the New Mexico Department of Finance and Administration, and is not intended to be and should not be used by anyone other than these specified parties.

*Marcus, Fairall, Bristol + Co LLP*

Marcus, Fairall, Bristol + Co., LLP  
El Paso, Texas

October 20, 2006

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year-Ended June 30, 2006

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ 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? \_\_\_\_\_ X Yes \_\_\_\_\_ None reported

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 weakness (es)? \_\_\_\_\_ Yes \_\_\_\_\_ X None reported

Type of auditors’ report issued on compliance with 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:

CDFA Number  
N/A

Name of Federal Program or Cluster  
High Intensity Drug Trafficking Area Funding, Executive Office of the President, Passed through the Office of National Drug Control Policy

93.926

Healthy Start Initiative.

15.929

U.S. Department of the Interior, Passed through National Park Service, Save America’s Treasurers

14.218

U.S. Department of Housing and Urban Development, Passed through New Mexico Department of Finance, Local Government Division, Zoning and Subdivision Ordinance

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Auditee qualified as low-risk auditee

\_\_\_\_\_ X Yes \_\_\_\_\_ No

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Schedule of Findings and Recommendations**  
**June 30, 2006**

**Section II – Findings – Financial Statements**

**PRIOR YEAR FINDINGS:**

2005-01	PERA Exempt Employees	Resolved
2005-02	Purchase Card Usage by Non-County Employee	Resolved
2005-03	Investment Schedule not Properly Maintained	Resolved
2005-04	Purchase of Unusual Items – Lack of Documentation	Resolved
2005-05	Disposal of Fixed Assets Not Authorized	Repeated
2005-06	Audit Submitted to the New Mexico State Auditor After Due Date	Resolved
2005-07	Large Purchases not Approved by Commission	Resolved
2004-01	Documentation of Business Purpose for Trip	Resolved
2004-04	One Week Continuous Vacation Not Required	Resolved
2004-05	Use of Office Space/Sensitive Records	Resolved
2004-06	Fringe Benefits	Resolved
2004-07	Purchase Order Dated After Invoice	Repeated
2002-01	Maintenance of Taxes Receivable (Levied/Uncollected) by Agency	Repeated

**CURRENT YEAR FINDINGS:**

Finding 06-01 Disposal of Capital Assets not Authorized

Condition

During our testwork on fixed assets, we noted that proposed dispositions were not submitted to the State Auditor in writing with 30 days prior to the disposition date.

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.

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.

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.

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.

Response

Management has implemented procedures to insure compliance in the future.

Finding 06-02 Purchase Order Dated after Invoice Date

Condition

During our testwork over disbursements, we noted that nine purchase orders were dated after the invoice date. (Out of a sample of 30 disbursements tested)

STATE OF NEW MEXICO  
COUNTY OF LUNA  
Schedule of Findings and Recommendations  
June 30, 2006

**Section II – Findings – Financial Statements (continued)**

Finding 06-02 Purchase Order Dated after Invoice Date (continued)

Criteria

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

Cause

The County personnel did not have adequate monitoring to ensure compliance on purchase orders.

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.

Response

Management has implemented procedures to insure compliance in the future.

Finding 06-03 Maintenance of Taxes Receivable (Levied/Uncollected) by Agency

Condition

The County does not maintain Taxes Receivable by Agency for ten years back but rather taxes receivable are maintained for only seven years back.

Criteria

The 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

Non-compliance 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.

Response

Management has implemented procedures to insure compliance in the future.

Finding 06-04 Failure to File Related-Party Disclosures

Condition

During our testwork on related-party transactions, we noted that the County Commissioners filed the required documentation. Other officials and employees had not complied with the policy.

Criteria

The County requires its officials and employees to periodically file a statement with the County Clerk to disclose related-party relationships and transactions.

STATE OF NEW MEXICO  
COUNTY OF LUNA  
Schedule of Findings and Recommendations  
June 30, 2006

**Section II – Findings – Financial Statements (continued)**

Finding 06-04 Failure to File Related-Party Disclosures (continued)

Cause

Failure by County employees to monitor the filing of the required related-party documentation.

Effect

Non-compliance with County requirements regarding the disclosure of potential related-party transactions.

Recommendation

The County employees should more closely monitor and review the related-party documentation to ensure that the file stays current.

Response

Management has implemented procedures to insure compliance in the future.

Finding 06-05 Improper Use of Proceeds from Sale of Vehicles

Condition

There is no record of the proceeds from the sale of confiscated vehicles being used for drug abuse treatment services.

Criteria

Section 31-27-7, NMSA 1978, requires remaining balances from the sale of seized property be treated as an agency fund and used for drug abuse treatment.

Cause

The proceeds were deposited in the Detention Center Fund and used for operating expenses.

Effect

The County failed to use the proceeds as designated by state statutes.

Recommendation

The County should monitor all proceeds received from sales and verify that they are being used properly.

Response

This recommendation will be implemented.

Finding 06-06 Failure to Submit Budget on a Modified Accrual Basis

Condition

The County did not submit the 2005-2006 budget on a modified accrual basis.

Criteria

In accordance with the General Appropriations Act of 2004 which established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico beginning in fiscal year ended 2005.

Cause

The County employees were not aware of the requirement.

Effect

The County failed to use the budget procedures required by the State.

**STATE OF NEW MEXICO**  
**COUNTY OF LUNA**  
**Schedule of Findings and Recommendations**  
**June 30, 2006**

**Section II – Findings – Financial Statements (continued)**

Finding 06-06 Failure to Submit Budget on a Modified Accrual Basis (continued)

Recommendation

The County should implement and monitor all budget procedures to ensure the budget is properly prepared.

Response

This recommendation will be implemented.

**Section III – Findings – Major Federal Award Program Audit**

There were no federal findings.

**STATE OF NEW MEXICO  
COUNTY OF LUNA  
Exit Conference  
June 30, 2006**

**EXIT CONFERENCE**

As exit conference was held on November 12, 2006, with Jack Fairall, CPA, of Marcus, Fairall, Bristol & Co., LLP with the following County officials:

Scott Vinson – County Manager  
Gloria Rodriguez – County Treasurer  
Gary Ciccotelli – Sheriff  
Martha Long – Financial Services Director

**COMPILATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report were compiled by the auditors, Marcus, Fairall, Bristol, and Co., LLP.

*JK*  
*1-10-07*

STATE OF NEW MEXICO  
COUNTY OF LUNA  
Passed Journal Entries  
June 30, 2006

There are no passed journal entries.