

**STATE AUDITOR
STATE OF NEW MEXICO
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INTRODUCTORY SECTION



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STATE AUDITOR

**STATE OF NEW MEXICO
COUNTY OF LUNA**

**Official Roster
June 30, 2007**

Board of County Commissioners

Richard D. Holdridge
Eric Jordan
Becky Allen

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

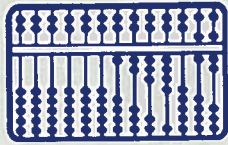
**STATE OF NEW MEXICO
COUNTY OF LUNA
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2007
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FINANCIAL SECTION



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

Independent Auditor's Report

Hector H. Balderas
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, the general fund and major special revenue fund budgetary comparisons and the aggregate remaining fund information of County of Luna, New Mexico, as of and for the year-ended June 30, 2007, 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, 2007 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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, 2007, 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 of County of Luna, New Mexico, as of June 30, 2007, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the non-major governmental funds and proprietary fund 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2007 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, Fairall, Bristol & Co. LLP

El Paso, Texas
November 16, 2007

STATE OF NEW MEXICO
COUNTY OF LUNA
June 30, 2007

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, 2007. 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 \$41,836,663 (*net assets*). Of this amount, \$19,082,963 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Revenues for governmental activities increased \$3,009,709 over the prior year.
- Expenditures for governmental activities decreased \$374,344 from the prior year.
- As of June 30, 2007, the County's governmental funds reported combined ending fund balances of \$17,824,539.
- At the close of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$2,380,156.

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, 2007

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 26 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 23 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, 2007**

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 26-42 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 45-52 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 \$41,836,663 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 \$22,753,700 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.

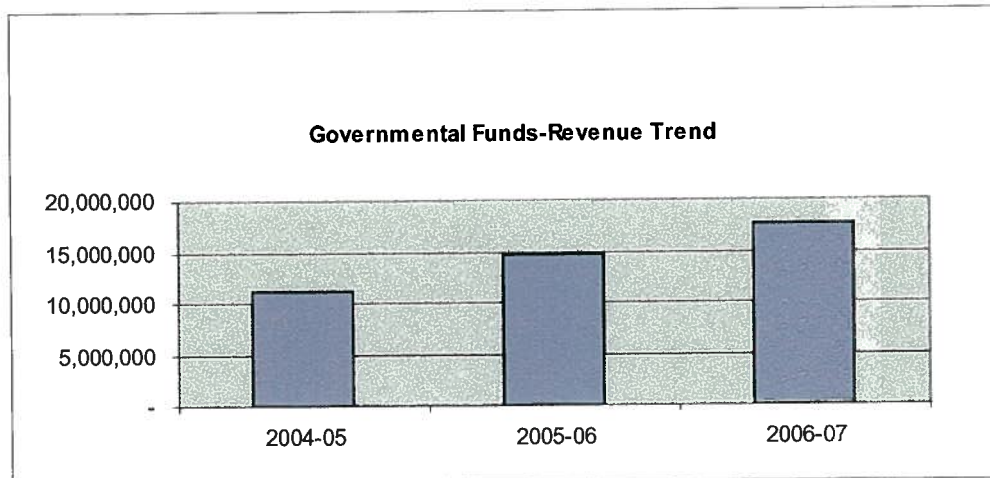
The remaining balance of *unrestricted net assets* \$19,082,963 may be used to meet the government's ongoing obligations to citizens and creditors.

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 \$5,416,868 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 \$5,616,452 compared to the prior year's increase of \$2,261,249. Property taxes and state-shared taxes contributed \$7,328,426 for covering the \$11,870,043 net program expense associated with general governmental activities.



**STATE OF NEW MEXICO
COUNTY OF LUNA
June 30, 2007**

Management's Discussion and Analysis

Analysis of Changes in Net Assets (continued)

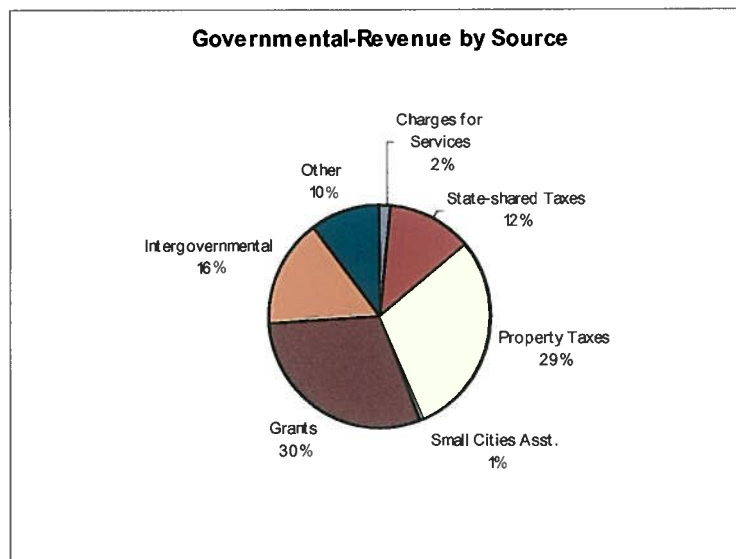
Governmental revenues, consisting mostly of taxes, are not directly associated with any government function. The above chart provides a comparison of prior two years. The total revenues increased \$3,009,709. Property tax revenue and state-shared taxes grew 5.32% as compared to the prior year.

Investment earnings were increased 149.68% in fiscal year ended June 30, 2007. The primary cause for this increase was the increase in the investment balances during the year.

Charges for services increased 48.71% due to increased collections for licenses and service charges.

Intergovernmental income decreased 17.31% due to decreased state and federal assistance.

Total revenues from governmental activities are summarized below. For fiscal year ending June 30, 2007, Property and State-shared taxes made up 41% of the total general fund revenues compared to 76% of the prior year's revenues.



Business-Type Activities. Business-type activities decreased the County's net assets by \$199,584 compared to the prior year's increase of \$1,019,008. The key element of this decrease was a 46% decrease in dispatch reimbursements from the City of Deming during the current year. However, the expenses decreased only 7.37%. The increase in fees only offset the increase in expenses. There was a decrease of \$658,064 in the ending cash balance due to the increase in capital assets and renovations.

STATE OF NEW MEXICO
COUNTY OF LUNA
June 30, 2007

Management's Discussion and Analysis
Summary of Net Assets

	Government Activities		Business-Type Activities		Totals		Total Percent Change 2006-2007
	2007	2006	2007	2006	2007	2006	
Assets							
Current and other assets	\$ 17,807,896	16,745,628	1,949,202	3,102,516	19,757,098	19,848,144	-0.46%
Capital assets, net of accumulated	16,079,335	12,057,486	6,697,764	5,856,662	22,777,099	17,914,148	27.15%
Capital assets, net of accumulated net of accumulated	\$ 33,887,231	28,803,114	8,646,966	8,959,178	42,534,197	37,762,292	12.64%
Liabilities							
Current and other liabilities	\$ 258,763	862,439	101,332	210,403	360,095	1,072,842	-66.44%
Long-term liabilities	247,569	176,228	89,870	93,427	337,439	269,655	25.14%
Total liabilities	506,332	1,038,667	191,202	303,830	697,534	1,342,497	-48.04%
Net Assets							
Invested in capital assets, net of related debt	16,055,936	12,026,289	6,697,764	5,856,662	22,753,700	17,882,951	27.24%
Restricted	17,324,963	15,738,158	1,758,000	2,798,686	19,082,963	18,536,844	2.95%
Unrestricted	33,380,899	27,764,447	8,455,764	8,655,348	41,836,663	36,419,795	14.87%
Total net assets	\$ 33,887,231	28,803,114	8,646,966	8,959,178	42,534,197	37,762,292	12.64%

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 2006-2007
	2007	2006	2007	2006	2007	2006	
Revenues							
Program revenues:							
Charges for service	\$ 453,058	\$ 304,663	\$ 5,554,239	\$ 6,333,612	\$ 6,007,297	\$ 6,638,275	-9.51%
Operating grants and contributions	1,446,780	1,937,328	-	-	1,446,780	1,937,328	-25.32%
Capital grants and contributions	3,803,187	911,255	-	-	3,803,187	911,255	317.36%
General revenues:							
Taxes	7,328,426	8,221,752	-	692,531	7,328,426	8,914,283	-17.79%
Other income	3,773,739	2,279,590	126,461	-	3,900,200	2,279,590	71.09%
Interest income	842,263	983,156	49,240	77,502	891,503	1,060,658	-15.95%
Total revenues	17,647,453	14,637,744	5,729,940	7,103,645	23,377,393	21,741,389	7.52%
Expenses							
General government	3,865,223	3,616,709	-	-	3,865,223	3,616,709	6.87%
Public safety	3,531,960	3,559,528	-	-	3,531,960	3,359,528	5.13%
Public works	2,674,129	3,641,986	-	-	2,674,129	3,641,986	-26.57%
Health and welfare	2,253,139	1,758,347	-	-	2,253,139	1,758,347	28.14%
Proprietary expenses	-	-	5,636,074	6,084,637	5,636,074	6,084,637	-7.37%
Total expenses	12,324,451	12,376,570	5,636,074	6,084,637	17,960,525	18,461,207	-2.71%
Change in net assets before transfer	5,323,002	2,261,174	93,866	1,019,008	5,416,868	3,280,182	65.14%
Transfers	293,450	75	(293,450)	(75)	-	-	
Change in net assets	5,616,452	2,261,249	(199,584)	1,018,933	5,416,868	3,280,182	65.14%
Net assets-beginning of year	27,764,447	25,503,198	8,655,348	7,636,415	36,419,795	33,139,613	9.90%
Net assets-end of year	\$ 33,380,899	\$ 27,764,447	\$ 8,455,764	\$ 8,655,348	\$ 41,836,663	\$ 36,419,795	14.87%

STATE OF NEW MEXICO
COUNTY OF LUNA
June 30, 2007

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 \$17,824,539, an increase of \$1,790,262 before transfers in comparison with the prior year. The increase is primarily due to the increase in grant revenue. Approximately 97 percent of this total amount, \$16,639,042 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 \$441,553.

Revenues for governmental functions overall totaled \$18,065,221 in the fiscal year-ended June 30, 2007, which represents an increase of \$2,855,671 from the fiscal year-ended June 30, 2006. Expenditures for governmental functions totaled \$16,274,959. This was an increase of \$834,600 from the fiscal year-ended June 30, 2006. In the fiscal year-ended June 30, 2007, revenues for governmental functions exceeded expenditures by \$1,790,262.

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 \$2,380,156.

The fund balance of County of Luna's General Fund increased \$563,022 during the current fiscal year. This increase is primarily due to an increase in tax and grant revenue.

The Road Fund has total fund balance of \$1,558,259. The net decrease in fund balance during the current year in the Road Fund was \$35,096, before transfers. This decrease is due primarily to increased salaries and fuel costs for road repairs.

The County Maintenance Fund has a total fund balance of \$11,005,662. The net decrease in fund balance during the current year in the County Maintenance Fund was \$266,952. This decrease is due primarily to a transfer of funds to capital projects funds.

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 \$1,758,000. The total decrease in net assets for the Proprietary Funds was \$199,584. 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, 2007**

Management's Discussion and Analysis

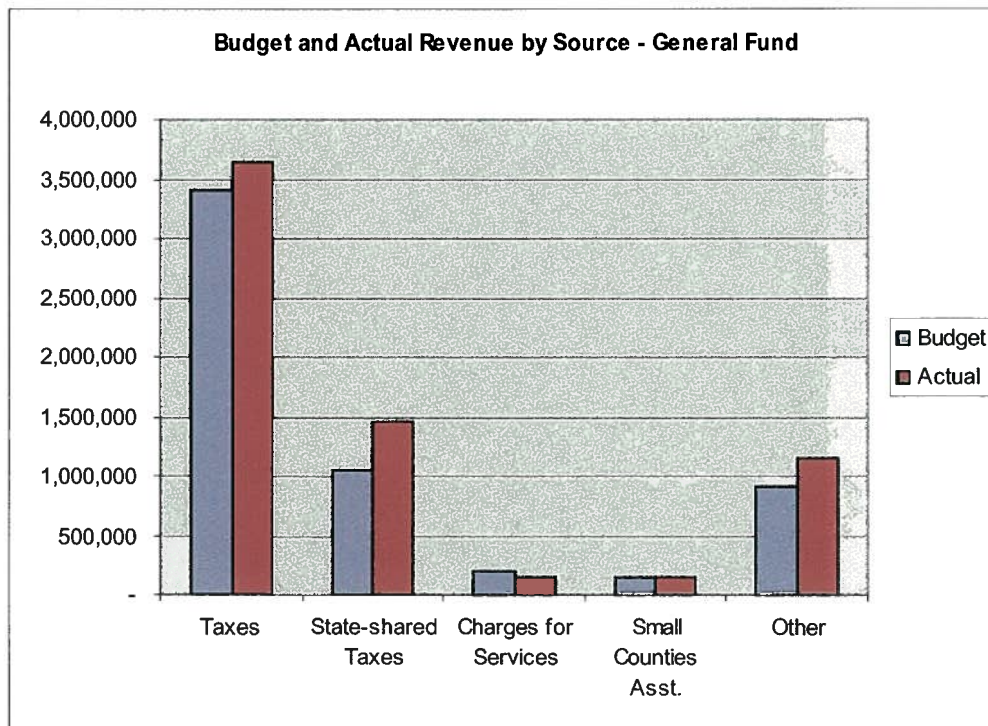
Budgetary Highlights (continued)

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
	\$			To pay for salaries, management of cattle crossing, vehicle, wireless system, and refund Verizon after cancellation of cellphone tower
Expense-General government	667,349	1,239,662	572,313	
Expense-Public works	161,104	214,745	53,641	To pay for salaries and to fund agriculture agent office
Expense-Public safety	<u>1,517,385</u>	<u>2,137,169</u>	<u>619,784</u>	To pay for salaries, equipment, and operations
Totals	\$ <u>2,345,838</u>	\$ <u>3,591,576</u>	\$ <u>1,245,738</u>	

The following chart demonstrates a summary of the major revenue sources received compared to the approved budget for the General Fund.

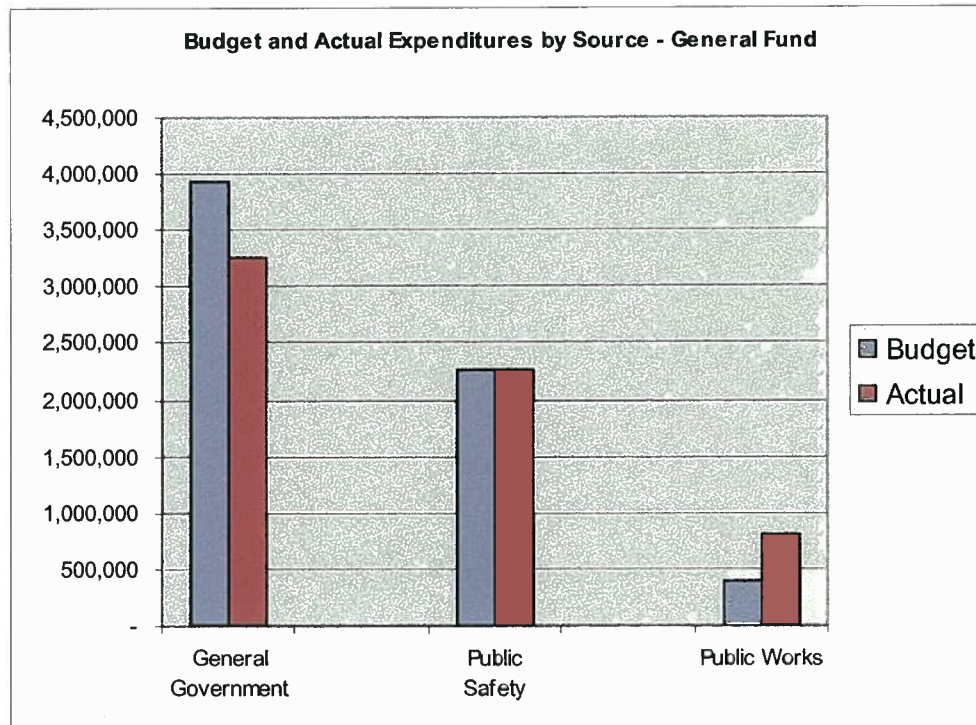


**STATE OF NEW MEXICO
COUNTY OF LUNA
June 30, 2007**

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, and Road Repairs. 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, 2007 amount to \$22,777,099 (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 \$5,504,904 for governmental activities. This increase includes \$896,464 transferred from construction in progress to depreciable assets. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$1,134,257.

**Capital Assets, Net of Depreciation
June 30, 2007**

	Government Activities	Business-Type Activities	Totals
Land and Construction in Process	\$ 5,613,556	\$ 244,714	\$ 5,858,270
Buildings	8,059,851	6,080,576	14,140,427
Furniture and Equipment	2,405,928	372,474	2,778,402
Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,079,335</u>	<u>\$ 6,697,764</u>	<u>\$ 22,777,099</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, 2007**

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 \$16,055,936. 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 \$5,504,904, which included construction projects totaling \$4,183,530, of which \$2,189,259 was in progress at the end of the year. Equipment costing \$1,141,105 was purchased for the County. The deletions consisted of the transfer of completed construction in progress costing \$896,464.

The additions in business-type activities total \$1,134,257 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, 2007
Net Value of Capital Assets	\$ 16,079,335	\$ 6,697,764	\$ 22,777,099
Long-Term Debt Principal Balance:			
Fire Truck Loan	23,399	-	23,399
Total Investment in Capital Assets Net of Related Debt	\$ 16,055,936	\$ 6,697,764	\$ 22,753,700

Contingencies

The County was declared a flood disaster area by the Governor of New Mexico and the U. S. Department of Homeland Security, Federal Emergency Management Administration (FEMA). Recovery costs have been estimated by the New Mexico Department of Public Safety, Office of Emergency Management, at \$1,675,342. None of the recovery costs were paid by the County's liability insurance. FEMA has agreed to pay for \$1,256,507 (75%) of the estimated costs. The Office of Emergency Management has estimated the State's share at 18%. As of June 30, 2007, the final cost to the State has not been determined. After the State's share is determined, the County will be responsible for the balance of the recovery costs.

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 investment account. This loan is expected to be paid back to the Detention Center from gross receipts tax revenue.

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 2008 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 Budget Officer, 700 S Silver, Deming, New Mexico 88030.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
COUNTY OF LUNA
Government-wide Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 6,617,785	\$ 1,949,202	\$ 8,566,987
Investments	9,685,710	-	9,685,710
Taxes receivable	92,923	-	92,923
Property taxes receivable	509,874	-	509,874
Other receivables	50,083	-	50,083
Due from other governments	409,968	-	409,968
Inventory	441,553	-	441,553
Capital assets:			
Land and construction in process	5,613,556	244,714	5,858,270
Other capital assets, net of depreciation	10,465,779	6,453,050	16,918,829
Total assets	\$ 33,887,231	\$ 8,646,966	\$ 42,534,197
Liabilities			
Accounts payable	\$ 73,737	\$ 8,485	\$ 82,222
Accrued salaries	185,026	92,847	277,873
Long-term liabilities			
Due within one year	82,711	29,956	112,667
Due in more than one year	164,858	59,914	224,772
Total liabilities	506,332	191,202	697,534
Net assets			
Invested in capital assets, net of related debt	16,055,936	6,697,764	22,753,700
Unrestricted	17,324,963	1,758,000	19,082,963
Total net assets	\$ 33,380,899	\$ 8,455,764	\$ 41,836,663

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, 2007

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
PRIMARY GOVERNMENT:							
GOVERNMENTAL ACTIVITIES:							
General government	\$ 3,865,223	\$ 445,651	\$ 109,461	\$ -	\$ (3,310,111)	\$ -	\$ (3,310,111)
Public safety	3,531,960	-	159,348	390,041	(2,982,571)	-	(2,982,571)
Public works	2,674,129	7,407	-	3,413,146	746,424	-	746,424
Health and welfare	2,253,139	-	1,177,971	-	(1,075,168)	-	(1,075,168)
Total governmental activities	12,324,451	453,058	1,446,780	3,803,187	(6,621,426)	-	(6,621,426)
BUSINESS-TYPE ACTIVITIES:							
Detention facility	5,636,074	5,554,239	-	-	-	(81,835)	(81,835)
Total business-type activities	5,636,074	5,554,239	-	-	(6,621,426)	(81,835)	(6,703,261)
TOTAL PRIMARY GOVERNMENT							
General revenues:							
Taxes							
Property taxes					5,134,776		5,134,776
State shared taxes					2,193,650		2,193,650
Intergovernmental income					3,009,400	126,368	3,135,768
State shared assistance							
Small counties assistance					147,000		147,000
Interest income					842,263	49,240	891,503
Other income					617,339	93	617,432
Transfers					293,450	(293,450)	-
Total general revenues and transfers					12,237,878	(117,749)	12,120,129
Changes in net assets					5,616,452	(199,684)	5,416,868
Net assets, beginning of year					27,764,447	8,655,348	36,419,795
Net assets, end of year					\$ 33,380,899	\$ 8,455,764	\$ 41,836,663

The accompanying notes are an integral part of these financial statements

GOVERNMENTAL FUNDS

**STATE OF NEW MEXICO
COUNTY OF LUNA
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2007**

	General Fund	Road Fund	County Maintenance	Total Non-Major Funds	Total Funds
Assets					
Cash and cash equivalents	\$ 1,890,208	\$ 1,074,603	\$ 1,530,816	\$ 2,122,158	\$ 6,617,785
Investments	210,661	-	9,475,049	-	9,685,710
Taxes receivable	7,187	85,736	-	-	92,923
Property taxes receivable	509,874	-	-	-	509,874
Other receivables	14,180	-	-	35,903	50,083
Due from other funds	16,643	-	-	-	16,643
Due from other governments	5,202	-	10,630	394,136	409,968
Inventory	-	441,553	-	-	441,553
Total assets	<u>\$ 2,653,955</u>	<u>\$ 1,601,892</u>	<u>\$ 11,016,495</u>	<u>\$ 2,552,197</u>	<u>\$ 17,824,539</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 40,665	\$ 11,776	\$ 10,833	\$ 10,463	\$ 73,737
Accrued salaries	129,377	31,857	-	23,792	185,026
Due to other funds	-	-	-	16,643	16,643
Deferred revenue	103,757	-	-	336,007	439,764
Total liabilities	<u>273,799</u>	<u>43,633</u>	<u>10,833</u>	<u>386,905</u>	<u>715,170</u>
Fund balances:					
Reserved for road inventory	-	441,553	-	-	441,553
Unreserved for capital projects funds	-	-	-	28,774	28,774
Unreserved for special revenue funds	-	1,116,706	11,005,662	2,136,518	14,258,886
Unreserved	2,380,156	-	-	-	2,380,156
Total fund balances	<u>2,380,156</u>	<u>1,558,259</u>	<u>11,005,662</u>	<u>2,165,292</u>	<u>17,109,369</u>
Total liabilities and fund balances	<u>\$ 2,653,955</u>	<u>\$ 1,601,892</u>	<u>\$ 11,016,495</u>	<u>\$ 2,552,197</u>	<u>\$ 17,824,539</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, 2007**

Total fund balances – governmental funds \$ 17,109,369

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	\$	23,151,009	
Accumulated depreciation		<u>(7,071,674)</u>	
	\$	<u>16,079,335</u>	16,079,335

Certain assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 439,764

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	\$	23,399	
Compensated absences		<u>224,170</u>	
	\$	<u>247,569</u>	(247,569)

Total net assets – governmental activities \$ 33,380,899

STATE OF NEW MEXICO
COUNTY OF LUNA
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year-Ended June 30, 2007

	General Fund	Road Fund	County Maintenance Fund	Total Non-Major Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 4,488,247	\$ -	\$ -	\$ -	\$ 4,488,247
State shared taxes	1,064,297	869,249	633,008	691,393	3,257,947
Small counties assistance	147,000	-	-	-	147,000
Intergovernmental revenue	654,485	789,572	301,797	1,646,984	3,392,838
Charges for services	201,980	7,407	-	110,411	319,798
Interest income	274,395	15,674	540,922	11,272	842,263
Federal grants	-	-	-	1,957,253	1,957,253
State grants	33,873	157,932	749,623	1,967,848	2,909,276
Other income	572,448	70,343	1,936	105,872	750,599
Total revenues	<u>7,436,725</u>	<u>1,910,177</u>	<u>2,227,286</u>	<u>6,491,033</u>	<u>18,065,221</u>
Expenditures					
Current:					
General government	3,084,936	-	-	114,557	3,199,493
Public safety	2,359,478	-	-	1,172,482	3,531,960
Public works	618,823	1,704,573	311,233	39,500	2,674,129
Health & welfare	24,160	-	-	2,228,979	2,253,139
Debt service					
Principal	-	-	-	7,798	7,798
Capital outlay	786,306	240,700	977,901	2,603,533	4,608,440
Total expenditures	<u>6,873,703</u>	<u>1,945,273</u>	<u>1,289,134</u>	<u>6,166,849</u>	<u>16,274,959</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>563,022</u>	<u>(35,096)</u>	<u>938,152</u>	<u>324,184</u>	<u>1,790,262</u>
Other financing sources (uses)					
Transfers in	50,440	240,700	74,296	1,343,657	1,644,960
Transfers out	(45,389)	-	(1,279,400)	(90,854)	(1,415,643)
Total other financing sources (uses)	<u>5,051</u>	<u>240,700</u>	<u>(1,205,104)</u>	<u>1,252,803</u>	<u>293,450</u>
Net change in fund balances	568,073	205,604	(266,952)	1,576,987	2,083,712
Fund balance:					
Balances - beginning 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>
Balances - end of year	<u>\$ 2,380,156</u>	<u>\$ 1,558,259</u>	<u>\$ 11,005,662</u>	<u>\$ 2,165,292</u>	<u>\$ 17,109,369</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, 2007**

Total net change in fund balances-governmental funds	\$	2,083,712
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital outlays	\$	4,608,440
Depreciation expense		(586,591)
	\$	<u>4,021,849</u>
		4,021,849
<p>Property taxes are deferred in the funds based on available and measurable criteria, whereas they are recorded as revenue in Statement of Activities</p>		
		(417,768)
<p>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 earned (\$205,025) exceeded the amounts used (\$125,886).</p>		
		(79,139)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		7,798
		<hr/>
Change in net assets of governmental activities	\$	<u>5,616,452</u>

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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Taxes	\$ 3,403,284	\$ 3,403,284	\$ 3,638,958	\$ 235,674
State shared taxes	1,054,760	1,054,760	1,450,091	395,331
Intergovernmental income	493,907	493,907	401,021	(92,886)
Charges for services	203,223	203,223	147,572	(55,651)
Joint powers agreements	-	-	184,934	184,934
Other income	162,161	162,161	342,014	179,853
Investment income	250,000	250,000	274,395	24,395
Federal grants	76,379	76,379	71,063	(5,316)
State grants	72,500	72,500	34,070	(38,430)
Total revenues	5,716,214	5,716,214	6,544,118	827,904
Beginning cash	2,437,464	2,437,464		
	8,159,156	8,104,578		
Expenditures:				
Current				
General government	3,680,065	3,929,386	3,249,182	680,204
Public safety	1,929,896	2,260,509	2,258,474	2,035
Public works	360,136	389,784	794,873	(405,089)
Capital outlay	-	636,156	566,593	69,563
Total expenditures	5,970,097	7,215,835	6,869,122	346,713
Excess (deficiency) revenues over expenditures			(325,004)	
Other financing sources (uses)				
Transfers in	-	-	50,439	50,439
Transfers out	-	-	(45,388)	(45,388)
Total other financing sources (uses)	-	-	5,051	5,051
Net change in fund balances			(319,953)	
Difference between GAAP and Non-GAAP				
Adjust accrued revenue		892,607		
Adjust accrued expenditures		(4,581)		
			888,026	
Fund balances – beginning of year			1,812,083	
Fund balances – end of year			\$ 2,380,156	

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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Taxes	\$ 259,000	\$ 259,000	\$ 198,974	\$ (60,026)
State shared taxes	900,000	900,000	945,113	45,113
Intergovernmental income	313,698	328,202	313,398	(14,804)
Other income	123,400	106,947	175,942	68,995
Investment income	-	-	15,062	15,062
State grants	271,495	419,606	320,432	(99,174)
Total revenues	<u>1,867,593</u>	<u>2,013,755</u>	<u>1,968,921</u>	<u>44,834</u>
Beginning cash	<u>757,853</u>	<u>757,853</u>		
	2,625,446	2,771,608		
Expenditures:				
Public works				
Personnel expenditures	1,097,557	1,117,343	1,117,343	-
Operating expenditures	1,085,461	451,951	451,951	-
Capital outlay	100,000	340,700	340,697	3
Total expenditures	<u>2,283,018</u>	<u>1,909,994</u>	<u>1,909,991</u>	<u>3</u>
Excess (deficiency) of revenues over expenditures			<u>58,930</u>	
Other financing sources (uses)				
Transfers in	-	-	240,700	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>240,700</u>	<u>-</u>
Net change in fund balance			299,630	
Difference between GAAP and Non-GAAP				
Adjust accrued receivables		(58,744)		
Adjust accrued liabilities		<u>(35,282)</u>		
			(94,026)	
Fund balance – beginning of year			<u>1,352,655</u>	
Fund balance – end of year			<u>\$ 1,558,259</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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
State shared taxes	\$ -	\$ -	\$ 633,008	\$ 633,008
Intergovernmental income	640,847	657,833	780,470	122,637
Other income	2,000	2,000	1,936	(64)
Investment income	600,000	600,000	540,922	(59,078)
Federal grant	60,972	288,121	50,000	(238,121)
State grant	4,063,646	4,694,169	2,263,955	(2,430,214)
Total revenues	<u>5,367,465</u>	<u>6,242,123</u>	<u>4,270,291</u>	<u>(1,971,832)</u>
Beginning cash	<u>9,837,351</u>	<u>9,837,351</u>		
	15,204,816	16,079,474		
Expenditures:				
General government				
Operating expenditures	756,419	776,419	390,385	386,034
Capital outlay	5,344,114	5,685,160	2,769,168	2,915,992
Total expenditures	<u>6,100,533</u>	<u>6,461,579</u>	<u>3,159,553</u>	<u>3,302,026</u>
Excess (deficiency) revenues over expenditures			<u>1,110,738</u>	
Other financing sources (uses)				
Transfers in	-	-	74,296	74,296
Transfers out	-	-	(16,520)	(16,520)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>57,776</u>	<u>57,776</u>
Net change in fund balance			1,168,514	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		(2,051,020)		
Adjust accrued expenditures		1,870,419		
Adjust transfers		<u>(1,254,865)</u>		
			(1,435,466)	
Fund balances – beginning of year			<u>11,272,614</u>	
Fund balances – end of year			<u>\$ 11,005,662</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, 2007

Assets	
Current assets	
Cash	\$ <u>1,949,202</u>
Total current assets	<u>1,949,202</u>
Non-current assets	
Capital assets	8,571,454
Accumulated depreciation	<u>(1,873,690)</u>
Total non-current assets	<u>6,697,764</u>
Total assets	\$ <u>8,646,966</u>
Liabilities:	
Current liabilities	
Accounts payable	\$ 8,485
Accrued salaries	92,847
Accrued compensated absences	<u>89,870</u>
Total liabilities	<u>191,202</u>
Net assets:	
Invested in capital assets	6,697,764
Unrestricted	<u>1,758,000</u>
Total net assets	<u>8,455,764</u>
Total liabilities and net assets	\$ <u>8,646,966</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, 2007

Operating revenues:	
Correction fees	\$ 91,337
Adult prisoner fees	5,390,822
Juvenile prisoner fees	72,080
Dispatch-city	126,368
Miscellaneous revenue	93
Total operating revenues	<u>5,680,700</u>
Operating expenses:	
Personnel expenses	4,158,734
Depreciation	293,155
Other operating costs	1,184,185
Total operating expenses	<u>5,636,074</u>
Operating income	<u>44,626</u>
Non-operating revenues:	
Interest revenue	<u>49,240</u>
Total non-operating revenues	49,240
Income before transfers	93,866
Transfers out	<u>(293,450)</u>
Change in net assets:	(199,584)
Total net assets, beginning of year	<u>8,655,348</u>
Total net assets, end of year	<u>\$ 8,455,764</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, 2007

Cash flows from operating activities:	
Cash received from correction fees and taxes	\$ 6,175,950
Cash payments to employees for services	(4,453,969)
Cash payments to suppliers for goods and services	<u>(1,001,578)</u>
Net cash provided by operating activities	720,403
Cash flows from non-capital financing activities:	
Intergovernmental transfers	(293,450)
Interest income	<u>49,240</u>
Net cash used for non-capital financing activities	<u>(244,210)</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(1,134,257)</u>
Net cash used for capital financing activities	(1,134,257)
Net decrease in cash and cash equivalents	(658,064)
Cash and cash equivalents – beginning of year	<u>2,607,266</u>
Cash and cash equivalents – end of year	<u>\$ 1,949,202</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ 44,626
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	293,155
Changes in Assets and Liabilities	
Receivables	495,250
Accrued expenses	(2,080)
Accounts payable	<u>(110,548)</u>
Net cash provided (used) by operating activities	<u>\$ 720,403</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, 2007

	<u>Agency Funds</u>
Assets	
Cash	\$ 98,097
Property taxes receivable	<u>965,514</u>
Total assets	\$ <u>1,063,611</u>
Liabilities	
Due to inmates	\$ 9,259
Due to other governments	995,487
Prepaid taxes	5,277
Overpayment of taxes	123
Taxes paid in advance	23,297
Due to taxpayers	<u>30,168</u>
Total liabilities	\$ <u>1,063,611</u>

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, 2007

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 government-wide financial statement (i.e., the statement of net assets and the statement of activities and changes in net assets) reports information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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*.

STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though neither fiduciary funds nor component units that are fiduciary in nature are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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. The authority to create this fund was given by Section 4-44-31 NMSA 1978.

Road Fund. This is used to account for the revenue received and expenditures incurred in maintaining the County roads. The authority to create this fund was given by Section 67-3-28.2 NMSA 1978.

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, 2007

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 expenditures 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 and 41 effective July 1, 2004. The County implemented the provisions of GASB No. 42, 43, 44, 45, 46, and 47 effective July 1, 2005.

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.

STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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." If one fund has overdrawn its share of an internal investment pool, an inter-fund liability to the fund that loaned the amount is reported.

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 10th and April 10th. Property taxes uncollected after November 10th and April 10th 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, 2007

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

Paid time off is the component of accrued compensated absences. The County accumulates paid time off 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 paid time off per year. Employees with more than ten years of service accumulate fifteen days of paid time off per year.

An employee may accumulate no more than 360 hours of paid time off. Accumulated paid time off for the County totaled \$314,040 as of June 30, 2007. Of the total, \$89,870 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 \$ 9,941 as of June 30, 2007. Of the total \$ 2,190 is allocable to the Business-Type Activities – Detention Center.

STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007

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

STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007

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 Recreation special revenue fund 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, 2007 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)	\$ 568,073	\$ 587,864	\$ (238,178)	\$ 1,607,199	\$ (199,584)
Adjustments:					
To adjust revenues for tax accruals, earnings on investments and other deferrals and accruals.	(892,607)	58,744	1,902,929	(384,484)	430,470
Adjustments:					
To adjust revenues for payables, payroll taxes, prepaid expenditures and other accruals.	<u>4,581</u>	<u>(10,971)</u>	<u>(496,237)</u>	<u>4,209</u>	<u>(888,950)</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)	<u>\$ (319,953)</u>	<u>\$ 635,637</u>	<u>\$ 1,168,514</u>	<u>\$ 1,226,924</u>	<u>\$ (658,064)</u>

**STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007**

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	\$ 200,000
Collateralized:	
Collateral held by pledging bank's trust department not in the county's name	1,837,196
Uninsured and uncollateralized	<u>-</u>
Total Cash and Investments, Primary Government	\$ <u>2,037,196</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, 2007, \$1,837,196 of the County's bank balance of \$2,037,196 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Uninsured and collateral held by pledging bank's trust department not in County's name	<u>1,837,196</u>
Total Cash and Investments, Primary Government	\$ <u>1,837,196</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, 2007**

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 \$301,829 at June 30, 2007.

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 interest credit rate risk of this investment is as follows:

New MexicoGrow LGIP AAAM rated \$ 6,942,915 24-day WAM

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 41.01%
FHLM 17.48%
GNMA 20.86%
CD’s 20.64%

The County portfolio concentrations are noted below.

Description	Type	Annual Yield	Cost	Market Value	Unrealized Gain (Loss)	Percent Of Portfolio
FHLM 313396QH9	N/A	5.33	249,423	250,189	766	
FHLM 133396QM8	N/A	5.20	999,921	1,012,838	12,917	
FHLM 313396MC4	N/A	5.31	1,710,764	1,732,139	21,375	
			<u>2,960,108</u>	<u>2,995,166</u>	<u>35,058</u>	17.48%
State Investment Council	N/A		52,995	52,995	-	
LGIP – 7106	N/A	VAR	\$ 4,494,919	\$ 4,494,919	\$ -	
LGIP – MM Hosp Trust	N/A	VAR	2,395,001	2,395,001	-	
Sub-total			<u>6,942,915</u>	<u>6,942,915</u>	<u>-</u>	41.01%

**STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007**

NOTE 4. INVESTMENTS (continued)

Description	Type	Annual Yield	Cost	Market Value	Unrealized Gain (Loss)	Percent Of Portfolio
#403386-GNMA	Sec	4.85	119,170	108,689	(10,481)	
#615948-GNMA	Sec	5.07	221,317	205,388	(15,929)	
#604497-GNMA	Sec	5.08	164,341	158,463	(5,878)	
#445622-GNMA	Sec	4.66	172,509	156,047	(16,462)	
GNMA-3227	Sec	5.90	29,909	29,261	(648)	
GNMA-3582	Sec	5.00	207,657	195,478	(12,179)	
#781603-GNMA	Sec	5.01	199,147	186,893	(12,254)	
GNMA-603746	Sec	4.63	146,477	135,393	(11,084)	
#607693 GNMA	Sec	5.02	96,012	84,911	(11,101)	
#607708 GNMA	Sec	4.87	41,233	32,856	(8,377)	
GNMA-2575	Sec	5.60	64,218	65,584	1,366	
GNMA 625893	Sec	5.25	214,912	208,792	(6,120)	
GNMA 3544	Sec	5.50	163,170	162,398	(772)	
GNMA II-3498	Sec	4.50	233,010	218,021	(14,989)	
GNMA II-3499	Sec	4.99	382,823	359,949	(22,874)	
#583203-GNMA	Sec	6.00	137,290	138,587	1,297	
#359907-GNMA	Sec	6.10	82,035	-	(82,035)	
#575477-GNMA	Sec	6.10	30,603	30,712	109	
#2741-GNMA	Sec	6.30	58,171	51,499	(6,672)	
#402577-GNMA	Sec	6.20	10,981	9,568	(1,413)	
#470426-GNMA	Sec	6.50	3,109	3,236	127	
#2632-GNMA	Sec	6.54	7,850	7,928	78	
#2704-GNMA	Sec	6.62	6,121	6,198	77	
#452961-GNMA	Sec	6.40	13,139	19,290	6,151	
#492981-GNMA	Sec	6.10	47,048	48,639	1,591	
#580363-GNMA	Sec	5.38	80,536	77,511	(3,025)	
#614620-GNMA	Sec	5.50	175,731	170,811	(4,920)	
#601571-GNMA	Sec	5.50	137,542	129,763	(7,779)	
#3513-GNMA	Sec	5.00	180,988	170,547	(10,441)	
#1142-GNMA	Sec	9.50	5,723	5,897	174	
#492892-GNMA	Sec	7.00	2,178	2,163	(15)	
#337531-GNMA	Sec	6.00	127	110	(17)	
#1531-GNMA	Sec	7.00	4,751	4,613	(138)	
#1593-GNMA	Sec	5.50	1,701	1,858	157	
#372096-GNMA	Sec	6.50	3,021	3,130	109	
#530607-GNMA	Sec	6.47	8,997	2,641	(6,356)	
#449188-GNMA	Sec	6.85	11,736	5,222	(6,514)	
#3011-GNMA	Sec	6.85	15,621	5,812	(9,809)	
GNMA principal pay down	N/A		51,527	51,527	-	
Sub-total			<u>3,532,431</u>	<u>3,255,385</u>	<u>(277,046)</u>	20.86%

STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007

NOTE 4 INVESTMENTS (continued)

Description	Type	Annual Yield	Cost	Market Value	Unrealized Gain (Loss)	Percent Of Portfolio
Cusip#23255UBB2	CD	5.00	100,000	97,528	(2,472)	
Cusip#88625PAU8	CD	5.00	100,000	97,559	(2,441)	
Cusip#5250KHR1	CD	6.00	100,000	97,446	(2,554)	
Cusip#073234BV7	CD	4.20	100,000	98,824	(1,176)	
Cusip#38012aaf7	CD	5.50	100,000	96,588	(3,412)	
Cusip#56036UAF0	CD	4.50	100,000	99,656	(344)	
Cusip#42723LAJ0	CD	5.30	99,000	98,787	(213)	
Cusip#21685PAD4	CD	4.70	100,000	99,622	(378)	
Cusip#45662WGA5	CD	4.70	100,000	99,648	(352)	
Cusip#218892DE4	CD	4.65	100,000	99,692	(308)	
Cusip#01073NBK4	CD	4.25	100,000	98,881	(1,119)	
Cusip#041002GG5	CD	4.24	100,000	98,023	(1,977)	
Cusip#89465ALR7	CD	6.00	100,000	97,301	(2,699)	
Cusip#07278P997	CD	4.15	100,000	98,841	(1,159)	
Cusip#25467B9A8	CD	6.00	100,000	97,595	(2,405)	
Cusip#063248-BH-0	CD	6.00	100,000	97,630	(2,370)	
Cusip#39164PAD6	CD	5.00	100,000	98,987	(1,013)	
Cusip#70335XBK1	CD	4.65	100,000	99,674	(326)	
Cusip#048874AP6	CD	4.70	100,000	99,700	(300)	
Cusip#919343BX0	CD	4.40	100,000	99,585	(415)	
Cusip#31984scn1	CD	4.30	100,000	97,974	(2,026)	
Cusip#42723JAE6	CD	4.15	100,000	99,852	(148)	
Cusip#52170WDE1	CD	4.25	100,000	98,671	(1,329)	
Cusip#454672AA4	CD	4.20	100,000	98,608	(1,392)	
Cusip#34347RAP6	CD	4.20	100,000	98,807	(1,193)	
Cusip#20056QEM1	CD	4.35	100,000	98,452	(1,548)	
Cusip#846024BB2	CD	4.05	100,000	99,505	(495)	
Cusip#42712AAE5	CD	4.50	100,000	98,256	(1,744)	
Cusip#26924V-GT-0	CD	5.35	100,000	95,956	(4,044)	
Cusip#318926AC6	CD	5.00	100,000	97,425	(2,575)	
Cusip#060703-BC-8	CD	5.60	100,000	97,242	(2,758)	
Cusip#173702AM3	CD	5.00	100,000	97,452	(2,548)	
Cusip#61747MAZ4	CD	5.50	100,000	96,063	(3,937)	
Cusip#89387WDE2	CD	5.00	100,000	93,749	(6,251)	
Cusip#29874FW07	CD	5.50	96,000	95,580	(420)	
Sub-total			<u>3,495,000</u>	<u>3,435,159</u>	<u>(59,841)</u>	20.64%
Grand total			\$ 16,930,454	16,628,625	\$ (301,829)	100.00%
Less: Cash equivalents				<u>6,942,915</u>		
				\$ <u>9,685,710</u>		

**STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007**

NOTE 5 RECEIVABLES

Receivables as of June 30, 2007, are as follows:

	Governmental Fund
Taxes receivable	\$ 92,923
Property taxes receivable	509,874
Other receivable	50,083
Due from other governments	409,968
Net receivables	\$ 1,062,848

The above receivables are deemed 100% collectible.

NOTE 6 CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year-ended June 30, 2007. Land is not subject to depreciation.

Governmental Activities:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets:				
Land	\$ 1,278,558	\$ 180,269	\$ -	\$ 1,458,827
Construction in progress	2,861,934	2,189,259	896,464	4,154,729
Depreciable capital assets:				
Building and improvements	7,279,207	1,994,271	-	9,273,478
Furniture and equipment	7,122,870	1,141,105	-	8,263,975
Total	18,542,569	5,504,904	896,464	23,151,009
Accumulated depreciation:				
Buildings and improvements	1,052,048	161,579	-	1,213,627
Machinery and equipment	5,433,035	425,012	-	5,858,047
Total accumulated depreciation	6,485,083	586,591	-	7,071,674
Net capital assets	\$ 12,057,486	4,918,313	896,464	16,079,335

Depreciation expense for the year-ended June 30, 2007 was charged as follows:

General Governmental	\$ 211,598
Public Safety	187,819
Public Works	161,803
Health and Welfare	25,371
Total depreciation expense	\$ 586,591

**STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007**

Business-Like Activities:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets:				
Land and improvements	\$ 244,714	\$ -	\$ -	\$ 244,714
Depreciable capital assets:				
Building and improvements	6,245,474	1,090,365	-	7,335,839
Furniture and equipment	947,009	43,892	-	990,901
Total	<u>7,437,197</u>	<u>1,134,257</u>	<u>-</u>	<u>8,571,454</u>
Accumulated depreciation				
Building and improvements	1,097,559	157,704	-	1,255,263
Machinery and equipment	482,976	135,451	-	618,427
Total accumulated depreciation	<u>1,580,535</u>	<u>293,155</u>	<u>-</u>	<u>1,873,690</u>
Net capital assets	<u>\$ 5,856,662</u>	<u>\$ 841,102</u>	<u>\$ -</u>	<u>\$ 6,697,764</u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2007 totaled \$293,155.

NOTE 7 LONG-TERM DEBT

Governmental Activities: During the year-ended June 30, 2007, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	Due within one year
NMFA Loan					
Fire Truck	\$ 31,197	\$ -	\$ 7,798	\$ 23,399	\$ 7,798
Compensated absences	145,031	205,025	125,886	224,170	74,913
	<u>\$ 176,228</u>	<u>\$ 205,025</u>	<u>\$ 133,684</u>	<u>\$ 247,569</u>	<u>\$ 82,711</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
2008	\$ 7,798	\$ -	\$ 7,798
2009	7,798	-	7,798
2010	7,803	-	7,803
	<u>\$ 23,399</u>	<u>\$ -</u>	<u>\$ 23,399</u>

There was no short-term debt activity.

**STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007**

NOTE 7 LONG-TERM DEBT (continued)

Business-Type Activities: During the year-ended June 30, 2007, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

The outstanding bonds at June 30, 2007 consisted of the following:

	Balance June 30, 2006	Increase	Decrease	Balance June 30, 2007	Due within one year
Compensated absences	93,427	100,076	103,633	89,870	29,956

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

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, 2006 through June 30, 2007, the premiums paid by the County were \$344,737. 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, 2007, 2006, and 2005 were \$738,639, \$594,468, and \$599,617 equal to the amount of the required contributions for the years, respectively. The increase in PERA is due to increase payroll required after the flood.

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.

STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007

NOTE 10 POST-EMPLOYMENT BENEFITS (continued)

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.

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, 2007, the County remitted \$87,830 in employer contributions to the Retiree Health Care Authority.

NOTE 11 CONTINGENCIES

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. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the County.

The County was declared a flood disaster area by the Governor of New Mexico and the U. S. Department of Homeland Security, Federal Emergency Management Administration (FEMA). Recovery costs have been estimated by the New Mexico Department of Public Safety, Office of Emergency Management, at \$1,675,342. None of the recovery costs were paid by the County's liability insurance. FEMA has agreed to pay for \$1,256,507 (75%) of the estimated costs. The Office of Emergency Management has estimated the State's share at 18%. As of June 30, 2007, the final cost to the State has not been determined. After the State's share is determined, the County will be responsible for the balance of the recovery costs.

**STATE OF NEW MEXICO
COUNTY OF LUNA
Notes to Financial Statements
June 30, 2007**

NOTE 11 CONTINGENCIES (continued)

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 investment account. This loan is expected to be paid back to the Detention Center from gross receipts tax revenue.

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 INTER-FUND BALANCES AND TRANSFERS

Balances due to/from other funds at June 30, 2007, consist of the following:

	From	To	Purpose
\$ 16,643	DWI	General	To fund in anticipation of grant revenue

Transfers to/from other funds at June 30, 2007, consist of the following:

	From	To	Purpose
\$ 32,162	Healthy Start	Juvenile	To fund operating expenditures
63	Healthy Start	DWI	To reimburse for expenditures
240,700	Detention Center	Road	To fund capital expenditures
7,811	Fire	Volunteer Fire	To fund operating expenditures
50,000	Mimbres Valley Learning Ctr.	County Maintenance	To fund capital expenditures
24,296	General	County Maintenance	To fund capital expenditures
19,000	General	Farm	To fund operating expenditures
241	General	Healthy Start	To fund operating expenditures
50,440	Detention	General	To reimburse for expenditures
3,128	Detention	LEPF	To fund operating expenditures
1,852	General	LEPF	To fund operating expenditures
20	County Maintenance	LEPF	To reimburse for expenditures
8,591	County Maintenance	Port of Entry	To fund capital expenditures
20,772	County Maintenance	Fairgrounds Renovation	To fund capital expenditures
256,004	County Maintenance	MVLIC Expansion	To fund capital expenditures
26,755	County Maintenance	Columbus Stockyard	To fund capital expenditures
950,758	County Maintenance	Courthouse Renovation	To fund capital expenditures
16,500	County Maintenance	Sirolli	To fund operating expenditures
<u>\$ 1,709,093</u>	Total		

NOTE 15 RELATED-PARTY TRANSACTIONS

The County purchased gravel for the roads from a family member of a former County commissioner who is currently employed with the County in the amount of \$11,475. This purchase was in accordance with County purchase policies.

NON-MAJOR GOVERNMENTAL FUND TYPES

STATE OF NEW MEXICO
COUNTY OF LUNA
Non-Major Governmental Fund Types
June 30, 2007

Special Revenue Funds

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. The authority was given by 6-11-6, NMSA 1978.

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. The authority was given by 5-4-3, NMSA 1978.

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 72-2-21.1, NMSA 1978.

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 27-5-7, NMSA 1978.

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.

DWI Grants – To account for various funds provided to promote awareness and prevention of DWI. The authority was given by Section 11-6A-3, NMSA 1978.

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.

KLCB Aluminum – To account for funds that are collected from the sale of donated aluminum cans. These funds are to be used for the Keep Doña Ana County Beautiful project. The authority to create this fund is by County ordinance.

Mimbres Valley Learning Center – To account for the revenues and expenditures for maintaining and improving the learning center. The authority to create this fund is by County ordinance.

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

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 set forth by U.S. Department of Health and Human Services, Healthy Start Initiative.

Juvenile Field Services – To account for proceeds and expenditures related to a federal grant to raise awareness about the challenges facing youth and motivate adults to connect with youth. This fund has been established in accordance with federal regulations set forth by U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention.

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 1978.

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
June 30, 2007

Volunteer Fire Departments – To account for funds received from state fire distribution for tanker fire truck debt service to New Mexico Finance Authority. The authority was given by Section 59A-53-7, NMSA 1978.

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. The authority was given by Section 7-20E-15, NMSA 1978.

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 Section 7-27-4.11, NMSA 1978.

Capital Projects Funds

Mimbres Valley Learning Center Addition – To account for the grant receipts for the capital addition to the Mimbres Valley Learning Center. The authority to create this fund was given by the U.S. Department of Housing and Urban Development and in accordance with CDBG grant regulations.

Fairgrounds Renovation Fund – To account for the grant receipts for the capital improvements to the Fairgrounds. The authority to create this fund was given by the New Mexico State Legislature in the Laws of 2006, Chapter 111 and in accordance with State grant regulations.

Courthouse Renovation Fund – To account for the grant receipts for the capital improvements to the Courthouse. The authority to create this fund was given by the New Mexico State Legislature in the Laws of 2006, Chapter 111 and in accordance with State grant regulations.

Port of Entry Fund – To account for the grant receipts for the capital improvements to the Columbus Port of Entry. The authority to create this fund was given by the New Mexico State Legislature in the Laws of 2006, Chapter 111 and in accordance with State grant regulations.

Columbus Stockyard Fund – To account for the grant receipts for the capital improvements to the Columbus Stockyard. The authority to create this fund was given by the New Mexico State Legislature in the Laws of 2006, Chapter 111 and in accordance with State grant regulations.

FEMA Disaster – To account for grant funds from the FEMA disaster relief fund. Funding is from the Department of Homeland Security through the New Mexico Office of Emergency Management. The authority to create this fund was given by the FEMA Major Disaster Declaration FEMA-1659-DR.

**STATE OF NEW MEXICO
COUNTY OF LUNA
NON-MAJOR GOVERNMENTAL FUND TYPES
Combining Balance Sheet
June 30, 2007**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 1,786,151	\$ 336,007	\$ 2,122,158
Other receivables	35,903	-	35,903
Due from other governments	365,362	28,774	394,136
Total assets	\$ <u>2,187,416</u>	\$ <u>364,781</u>	\$ <u>2,552,197</u>
Liabilities and fund balance:			
Liabilities:			
Accounts payable	\$ 10,463	\$ -	\$ 10,463
Accrued salaries	23,792	-	23,792
Due to other funds	16,643	-	16,643
Deferred revenue	-	336,007	336,007
Total liabilities	<u>50,898</u>	<u>336,007</u>	<u>386,905</u>
Fund Balances:			
Unreserved for capital projects funds	-	28,774	28,774
Unreserved for special revenue funds	2,136,518	-	2,136,518
Total fund balance	<u>2,136,518</u>	<u>28,774</u>	<u>2,165,292</u>
Total liabilities and fund balance	\$ <u>2,187,416</u>	\$ <u>364,781</u>	\$ <u>2,552,197</u>

**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, 2007**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Totals</u>
Revenues:			
State shared taxes	\$ 691,393	-	691,393
Intergovernmental income	1,646,984	-	1,646,984
Charges for services	110,411	-	110,411
Interest income	11,272	-	11,272
Federal grants	986,753	970,500	1,957,253
State grants	432,757	1,535,091	1,967,848
Other income	105,872	-	105,872
Total revenues	<u>3,985,442</u>	<u>2,505,591</u>	<u>6,491,033</u>
Expenditures:			
Current:			
General government	114,557	-	114,557
Public safety	1,172,482	-	1,172,482
Public works	39,500	-	39,500
Health & welfare	2,228,979	-	2,228,979
Debt service principal	7,798	-	7,798
Capital outlay	389,084	2,214,449	2,603,533
Total expenditures	<u>3,952,400</u>	<u>2,214,449</u>	<u>6,166,849</u>
Excess (deficiency) revenues over expenditures	33,042	291,142	324,184
Other financing sources (uses):			
Operating transfers in	80,777	1,262,880	1,343,657
Operating transfers out	(90,854)	-	(90,854)
Total other financing sources (uses)	<u>(10,077)</u>	<u>1,262,880</u>	<u>1,252,803</u>
Net change in fund balance	22,965	1,554,022	1,576,987
Fund balance – beginning of year	<u>2,113,553</u>	<u>(1,525,248)</u>	<u>588,305</u>
Fund balance – end of year	\$ <u>2,136,518</u>	\$ <u>28,774</u>	\$ <u>2,165,292</u>

The accompanying Notes are an integral part of the Financial Statements.

STATE OF NEW MEXICO
COUNTY OF LUNA
Nonmajor Governmental Funds
Special Revenue Funds
Combining Balance Sheet
June 30, 2007

	Farm and Range	Recreation	Reappraisal Program	Indigent Claims	Treasurer's Mobile Home Sales	DWI Grants	Sub-total
Assets							
Cash and cash equivalents	\$ 22,371	\$ 13	\$ 59,687	\$ 203,996	\$ 105,518	\$ -	\$ 391,585
Investments	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Due from other governments	-	-	-	53,854	-	20,111	73,965
Inventory	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ 22,371	\$ 13	\$ 59,687	\$ 257,850	\$ 105,518	\$ 20,111	\$ 465,550
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 514	\$ 514
Accrued salaries	-	-	1,079	-	-	2,954	4,033
Due to other funds	-	-	-	-	-	16,643	16,643
Total liabilities	-	-	1,079	-	-	20,111	21,190
Fund balances							
Unreserved for:							
Special revenue funds	22,371	13	58,608	257,850	105,518	-	444,360
Total fund balances	22,371	13	58,608	257,850	105,518	-	444,360
Total liabilities and fund balances	\$ 22,371	\$ 13	\$ 59,687	\$ 257,850	\$ 105,518	\$ 20,111	\$ 465,550

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, 2007

	Recording Fees	KLCB Aluminum	Mimbres Valley Learning Center	Sirolli Institute	Healthy Start	Juvenile Field Services	Cumulative Sub-total
Assets							
Cash and cash equivalents	\$ 87,503	\$ 120	\$ 39,468	\$ 39,612	\$ 138,326	\$ -	\$ 696,614
Investments	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Due from other governments	-	-	17,951	-	35,600	2,600	130,116
Inventory	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ 87,503	\$ 120	\$ 57,419	\$ 39,612	\$ 173,926	\$ 2,600	\$ 826,730
Liabilities							
Accounts payable	\$ -	\$ -	\$ 5,281	\$ -	\$ 2,144	\$ 1,100	\$ 9,039
Accrued salaries	-	-	-	-	13,511	-	17,544
Due to other funds	-	-	-	-	-	-	16,643
Total liabilities	-	-	5,281	-	15,655	1,100	43,226
Fund balances							
Unreserved for:							
Special revenue funds	87,503	120	52,138	39,612	158,271	1,500	783,504
Total fund balances	87,503	120	52,138	39,612	158,271	1,500	783,504
Total liabilities and fund balances	\$ 87,503	\$ 120	\$ 57,419	\$ 39,612	\$ 173,926	\$ 2,600	\$ 826,730

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, 2007

	Law Enforcement	Solid Waste	Volunteer Fire Departments		Fire	Ambulance	Cumulative Total
Assets							
Cash and cash equivalents	\$ 105,834	\$ 68,140	\$ 125,373	\$ 120,333	\$ 669,857	\$ 1,786,151	
Investments	-	-	-	-	-	-	
Other receivables	-	-	-	-	35,903	35,903	
Due from other governments	88,440	-	131,439	15,367	-	365,362	
Inventory	-	-	-	-	-	-	
Due from other funds	-	-	-	-	-	-	
Total assets	\$ 194,274	\$ 68,140	\$ 256,812	\$ 135,700	\$ 705,760	\$ 2,187,416	
Liabilities							
Accounts payable	-	-	1,424	-	-	10,463	
Accrued salaries	918	-	-	-	5,330	23,792	
Due to other funds	-	-	-	-	-	16,643	
Total liabilities	918	-	1,424	-	5,330	50,898	
Fund balances							
Unreserved for:							
Special revenue funds	193,356	68,140	255,388	135,700	700,430	2,136,518	
Total fund balances	193,356	68,140	255,388	135,700	700,430	2,136,518	
Total liabilities and fund balances	\$ 194,274	\$ 68,140	\$ 256,812	\$ 135,700	\$ 705,760	\$ 2,187,416	

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, 2007

	Farm and Range	Recreation	Reappraisal Program	Indigent Claims	Treasurer's Mobile Home Sales	DWI Grants	Sub-total
Revenues							
State shared taxes	4,531	-	-	-	-	-	4,531
Intergovernmental income	19,666	-	-	691,862	-	20,618	732,146
Charges for services	-	-	74,550	-	-	-	74,550
Interest income	216	-	-	6,210	-	-	6,426
Federal grants	-	-	-	-	-	-	-
State grants	-	-	-	-	-	138,471	138,471
Other income	-	-	-	-	32,874	6,765	39,639
Total revenues	24,413	0	74,550	698,072	32,874	165,854	995,763
Expenditures							
Current:							
General government	22,000	-	56,817	-	5,215	-	84,032
Public safety	-	-	-	-	-	163,601	163,601
Public works	-	-	-	-	-	-	-
Health and welfare	-	-	-	863,005	-	-	863,005
Debt service principal	-	-	-	-	-	-	-
Capital outlay	-	-	4,245	-	19,429	9,905	33,579
Total expenditures	22,000	0	61,062	863,005	24,644	173,506	1,144,217
Excess (deficiency) revenues over expenditures	2,413	0	13,488	(164,933)	8,230	(7,652)	(148,454)
Other financing sources (uses)							
Transfers in	19,000	-	-	-	-	63	19,063
Transfers out	-	-	-	-	-	(818)	(818)
Total other financing sources (uses)	19,000	-	-	-	-	(755)	18,245
Net change in fund balances	21,413	0	13,488	(164,933)	8,230	(8,407)	(130,209)
Fund balances - beginning of year	958	13	45,120	422,783	97,288	8,407	574,569
Fund balances - end of year	22,371	13	58,608	257,850	105,518	-	444,360

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, 2007

	Recording Fees	KLCB Aluminum	Mimbres Valley Learning Center	Sirilli Institute	Health Start	Juvenile Field Services	Cumulative Sub-total
Revenues							
State shared taxes	\$ -	\$ -	228,954	\$ -	\$ -	\$ -	233,485
Intergovernmental income	-	-	-	36,035	221,850	197,245	1,187,276
Charges for services	35,861	-	-	-	-	-	110,411
Interest income	-	-	-	-	-	-	6,426
Federal grants	-	-	-	-	712,500	-	712,500
State grants	-	-	-	-	-	-	138,471
Other income	-	120	14,540	-	14,175	-	68,474
Total revenues	35,861	120	243,494	36,035	948,525	197,245	2,457,043
Expenditures							
Current:							
General government	30,525	-	-	-	-	-	114,557
Public safety	-	-	-	-	-	-	163,601
Public works	-	-	-	-	-	-	-
Health and welfare	-	-	242,499	47,734	938,245	137,496	2,228,979
Debt service principal	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	33,579
Total expenditures	30,525	-	242,499	47,734	938,245	137,496	2,540,716
Excess (deficiency) revenues over expenditures	5,336	120	995	(11,699)	10,280	59,749	(83,673)
Other financing sources (uses)							
Transfers in	-	-	(50,000)	16,500	241	32,162	67,966
Transfers out	-	-	(50,000)	-	(32,225)	-	(83,043)
Total other financing sources (uses)	-	-	(50,000)	16,500	(31,984)	32,162	(15,077)
Net change in fund balances	5,336	120	(49,005)	4,801	(21,704)	91,911	(98,750)
Fund balances - beginning of year	82,167	-	101,143	34,811	179,975	(90,411)	882,254
Fund balances - end of year	\$ 87,503	\$ 120	\$ 52,138	\$ 39,612	\$ 158,271	\$ 1,500	\$ 783,504

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, 2007

	Law Enforcement	Solid Waste	Volunteer Fire Departments	Fire	Ambulance	Cumulative Total
Revenues						
State shared taxes	\$ -	\$ -	\$ -	\$ -	\$ 457,908	\$ 691,393
Intergovernmental income	75,493	-	147,907	236,308	-	1,646,984
Charges for services	-	-	-	-	-	110,411
Interest income	746	-	4,100	-	-	11,272
Federal grants	274,253	-	-	-	-	986,753
State grants	84,286	-	-	210,000	-	432,757
Other income	37,398	-	-	-	-	105,872
Total revenues	472,176	0	152,007	446,308	457,908	3,985,442
Expenditures						
Current:						
General government	-	-	-	-	-	114,557
Public safety	325,804	-	147,089	129,135	406,853	1,172,482
Public works	-	39,500	-	-	-	39,500
Health and welfare	-	-	-	-	-	2,228,979
Debt service principal	-	-	7,798	-	-	7,798
Capital outlay	35,807	-	-	319,698	-	389,084
Total expenditures	361,611	39,500	154,887	448,833	406,853	3,952,400
Excess (deficiency) revenues over expenditures	110,565	(39,500)	(2,880)	(2,525)	51,055	33,042
Other financing sources (uses)						
Transfers in	5,000	-	7,811	0	0	80,777
Transfers out	-	-	-	(7,811)	-	(90,854)
Total other financing sources (uses)	5,000	-	7,811	(7,811)	-	(10,077)
Net change in fund balances	115,565	(39,500)	4,931	(10,336)	51,055	22,965
Fund balances - beginning of year	77,791	107,640	250,457	146,036	649,375	2,113,553
Fund balances - end of year	\$ 193,356	\$ 68,140	\$ 255,388	\$ 135,700	\$ 700,430	\$ 2,136,518

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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Taxes	\$ -	\$ -	\$ 4,531	\$ 4,531
Intergovernmental income	19,962	19,962	19,666	(296)
Investment income	4,000	4,000	216	(3,784)
Total revenues	<u>23,962</u>	<u>23,962</u>	<u>24,413</u>	<u>451</u>
Beginning cash	<u>958</u>	<u>958</u>		
	<u>24,920</u>	<u>24,920</u>		
Expenditures:				
General government				
Operating expenditures	<u>24,500</u>	<u>43,500</u>	<u>22,000</u>	<u>21,500</u>
Total expenditures	<u>24,500</u>	<u>43,500</u>	<u>22,000</u>	<u>21,500</u>
Excess (deficiency) revenues over expenditures			<u>2,413</u>	
Other financing sources (uses)				
Transfers in	-	-	19,000	19,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>19,000</u>	<u>19,000</u>
Net change in fund balance			21,413	
Fund balances – beginning of year			<u>958</u>	
Fund balances – end of year			<u>\$ 22,371</u>	

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, 2007

	<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	\$ 23,000	\$ 23,000	\$ 32,874	\$ 9,874
Total revenues	<u>23,000</u>	<u>23,000</u>	<u>32,874</u>	<u>9,874</u>
Beginning cash	<u>97,288</u>	<u>97,288</u>		
	120,288	120,288		
Expenditures:				
General government				
Operating expenditures	5,000	5,000	5,215	(215)
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>19,429</u>	<u>40,571</u>
Total expenditures	<u>65,000</u>	<u>65,000</u>	<u>24,644</u>	<u>40,356</u>
Excess (deficiency) revenues over expenditures			<u>8,230</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			8,230	
Fund balances – beginning of year			<u>97,288</u>	
Fund balances – end of year			\$ <u>105,518</u>	

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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
State grants	\$ 143,392	\$ 143,392	\$ 145,743	\$ 23,589
Other income	-	-	46,762	(21,238)
Total revenues	<u>143,392</u>	<u>143,392</u>	<u>145,743</u>	<u>12,351</u>
Beginning cash	<u>10,798</u>	<u>10,798</u>		
	<u>154,190</u>	<u>154,190</u>		
Expenditures:				
Health & welfare				
Personnel expenditures	107,207	101,628	101,628	-
Operating expenditures	31,185	60,896	60,896	-
Capital outlay	-	13,461	9,905	3,556
Total expenditures	<u>138,392</u>	<u>175,985</u>	<u>172,429</u>	<u>3,556</u>
Excess (deficiency) revenues over expenditures			<u>(26,686)</u>	
Other financing sources (uses)				
Transfers in	-	-	63	63
Transfers out	-	-	(818)	(818)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(755)</u>	<u>(755)</u>
Net change in fund balance			(27,441)	
Difference between GAAP and Non-GAAP				
Adjust accrued revenue		20,111		
Adjust accrued expenditures		<u>(1,077)</u>		
			19,034	
Fund balances – beginning of year			<u>8,407</u>	
Fund balances – end of year			<u>\$ -</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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Charges for services	\$ 30,150	\$ 30,150	\$ 35,861	\$ 12,479
Total revenues	<u>30,150</u>	<u>30,150</u>	<u>35,861</u>	<u>12,479</u>
Beginning cash	<u>73,538</u>	<u>73,538</u>		
	98,538	98,538		
Expenditures:				
General government				
Operating expenditures	5,000	5,000	2,042	2,958
Capital outlay	50,000	50,000	28,483	21,517
Total expenditures	<u>55,000</u>	<u>55,000</u>	<u>30,525</u>	<u>24,475</u>
Excess (deficiency) revenues over expenditures			<u>5,336</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			5,336	
Fund balances – beginning of year			<u>82,167</u>	
Fund balances – end of year			<u>\$ 87,503</u>	

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

STATE OF NEW MEXICO
COUNTY OF LUNA
Special Revenue Fund
KLCB Aluminum Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year-Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Other revenue	\$ -	\$ -	\$ 120	\$ 120
Total revenues	<u>-</u>	<u>-</u>	<u>120</u>	<u>120</u>
Beginning cash	<u>-</u>	<u>-</u>		
Expenditures:				
General government			-	-
Operating expenditures	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) revenues over expenditures			<u>120</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			120	
Fund balances – beginning of year			<u>-</u>	
Fund balances – end of year			\$ <u>120</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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Taxes	\$ 230,000	\$ 230,000	\$ 211,003	\$ (18,997)
Intergovernmental income	15,000	15,000	17,676	2,676
Other income	-	-	833	833
Total revenues	<u>245,000</u>	<u>245,000</u>	<u>229,512</u>	<u>(15,488)</u>
Beginning cash	<u>103,933</u>	<u>103,933</u>		
	348,933	348,933		
Expenditures:				
Health and welfare				
Operating expenditures	<u>225,918</u>	<u>225,918</u>	<u>225,918</u>	<u>-</u>
Total expenditures	<u>225,918</u>	<u>225,918</u>	<u>225,918</u>	<u>-</u>
Excess (deficiency) revenues over expenditures			<u>(14,465)</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net change in fund balance			(64,465)	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		13,982		
Adjust accrued expenditures		<u>1,478</u>		
			15,460	
Fund balances – beginning of year			<u>101,143</u>	
Fund balances – end of year			\$ <u>52,138</u>	

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

STATE OF NEW MEXICO
COUNTY OF LUNA
Special Revenue Fund
Sirolli Institute Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year-Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental income	\$ 33,166	\$ 16,500	\$ 35,535	\$ 19,035
Other income	500	500	500	-
Total revenues	<u>66,700</u>	<u>17,000</u>	<u>36,035</u>	<u>19,035</u>
Beginning cash	<u>52,022</u>	<u>52,022</u>		
	118,722	69,022		
Expenditures:				
Health and welfare				
Operating expenditures	<u>72,198</u>	<u>72,198</u>	<u>64,945</u>	<u>7,253</u>
Total expenditures	<u>72,198</u>	<u>72,198</u>	<u>64,945</u>	<u>7,253</u>
Excess (deficiency) revenues over expenditures			<u>(28,910)</u>	
Other financing sources (uses)				
Transfers in	16,500	16,500	16,500	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>16,500</u>	<u>16,500</u>	<u>16,500</u>	<u>-</u>
Net change in fund balance			(12,410)	
Differences between GAAP and Non-GAAP				
Adjust accrued expenditures			17,211	
Fund balances – beginning of year			<u>34,811</u>	
Fund balances – end of year			\$ <u>39,612</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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental income	\$ 58,730	\$ 58,730	\$ 92,602	\$ 33,872
Other income	-	-	5,575	5,575
Federal grants	712,500	712,500	749,560	37,060
State grants	64,550	64,550	65,188	638
Total revenues	<u>835,780</u>	<u>835,780</u>	<u>912,925</u>	<u>77,145</u>
Beginning cash	<u>104,377</u>	<u>104,377</u>		
	1,072,657	1,072,657		
Expenditures:				
Health and welfare				
Personnel expenditures	568,785	568,785	575,657	(6,872)
Operating expenditures	372,514	372,514	360,661	11,853
Total expenditures	<u>941,299</u>	<u>941,299</u>	<u>936,318</u>	<u>4,981</u>
Excess (deficiency) revenues over expenditures			<u>(23,393)</u>	
Other financing sources (uses)				
Transfers in	-	-	241	241
Transfers out	-	-	(63)	(63)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>178</u>	<u>178</u>
Net change in fund balance			(23,215)	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		35,600		
Adjust accrued expenditures		(1,927)		
Adjust transfers		<u>(32,162)</u>		
			1,511	
Fund balances – beginning of year			<u>179,975</u>	
Fund balances – end of year			\$ <u>158,271</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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental income	\$ 132,500	\$ 132,500	\$ 194,645	\$ 62,145
Total revenues	<u>132,500</u>	<u>132,500</u>	<u>194,645</u>	<u>62,145</u>
Beginning cash	<u>-</u>	<u>-</u>		
	132,500	132,500		
Expenditures:				
General government				
Operating expenditures	<u>138,750</u>	<u>138,750</u>	<u>137,481</u>	<u>1,269</u>
Total expenditures	<u>138,750</u>	<u>138,750</u>	<u>137,481</u>	<u>1,269</u>
Excess (deficiency) revenues over expenditures			<u>57,164</u>	
Other financing sources (uses)				
Transfers in	-	-	30,662	30,662
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>30,662</u>	<u>30,662</u>
Net change in fund balance			87,826	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		2,600		
Adjust accrued expenditures		(15)		
Adjust transfers		<u>1,500</u>		
			4,085	
Fund balances – beginning of year			<u>(90,411)</u>	
Fund balances – end of year			\$ <u>1,500</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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental income	\$ 35,600	\$ 35,600	\$ 35,600	\$ -
Investment income	-	-	746	746
Other income	75,000	75,000	37,398	(37,602)
Federal grants	152,455	152,455	274,253	121,798
State grants	129,600	129,600	71,339	(58,261)
Total revenues	<u>392,655</u>	<u>392,655</u>	<u>419,336</u>	<u>26,681</u>
Beginning cash	<u>105,834</u>	<u>105,834</u>		
	498,489	498,489		
Expenditures:				
Public safety				
Personnel expenditures	230,230	272,795	236,190	36,605
Operating expenditures	112,503	136,453	91,917	44,536
Capital outlay	27,000	42,040	35,807	6,233
Total expenditures	<u>369,733</u>	<u>451,288</u>	<u>363,914</u>	<u>87,374</u>
Excess (deficiency) revenues over expenditures			<u>55,422</u>	
Other financing sources (uses)				
Transfers in	-	-	5,000	5,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Net change in fund balance			60,422	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		52,840		
Adjust accrued expenditures		<u>2,303</u>	55,143	
Fund balances – beginning of year			<u>77,791</u>	
Fund balances – end of year			<u>\$ 193,356</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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Beginning cash	107,640	107,640		
	107,640	107,640		
Expenditures:				
Health and welfare				
Personnel expenditures	41,512	41,512	39,500	2,012
Operating expenditures	1,000	1,000	-	1,000
Total expenditures	42,512	42,512	39,500	3,012
Excess (deficiency) revenues over expenditures			(39,500)	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance			(39,500)	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue			-	
Fund balances – beginning of year			107,640	
Fund balances – end of year			\$ 68,140	

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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental income	\$ 97,577	\$ 97,577	\$ 8,670	\$ (88,907)
Investment income	-	-	4,100	4,100
Total revenues	<u>97,577</u>	<u>97,577</u>	<u>12,770</u>	<u>(84,807)</u>
Beginning cash	<u>252,768</u>	<u>252,768</u>		
	350,345	350,345		
Expenditures:				
Cooks Peak				
Operating expenditures	27,339	27,339	21,916	5,423
Capital outlay	8,000	8,000	6,224	1,776
Total Cooks Peak expenditures	<u>35,339</u>	<u>35,339</u>	<u>28,140</u>	<u>7,199</u>
Sunshine Valley				
Operating expenditures	54,800	59,800	39,111	20,689
Capital outlay	30,000	30,000	28,084	1,916
Total Sunshine Valley expenditures	<u>84,800</u>	<u>89,800</u>	<u>67,195</u>	<u>22,605</u>
Florida Mountain				
Operating expenditures	31,970	35,055	33,764	1,291
Capital outlay	90,000	90,000	18,876	71,124
Total Florida Mountain expenditures	<u>121,970</u>	<u>125,055</u>	<u>52,627</u>	<u>72,428</u>
Total expenditures	<u>242,109</u>	<u>250,194</u>	<u>147,962</u>	<u>102,232</u>
Excess (deficiency) revenues over expenditures			<u>(135,192)</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			(127,381)	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		139,237		
Adjust accrued expense		<u>(6,925)</u>	132,312	
Fund balances – beginning of year			<u>250,457</u>	
Fund balances – end of year			<u>\$ 255,388</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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Intergovernmental income	\$ 365,000	\$ 365,000	\$ 220,941	\$ (144,059)
State grants	210,000	210,000	210,000	
Total revenues	<u>575,000</u>	<u>575,000</u>	<u>430,941</u>	<u>(144,059)</u>
Beginning cash	<u>146,036</u>	<u>146,036</u>		
	<u>721,036</u>	<u>721,036</u>		
Expenditures:				
Public safety				
Operating expenditures	157,773	142,773	129,135	13,638
Capital outlay	319,698	319,698	319,698	-
Total expenditures	<u>477,471</u>	<u>462,471</u>	<u>448,833</u>	<u>13,638</u>
Excess (deficiency) revenues over expenditures			<u>(17,892)</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(7,811)	(7,811)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,811)</u>	<u>(7,811)</u>
Net change in fund balance			(25,703)	
Difference between GAAP and Non-GAAP Adjust accrued revenue			15,367	
Fund balances – beginning of year			<u>146,036</u>	
Fund balances – end of year			<u>\$ 135,700</u>	

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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
State shared taxes	\$ 469,000	\$ 469,000	\$ 422,005	\$ (46,995)
Total revenues	<u>469,000</u>	<u>469,000</u>	<u>422,005</u>	<u>(46,995)</u>
Beginning cash:	<u>649,375</u>	<u>649,375</u>		
	<u>1,118,375</u>	<u>1,118,375</u>		
Expenditures:				
Health and welfare				
Operating expenditures	534,520	534,520	401,523	132,997
Capital outlay	72,703	72,703	-	72,703
Total expenditures	<u>607,223</u>	<u>607,223</u>	<u>401,523</u>	<u>205,700</u>
Excess (deficiency) revenues				
Over expenditures			20,482	
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			20,482	
Difference between GAAP and Non-GAAP				
Adjust accrued revenue		35,903		
Adjust accrued expenditures		<u>(5,330)</u>	30,573	
Fund balances – beginning of year			<u>649,375</u>	
Fund balances – end of year			\$ <u>700,430</u>	

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

CAPITAL PROJECTS FUNDS

STATE OF NEW MEXICO
 COUNTY OF LUNA
 Non-Major Governmental Fund Types
 Capital Projects Funds
 Combining Balance Sheet
 June 30, 2007

	MVLC Addition	Fairgrounds	Courthouse Renovations	Port of Entry	Columbus Stockyard	FEMA Disaster	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 336,007	336,007
Due from other governments	-	2,019	-	-	26,755	-	28,774
Total assets	\$ -	\$ 2,019	\$ -	\$ -	\$ 26,755	\$ 336,007	\$ 364,781
LIABILITIES AND FUND BALANCES							
Liabilities:							
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 336,007	336,007
Total liabilities	-	-	-	-	-	336,007	336,007
Fund balances:							
Unreserved	-	2,019	-	-	26,755	-	28,774
Total fund balances	-	2,019	-	-	26,755	-	28,774
Total liabilities and fund balances	\$ -	\$ 2,019	\$ -	\$ -	\$ 26,755	\$ 336,007	\$ 364,781

STATE OF NEW MEXICO
 COUNTY OF LUNA
 Non-Major Governmental Fund Types
 Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2007

	MVLC Addition	Fairgrounds Renovation	Courthouse Renovations	Port of Entry	Columbus Stockyard	FEMA Disaster	Total
REVENUES							
Federal grants	-	-	50,000	-	-	920,500	970,500
State grants	-	60,919	1,387,000	60,417	26,755	-	1,535,091
Total revenues	-	60,919	1,437,000	60,417	26,755	920,500	2,505,591
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Capital outlay	78,523	79,672	1,039,991	69,008	26,755	920,500	2,214,449
Total expenditures	78,523	79,672	1,039,991	69,008	26,755	920,500	2,214,449
Excess (deficiency) revenues over expenditures	(78,523)	(18,753)	397,009	(8,591)	-	-	291,142
OTHER FINANCING SOURCES (USES)							
Transfers in	256,004	20,772	950,758	8,591	26,755	-	1,262,880
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	256,004	20,772	950,758	8,591	26,755	-	1,262,880
Net change in fund balances	177,481	2,019	1,347,767	-	26,755	-	1,554,022
Fund balances - beginning	(177,481)	-	(1,347,767)	-	-	-	(1,525,248)
Fund balances-ending	\$ -	\$ 2,019	\$ -	\$ -	\$ 26,755	\$ -	\$ 28,774

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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Federal grants	\$ -	\$ -	\$ 8,015	\$ 8,015
Total revenues	<u>-</u>	<u>-</u>	<u>8,015</u>	<u>8,015</u>
Beginning cash	<u>-</u>	<u>-</u>		
Expenditures:				
General government				
Capital outlay	80,000	80,000	78,523	1,477
Total expenditures	<u>80,000</u>	<u>80,000</u>	<u>78,523</u>	<u>1,477</u>
Excess (deficiency) revenues over expenditures			<u>(70,508)</u>	
Other financing sources (uses)				
Transfers in	-	-	256,004	256,004
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>256,004</u>	<u>256,004</u>
Net change in fund balance			185,496	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue			(8,015)	
Fund balances – beginning of year			<u>(177,481)</u>	
Fund balances – end of year			\$ <u>-</u>	

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

STATE OF NEW MEXICO
COUNTY OF LUNA
Capital Projects Fund
Fairgrounds Renovation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year-Ended June 30, 2007

	<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:				
State grant	\$ -	\$ -	\$ 81,880	\$ 81,880
Total revenues	<u>-</u>	<u>-</u>	<u>81,880</u>	<u>81,880</u>
Beginning cash	<u>-</u>	<u>-</u>		
Expenditures:				
General government				
Capital outlay	110,668	110,668	79,672	30,996
Total expenditures	<u>110,668</u>	<u>110,668</u>	<u>79,672</u>	<u>30,996</u>
Excess (deficiency) revenues over expenditures			<u>2,208</u>	
Other financing sources (uses)				
Transfers in	-	20,772	20,772	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>20,772</u>	<u>20,772</u>	<u>-</u>
Net change in fund balance			22,980	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue			(20,961)	
Fund balances – beginning of year			<u>-</u>	
Fund balances – end of year			\$ <u>2,019</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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Federal grant	\$ 288,121	\$ 288,121	\$ 50,000	\$ (238,121)
State grant	1,499,169	1,499,169	1,387,000	(112,169)
Total revenues	<u>1,787,290</u>	<u>1,787,290</u>	<u>1,437,000</u>	<u>(350,290)</u>
Beginning cash	-	-		
	<u>1,787,290</u>	<u>1,787,290</u>		
Expenditures:				
General government				
Capital outlay	1,535,186	1,535,186	1,039,991	495,195
Total expenditures	<u>1,535,186</u>	<u>1,535,186</u>	<u>1,039,991</u>	<u>495,195</u>
Excess (deficiency) revenues over expenditures			<u>397,009</u>	
Other financing sources (uses)				
Transfers in	25,000	25,000	950,758	925,758
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>950,758</u>	<u>925,758</u>
Net change in fund balance			1,347,767	
Fund balances – beginning of year			<u>(1,347,767)</u>	
Fund balances – end of year			\$ <u>-</u>	

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

STATE OF NEW MEXICO
COUNTY OF LUNA
Capital Projects Fund
Port of Entry Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year-Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
State grant	\$ 2,000,000	\$ 2,000,000	\$ 60,417	\$ (1,939,583)
Total revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>60,417</u>	<u>(1,939,583)</u>
Beginning cash	<u>-</u>	<u>-</u>		
	2,000,000	2,000,000		
Expenditures:				
General government				
Capital outlay	<u>2,000,000</u>	<u>2,000,000</u>	<u>69,008</u>	<u>1,930,992</u>
Total expenditures	<u>2,000,000</u>	<u>2,000,000</u>	<u>69,008</u>	<u>1,930,992</u>
Excess (deficiency) revenues over expenditures			<u>(8,591)</u>	
Other financing sources (uses)				
Transfers in	-	8,591	8,591	8,591
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>8,591</u>	<u>8,591</u>	<u>8,591</u>
Net change in fund balance			-	
Differences between GAAP and Non-GAAP				
Fund balances – beginning of year			<u>-</u>	
Fund balances – end of year			<u>\$ -</u>	

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

STATE OF NEW MEXICO
COUNTY OF LUNA
Capital Projects Fund
Columbus Stockyard Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year-Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
State grant	\$ 375,000	\$ 375,000	\$ -	\$ (375,000)
Total revenues	<u>375,000</u>	<u>375,000</u>	<u>-</u>	<u>(375,000)</u>
Beginning cash	<u>-</u>	<u>-</u>		
	375,000	375,000		
Expenditures:				
General government				
Capital outlay	371,250	371,250	26,755	344,495
Total expenditures	<u>371,250</u>	<u>371,250</u>	<u>26,755</u>	<u>344,495</u>
Excess (deficiency) revenues over expenditures			<u>(26,755)</u>	
Other financing sources (uses)				
Transfers in	-	26,755	26,755	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>26,755</u>	<u>26,755</u>	<u>-</u>
Net change in fund balance			-	
Differences between GAAP and Non-GAAP Adjust accrued revenue			26,755	
Fund balances – beginning of year			<u>-</u>	
Fund balances – end of year			<u>\$ 26,755</u>	

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

STATE OF NEW MEXICO
COUNTY OF LUNA
Capital Projects Fund
FEMA Disaster Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year-Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
State grant	\$ -	\$ -	\$ 1,256,507	\$ 1,256,507
Total revenues	<u>-</u>	<u>-</u>	<u>1,256,507</u>	<u>1,256,507</u>
Beginning cash	<u>-</u>	<u>-</u>		
Expenditures:				
Public works				
Capital outlay	<u>-</u>	<u>920,500</u>	<u>920,500</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>920,500</u>	<u>920,500</u>	<u>-</u>
Excess (deficiency) revenues over expenditures			<u>336,007</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			336,007	
Differences between GAAP and Non-GAAP Adjust deferred revenue			(336,007)	
Fund balances – beginning of year			<u>-</u>	
Fund balances – end of year			\$ <u>-</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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Charges for services	\$ 5,745,811	5,745,811	6,049,489	303,678
Other income	-	-	93	93
Joint powers agreement	204,000	204,000	126,368	(77,632)
Interest income	60,000	60,000	49,240	(10,760)
Total revenues	<u>6,009,811</u>	<u>6,009,811</u>	<u>6,225,190</u>	<u>215,379</u>
Beginning cash	<u>2,607,266</u>	<u>2,607,266</u>		
	8,617,077	8,617,077		
Expenditures:				
Personnel expenditures	5,076,292	5,076,292	4,160,814	915,478
Operating expenditures	1,572,590	1,572,590	1,294,733	277,857
Capital outlay	2,739,050	2,739,050	1,134,257	1,604,793
Total expenditures	<u>9,387,932</u>	<u>9,387,932</u>	<u>6,589,804</u>	<u>2,798,128</u>
Excess (deficiency) revenues over expenditures			<u>(364,614)</u>	
Other financing sources (uses)				
Transfers in	-	-		-
Transfers out	-	(293,450)	(293,450)	-
Total other financing sources (uses)	<u>-</u>	<u>(293,450)</u>	<u>(293,450)</u>	<u>-</u>
Net change in fund balance			(658,064)	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		(430,470)		
Adjust accrued expenses		47,848		
Depreciation		(293,155)		
Capital		<u>1,134,257</u>	458,480	
Fund balances – beginning of year			<u>8,655,348</u>	
Fund balances – end of year			\$ <u>8,455,764</u>	

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, 2007

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
For the Year Ended June 30, 2007

<u>Taxes Collected for Others</u>	<u>June 30,</u> <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2007</u>
Assets				
Cash and cash equivalents	\$ 130,104	\$ 3,827,493	\$ 3,868,759	\$ 88,838
Property taxes receivable	871,194	7,852,530	7,758,210	965,514
Total assets	<u>\$ 1,001,298</u>	<u>\$ 11,680,023</u>	<u>\$ 11,626,969</u>	<u>\$ 1,054,352</u>
Liabilities				
Due to other governments	\$ 933,484	\$ 11,634,229	\$ 11,572,226	\$ 995,487
Prepaid taxes	4,480	6,027	5,230	5,277
Overpayment of taxes	14,508	34,896	49,281	123
Taxes paid in advance	18,426	4,871	-	23,297
Due to taxpayers	30,400	-	232	30,168
Total liabilities	<u>\$ 1,001,298</u>	<u>\$ 11,680,023</u>	<u>\$ 11,626,969</u>	<u>\$ 1,054,352</u>
 Inmate Accounts				
Assets				
Cash and cash equivalents	\$ 3,065	\$ 336,738	\$ 330,544	\$ 9,259
Total assets	<u>\$ 3,065</u>	<u>\$ 336,738</u>	<u>\$ 330,544</u>	<u>\$ 9,259</u>
Liabilities				
Due to inmates	\$ 3,065	\$ 336,738	\$ 330,544	\$ 9,259
Total liabilities	<u>\$ 3,065</u>	<u>\$ 336,738</u>	<u>\$ 330,544</u>	<u>\$ 9,259</u>
 Total Assets				
Assets				
Cash and cash equivalents	\$ 133,169	\$ 4,164,231	\$ 4,199,303	\$ 98,097
Property taxes receivable	871,194	7,852,530	7,758,210	965,514
Total assets	<u>\$ 1,004,363</u>	<u>\$ 12,016,761</u>	<u>\$ 11,957,513</u>	<u>\$ 1,063,611</u>
Liabilities				
Due to inmates	\$ 3,065	\$ 336,738	\$ 330,544	\$ 9,259
Due to other governments	933,484	11,634,229	11,572,226	995,487
Prepaid taxes	4,480	6,027	5,230	5,277
Overpayment of taxes	14,508	34,896	49,281	123
Taxes paid in advance	18,426	4,871	-	23,297
Due to taxpayers	30,400	-	232	30,168
Total liabilities	<u>\$ 1,004,363</u>	<u>\$ 12,016,761</u>	<u>\$ 11,957,513</u>	<u>\$ 1,063,611</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, 2007**

	Type	Amount Per Bank	Plus DIT	Less O/S Cks	Balance Per Books
First New Mexico NOW	CK	\$ 708,075	\$ 3,834	\$ 611,807	\$ 100,102
First New Mexico	MM	1,008,269	-	-	1,008,269
First New Mexico	CK	85	-	-	85
First New Mexico	CK	41	-	-	41
First New Mexico	CK	9,218	-	-	9,218
Wells Fargo	CK	311,508	-	-	311,508
		2,037,196	3,834	611,807	1,429,223
Subtotal					7,235,486
Plus cash equivalents (Note 4)					
Type:					375
CK=Checking	Plus:	Cash on hand			375
MM=Money Market					\$ 8,665,084
SV=Savings					8,665,084

	First New Mexico	Wells Fargo	Total
Amount Held in Bank June 30, 2007	\$ 1,725,688	\$ 311,508	\$ 2,037,196
Less FDIC Insurance	100,000	100,000	200,000
Uninsured Public Funds	1,625,688	211,508	1,837,196
50% Collateral Requirement (Section 6-10-17 NMSA-1978)	812,844	105,754	918,598
Pledged Security	2,210,000	421,952	2,631,952
Over (Under) Collateral	\$ 1,397,156	\$ 316,198	\$ 1,713,354

**STATE OF NEW MEXICO
COUNTY OF LUNA
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2007**

DESCRIPTION	FAIR MARKET VALUE	NAME AND LOCATION OF SAFEKEEPER
WFBS/WFBNW CUSIP#31409CV69. FNCL Maturing 05/01/36	\$ 421,952	Wells Fargo California
FHLB	785,000	Texas Independent Bank, Dallas, TX
Bloomfield NM ISD, CUSIP#094077HS6 Maturing 10/01/12	175,000	Texas Independent Bank, Dallas, TX
Alamogordo, NM ISD. CUSIP#011464FA7, Maturing 08/01/17	500,000	Texas Independent Bank, Dallas, TX
Gallup, McKinle CO ISD CUSIP#364010NH7, Maturing 08/01/17	500,000	Texas Independent Bank, Dallas, TX
Chelford One Mud, TX Wtrwks Swr Sys, CUSIP # 163222DB5, Maturing 11/15/15	200,000	Texas Independent Bank, Dallas, TX
Wagon Mound NM ISD, CUSIP#930532AK2, Maturing 10/01/11	50,000	Texas Independent Bank, Dallas, TX
	<u>\$ 2,631,952</u>	

**STATE OF NEW MEXICO
COUNTY OF LUNA
Joint Powers Agreements
June 30, 2007**

Participants	Counties of Catrol, Grant, Hidalgo and Luna and the communities of Bayard, Deming, Hurley, Lordsburg, Reserve, Santa Clara, Virden, Columbus, and the Soil and Water conservation Districts of Deming, Grant, Hidalgo, and San Francisco
Responsible Party	Gila-San Francisco Water Commission
Description	To form a regional water commission to facilitate contracting with the Secretary of the Interior for water supplies, acquiring funding pursuant to the Act through sub-regional Commissions and to serve as an organization for the benefit of their citizens, municipalities, agricultural users, recreational users, water user associations, other water users or for environmental purposes in the Southwest Water planning Region of New Mexico
Period	Indefinite
Project Costs	Undetermined
County Contribution	Undetermined
Audit responsibility	Gila-San Francisco Water Commission
Participants	County of Luna and the City of Deming
Responsible Party	Deming-Luna County Extra-Territorial Zoning Authority
Description	To provide for a unified process for review and approval of subdivisions in the ETZ area of the City and County.
Period	Indefinite
Project Costs	Undetermined
County Contribution	\$18,000
Audit responsibility	Deming-Luna County Extra-Territorial Zoning Authority

**STATE OF NEW MEXICO
COUNTY OF LUNA
Joint Powers Agreements
June 30, 2007**

Participants	County of Luna and the Village of Columbus
Responsible Party	County of Luna
Description	To build a Law Enforcement substation that will include offices for the Village of Columbus Police Department on property close to the International Port of Entry in Columbus
Period	Indefinite
Project Costs	Unknown
County Contribution	Unknown
Audit responsibility	County of Luna

Participants	County of Luna and the Doña Ana County
Responsible Party	Doña County
Description	To provide for the housing of juvenile prisoners in the Doña Ana County Detention Center
Period	July 1, 2006 to June 30, 2007
Project Costs	Unknown
County Contribution	\$105.38 per day per prisoner
Audit responsibility	Doña County

**STATE OF NEW MEXICO
COUNTY OF LUNA
Tax Roll Reconciliation
June 30, 2007**

Property taxes receivable, beginning of year	\$	871,194
Changes to tax roll:		
Net taxes charged to treasurer for fiscal year		7,945,453
Adjustments:		
Increases in taxes receivables		-
Charge off of taxes receivables		<u>(11,418)</u>
Total receivables prior to collections		8,805,229
Collections for fiscal year ended June 30, 2007		<u>(7,746,792)</u>
Property taxes receivable, end of year	\$	<u>1,058,437</u>
Property taxes receivable by years:		
1997	\$	5,647
1998		5,313
1999		8,024
2000		11,204
2001		14,464
2002		27,759
2003		49,817
2004		82,094
2005		195,879
2006		<u>658,236</u>
Total taxes receivable	\$	<u>1,058,437</u>

STATE OF NEW MEXICO
COUNTY OF LUNA
County Treasurer's Property Tax Schedule
For Year Ended June 30, 2007

Agency	Property Taxes Levied 10/1	Collected in Current Year 06/30/07	Collected To-Date	Distributed in Current Year 06/30/07	Distributed To-Date	Increases to Taxes	Decreases to Taxes	County Receivable at Year End
General Advalorem	1997 \$ 2,071,777	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
General Advalorem	1998 216,196	-	-	-	-	-	-	-
General Advalorem	1999 2,273,942	30	2,268,353	30	2,268,353	-	-	5,589
General Advalorem	2000 2,431,057	90	2,423,652	90	2,423,652	-	-	7,405
General Advalorem	2001 2,492,086	3,958	2,482,620	3,958	2,482,620	-	-	9,466
General Advalorem	2002 2,447,048	8,981	2,438,816	8,981	2,438,816	-	-	8,232
General Advalorem	2003 2,699,371	12,722	2,681,970	12,722	2,681,970	-	-	17,401
General Advalorem	2004 2,958,977	43,785	2,948,062	43,785	2,948,062	-	-	10,915
General Advalorem	2005 3,319,729	123,408	3,219,942	123,408	3,219,942	-	-	99,787
General Advalorem	2006 3,726,327	3,434,622	3,434,622	3,434,622	3,434,622	-	-	291,705
Total General Advalorem	24,636,510	3,627,596	21,898,037	3,627,596	21,898,037	-	-	450,500
Non-rendition fees	1997 29,765	-	-	-	-	-	-	-
Non-rendition fees	1998 26,833	-	-	-	-	-	-	-
Non-rendition fees	1999 30,580	3	30,226	3	30,226	-	-	354
Non-rendition fees	2000 31,063	4	30,134	4	30,134	-	-	929
Non-rendition fees	2001 24,064	26	23,179	26	23,179	-	-	885
Non-rendition fees	2002 33,614	174	29,311	174	29,311	-	-	4,303
Non-rendition fees	2003 32,693	166	30,319	166	30,319	-	-	2,374
Non-rendition fees	2004 33,934	1,151	30,527	1,151	30,527	-	-	3,407
Non-rendition fees	2005 44,267	2,959	36,530	2,959	36,530	-	-	7,737
Non-rendition fees	2006 31,273	14,440	14,440	14,440	14,440	-	-	16,833
Total Non-rendition fees	318,086	18,923	224,666	18,923	224,666	-	-	36,822

STATE OF NEW MEXICO
COUNTY OF LUNA
County Treasurer's Property Tax Schedule
For Year Ended June 30, 2007

Agency	Property Taxes Levied 10/1	Collected in Current Year 06/30/07	Collected To-Date	Distributed in Current Year 06/30/07	Distributed To-Date	Increases to Taxes	Decreases to Taxes	County Receivable at Year End
Re-appraisal Program 1998	44,946	-	-	-	-	-	-	-
Re-appraisal Program 1999	48,693	1	47,940	1	47,940	-	-	753
Re-appraisal Program 2000	50,494	2	50,039	2	50,039	-	-	455
Re-appraisal Program 2001	52,438	59	51,328	59	51,328	-	-	1,110
Re-appraisal Program 2002	51,976	180	48,760	180	48,760	-	-	3,216
Re-appraisal Program 2003	57,437	305	51,199	305	51,199	-	-	6,238
Re-appraisal Program 2004	63,787	970	61,238	970	61,238	-	-	2,549
Re-appraisal Program 2005	68,290	3,052	66,473	3,052	66,473	-	-	1,817
Re-appraisal Program 2006	78,358	71,944	71,944	71,944	71,944	-	-	6,414
Total Re-appraisal Program	516,419	76,513	448,921	76,513	448,921	-	-	22,552
Total Luna County	25,471,015	3,723,032	22,571,624	3,723,032	22,571,624	-	-	509,874
Livestock 1997	16,708	-	-	-	-	-	-	-
Livestock 1998	25,448	-	-	-	-	-	-	-
Livestock 1999	29,144	-	29,065	-	29,065	-	-	79
Livestock 2000	31,036	-	30,927	-	30,927	-	-	109
Livestock 2001	30,522	-	30,268	-	30,268	-	-	254
Livestock 2002	28,270	-	28,151	-	28,151	-	-	119
Livestock 2003	25,956	-	24,860	-	24,860	-	-	1,096
Livestock 2004	26,784	67	26,158	67	26,158	-	-	626
Livestock 2005	29,894	476	29,379	476	29,379	-	-	515
Livestock 2006	27,801	27,517	27,517	27,517	27,517	-	-	284
Total Livestock	271,563	28,060	226,325	28,060	226,325	-	-	3,082

STATE OF NEW MEXICO
COUNTY OF LUNA
County Treasurer's Property Tax Schedule
For Year Ended June 30, 2007

Agency	Property Taxes Levied 10/1	Collected in Current Year 06/30/07	Collected To-Date	Distributed in Current Year 06/30/07	Distributed To-Date	Increases to Taxes	Decreases to Taxes	County Receivable at Year End
State Levy	272,797	-	-	-	-	-	-	-
State Levy	305,404	-	-	-	-	-	-	-
State Levy	358,279	5	358,077	5	358,077	-	-	202
State Levy	384,027	15	383,923	15	383,923	-	-	104
State Levy	457,027	28	456,959	28	456,959	-	-	68
State Levy	295,852	833	294,415	833	294,415	-	-	1,437
State Levy	419,771	1,801	414,409	1,801	414,409	-	-	5,362
State Levy	299,561	4,602	292,707	4,602	292,707	-	-	6,854
State Levy	404,699	11,557	390,346	11,557	390,346	-	-	14,353
State Levy	476,696	439,253	439,253	439,253	439,253	-	-	37,443
Total State Levy	3,674,113	458,094	3,030,089	458,094	3,030,089	-	-	65,823
Road Levy	91,331	-	-	-	-	-	-	-
Road Levy	91,333	-	-	-	-	-	-	-
Road Levy	91,310	3	90,591	3	90,591	-	-	719
Road Levy	196,001	45	195,146	45	195,146	-	-	855
Road Levy	194,663	796	194,564	796	194,564	-	-	99
Road Levy	217,158	2,459	209,865	2,459	209,865	-	-	7,293
Road Levy	215,899	2,941	205,733	2,941	205,733	-	-	10,166
Road Levy	218,708	4,936	201,382	4,936	201,382	-	-	17,326
Road Levy	215,801	14,637	193,460	14,637	193,460	-	-	22,341
Road Levy	215,853	172,782	172,782	172,782	172,782	-	-	43,071
Total Road Levy	1,748,057	198,599	1,463,523	198,599	1,463,523	-	-	101,870

STATE OF NEW MEXICO
COUNTY OF LUNA
County Treasurer's Property Tax Schedule
For Year Ended June 30, 2007

Agency	Property Taxes Levied 10/1	Collected in Current Year 06/30/07	Collected To-Date	Distributed in Current Year 06/30/07	Distributed To-Date	Increases to Taxes	Decreases to Taxes	County Receivable at Year End
Deming Public Schools 1998	1,740,464	4	-	4	-	-	-	-
Deming Public Schools 1999	1,870,776	29	1,870,413	29	1,870,413	-	-	363
Deming Public Schools 2000	1,794,691	70	1,794,420	70	1,794,420	-	-	271
Deming Public Schools 2001	1,815,045	1,134	1,814,941	1,134	1,814,941	-	-	104
Deming Public Schools 2002	1,862,128	5,441	1,861,924	5,441	1,861,924	-	-	204
Deming Public Schools 2003	2,163,946	12,126	2,152,784	12,126	2,152,784	-	-	11,162
Deming Public Schools 2004	2,384,955	39,875	2,343,912	39,875	2,343,912	-	-	41,043
Deming Public Schools 2005	2,584,586	142,658	2,546,027	142,658	2,546,027	-	-	38,559
Deming Public Schools 2006	3,080,802	2,840,503	2,840,503	2,840,503	2,840,503	-	-	240,299
Deming Public Schools	19,297,393	3,041,840	17,224,924	3,041,840	17,224,924	-	-	332,005
City of Deming 1997	139,518	-	-	-	-	-	-	-
City of Deming 1998	145,643	-	-	-	-	-	-	-
City of Deming 1999	154,317	4	154,170	4	154,170	-	-	144
City of Deming 2000	168,250	4	168,106	4	168,106	-	-	160
City of Deming 2001	174,235	8	174,075	8	174,075	-	-	(146)
City of Deming 2002	182,652	260	182,798	260	182,798	-	-	(490)
City of Deming 2003	188,151	754	188,641	754	188,641	-	-	(889)
City of Deming 2004	224,834	2,767	225,723	2,767	225,723	-	-	3,958
City of Deming 2005	234,913	9,999	230,955	9,999	230,955	-	-	20,270
City of Deming 2006	264,452	244,182	244,182	244,182	244,182	-	-	-
Total City of Deming	1,876,965	257,978	1,568,650	257,978	1,568,650	-	-	23,007

STATE OF NEW MEXICO
COUNTY OF LUNA
County Treasurer's Property Tax Schedule
For Year Ended June 30, 2007

Agency	Property Taxes Levied 10/1	Collected in Current Year 06/30/07	Collected To-Date	Distributed in Current Year 06/30/07	Distributed To-Date	Increases to Taxes	Decreases to Taxes	County Receivable at Year End
Village of Columbus	1997	23,847	-	-	-	-	-	-
Village of Columbus	1998	25,003	-	-	-	-	-	-
Village of Columbus	1999	28,450	-	28,187	28,187	-	-	263
Village of Columbus	2000	28,736	-	28,459	28,459	-	-	277
Village of Columbus	2001	29,910	-	29,698	29,698	-	-	212
Village of Columbus	2002	31,217	26	31,138	31,138	-	-	79
Village of Columbus	2003	34,226	182	34,029	34,029	-	-	197
Village of Columbus	2004	38,598	956	37,603	37,603	-	-	995
Village of Columbus	2005	39,384	2,465	37,169	37,169	-	-	2,215
Village of Columbus	2006	43,891	35,560	35,560	35,560	-	-	8,331
Total Village of Columbus		323,262	39,189	261,843	261,843	-	-	12,569
Incomplete Records/Agency 1997								5,647
Incomplete Records/Agency 1998								4,560
Total Incomplete Records								10,207
Grand Totals		\$ 52,662,368	\$ 7,746,792	\$ 46,346,978	\$ 7,746,792	\$ 46,346,978	\$ -	\$ 1,058,437

The accompanying notes are an integral part of these financial statements.
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**STATE OF NEW MEXICO
COUNTY OF LUNA
SCHEDULE OF GRANT AGREEMENTS
JUNE 30, 2007**

	CFDA #	State Grants	Federal Grants	Total
Department of Finance and Administration, #06-L-G-446		495,000	-	495,000
Department of Finance and Administration, #06-L-G-447		792,000	-	792,000
Department of Finance and Administration, #06-L-G-1703		100,000	-	100,000
Department of Finance and Administration, #GF 04-L-G-2414		5,360	-	5,360
Department of Finance and Administration, #GF 04-L-G-949		50,000	-	50,000
Department of Finance and Administration, #GF 05-0506		3,540	-	3,540
Department of Finance and Administration, #GF 05-L-G-1515		2,019	-	2,019
Department of Finance and Administration, #STB 05-L-G-1748		89,623	-	89,623
Department of Finance and Administration, #STB 05-L-G-328		660,000	-	660,000
Department of Finance and Administration, #06-D-J-G-17		138,471	-	138,471
Department of Finance and Administration, #STB07-SA-07-3779		60,417	-	60,417
Department of Finance and Administration, #GF06-L-G-448		26,755	-	26,755
Department of Finance and Administration, #06-L-G-1704		210,000	-	210,000
Department of Tourism, #07-418-6001-0033		33,873	-	33,873
New Mexico Environmental Department, #05-3		157,932	-	157,932
U.S. Department of Health and Human Services, Healthy Start Initiative, #H67MC00011-4-00	93.926	-	712,500	712,500
Executive Office of the President passed through the Office of National Drug Control Policy NM Management and Coordination	07.999	-	36,753	36,753
U.S. Department of the Interior passed through National Park Service, Save America's Treasures, #35-03-MLI-1373	15.929	-	50,000	50,000
Department of Public Safety, Office of Emergency Management, Operation Safe Border, #05-040-008		62,948	-	62,948
Department of Public Safety, Office of Emergency Management, Operation Sidewinder, #610-26 GOHS		21,338	-	21,338
U. S. Department of Homeland Security, passed through Department of Public Safety, Office of Emergency Management, #07-NMSG-05- LUNA	97.007	-	237,500	237,500
U. S. Department of Homeland Security, passed through Department of Public Safety, Office of Emergency Management, #FEMA-1659-DR- NM	97.088	-	920,500	920,500
Totals		\$ 2,909,276	\$ 1,957,253	\$ 3,744,425

The accompanying notes are an integral part of these financial statements

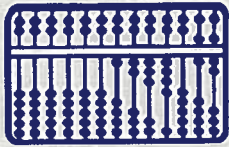
STATE OF NEW MEXICO
COUNTY OF LUNA
Schedule of Expenditures of Federal Awards
June 30, 2007

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	712,500	712,500
U.S. Department of the Interior passed through National Park Service, Save America's Treasures	15.929	35-03-MLI-1373	340,000	50,000
U. S. Department of Homeland Security, passed through Department of Public Safety, Office of Emergency Management	97.007	07-NMSG-05-LUNA	237,500	237,500
U. S. Department of Homeland Security, passed through Department of Public Safety, Office of Emergency Management, Disaster #FEMA- 1659-DR-NM	97.088	029-99029-00	1,256,507	920,500
Executive Office of the President passed through the Office of National Drug Control Policy NM Management and Coordination	07.999	n/a	<u>36,753</u>	<u>36,753</u>
Total			\$ <u>3,025,060</u>	\$ <u>1,957,253</u>

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***

Hector H. Balderas
New Mexico State Auditor
The Board of Commissioners
County of Luna
Deming, New Mexico

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds and budgetary comparisons presented as supplemental information of the County of Luna as of and for the year-ended June 30, 2007, and have issued our report thereon dated November 16, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described as 07-01, 07-02, 07-03, 07-04, 07-05, 07-06, and 07-07 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above 07-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 07-08.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commissioners, management, Federal and State Awarding agencies and the Office of the New Mexico State Auditor, New Mexico Legislature, and 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.

Marcey, Farnell, Bristol & Co. LLP

El Paso, Texas
November 16, 2007



**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**

Hector H. Balderas
New Mexico State Auditor
The Board of Commissioners
County of Luna
Deming, New Mexico

Compliance

We have audited the compliance of the County of Luna with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year-ended June 30, 2007. 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 assurances about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Luna's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Luna's compliance with those requirements.

In our opinion, the County of Luna complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-09.

Internal Control Over Compliance

The management of the County of Luna is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Luna's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Luna's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The County of Luna's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Luna's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commissioners, management, Federal and State Awarding agencies and the Office of the New Mexico State Auditor, the New Mexico Legislature, and 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

November 16, 2007

**STATE OF NEW MEXICO
COUNTY OF LUNA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year-Ended June 30, 2007**

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
- Significant deficiencies 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
- Significant deficiencies identified that are not considered to be material weakness (es)? _____ X Yes _____ 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? _____ X Yes _____ No

Identification of Major Programs:

<u>CDFA Number</u>	<u>Name of Federal Program or Cluster</u>
07.999	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
97.088	U.S. Department of Homeland Security, FEMA Disaster Assistance

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, 2007

Section II – Findings – Financial Statements

PRIOR YEAR FINDINGS:

06-01	Disposal of Capital Assets not Authorized	Repeated
06-02	Purchase Order Dated after Invoice Date	Repeated
06-03	Maintenance of Taxes Receivable (Levied/Uncollected) by Agency	Repeated
06-04	Failure to File Related-Party Disclosures	Repeated
06-05	Improper Use of Proceeds from Sale of Vehicles	Resolved
06-06	Failure to Submit Budget on Modified Accrual Basis	Resolved

CURRENT YEAR FINDINGS:

Finding 07-01 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 within 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. (NMSA 1978 13-6-1 and 13-6-2)

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

Due to turnover in my key personnel this finding has not been a priority. Full compliance is expected this fiscal year.

Finding 07-02 Purchase Order Dated after Invoice Date

Condition

During our testwork over disbursements, we noted that out of twenty-five purchase orders tested, seven were dated after the invoice date.

Criteria

Good internal controls require that there is a clear understanding of the procurement code by County personnel as to purchasing and documentation required. . (NMSA 1978 13-1-30)

Cause

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

STATE OF NEW MEXICO
COUNTY OF LUNA
Schedule of Findings and Recommendations
June 30, 2007

Section II – Findings – Financial Statements (continued)

Finding 07-02 Purchase Order Dated after Invoice Date (continued)

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

We have initiated a mandatory workshop for all personnel involved in purchasing. Our goal is to have full compliance this fiscal year.

Finding 07-03 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 eight 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. (Section 2.2.2.12 D NMAC)

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

Agreed. Progress continues in the Treasurer's Office.

Finding 07-04 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. (NMSA 10-1-10 and 10-1-11)

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.

STATE OF NEW MEXICO
COUNTY OF LUNA
Schedule of Findings and Recommendations
June 30, 2007

Section II – Findings – Financial Statements (continued)

Finding 07-04 Failure to File Related-Party Disclosures (continued)

Recommendation

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

Response

The personnel policy is scheduled for revision in December 2007.

Finding 07-05 Failure to Apply GAAP

Condition

The County did not maintain adequate accounting records in accordance with accounting principles generally accepted in the United States of America and could not provide complete, accurate, and timely information.

Criteria

Key employees or management should be trained in GAAP principles in recording the County's financial transactions and in preparing its financial statements (Subsection H, 2.2.2.8 NMAC; SAS 112)

Cause

Key employees need the qualifications and training to apply GAAP principles in preparing the County's financial statements.

Effect

The employees need to be able to apply GAAP principles when recording transactions.

Recommendation

We suggest that management ensure that all employees receive training in applying generally accepted accounting principles when recording daily transactions.

Response

Agreed. Staff will undergo appropriate training. This may be a 2-year goal.

This finding is in conflict with DFA requirements to operate and record on a cash basis. This finding in no way reflects inadequate documentation or recording as the general ledger is accurate. However, the State Auditor is requiring modified accrual which is difficult for all Cities and Counties to adapt. All financial statements are recorded on a cash basis only as required by DFA.

Finding 07-06 Failure to Update Capitalization Policy

Condition

The management failed to update their capitalization policy regarding the purchase of new capital assets to include only items valued over \$5,000 on the accountability report.

Criteria

Management should maintain a separate accountability report for items that cost less than \$5,000 for asset safeguarding and management purposes. (Subsection H, 2.2.2.10 (1) NMAC)

Cause

All asset purchases were included on accountability report regardless of cost and additions to assets were not reconciled to capital outlay posted to the general ledger. Depreciation expense on accountability report was incorrectly calculated on several assets.

STATE OF NEW MEXICO
COUNTY OF LUNA
Schedule of Findings and Recommendations
June 30, 2007

Section II – Findings – Financial Statements (continued)

Finding 07-06 Failure to Update Capitalization Policy (continued)

Effect

Capital asset additions on financial report do not tie to accountability report. Depreciation expense on accountability report does not tie to financial statement.

Recommendation

Employees responsible for maintaining the accountability report should ensure that only assets costing over \$5,000 are on the accountability report for depreciation expense calculation. All other assets should be accounted for separately for management purposes.

Response

A small items inventory shall be established (P.C. Based) and only capitalized items will be included in financials and fixed asset inventories.

Finding 07-07 Failure to Certify the Correctness of Asset Accountability Report

Condition

Employees failed to certify the correctness of the asset accountability report by conducting a physical inventory of all capital assets.

Criteria

Employees or management should ensure that an annual physical inventory is conducted. Management is to certify to the auditor that the asset accountability report is correct. (Subsection H, 2.2.2.10(2) NMAC)

Cause

Management did not ensure that an annual physical inventory was conducted. Management did not certify to the auditor that the asset accountability report was correct.

Effect

The asset accountability report was not properly maintained.

Recommendation

We suggest that management ensure that a physical inventory of capital assets is conducted annually and compared to the asset accountability report. Any differences should be investigated.

Response

A physical inventory of capital assets will be conducted annually and compared to the assets accountability report.

07-08 Completion of Audit Report

Condition

The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner. The report was delivered on November 19, 2007.

Criteria

As per SAO 2.2.2.9, A (4), the New Mexico State Audit contract calls for this audit report to be delivered by November 15, 2007.

Cause

The audit was not submitted to the County until November 19, 2007. Time was needed by the County to assemble the necessary financial information.

STATE OF NEW MEXICO
COUNTY OF LUNA
Schedule of Findings and Recommendations
June 30, 2007

Section II – Findings – Financial Statements (continued)

Finding 07-08 Completion of Audit Report (continued)

Effect

Violation of the State Auditor's Rule. Audited financial information is not available for the County to use and distribute as necessary.

Recommendation

The County must implement procedures that would produce a timely audit.

Response

The County has implemented procedures to insure compliance in the future.

Section III – Findings – Major Federal Award Program Audit

Finding 07-09 Failure to Certify the Correctness of Asset Accountability Report

U. S. Department of Homeland Security, passed through Department of Public Safety, Office of Emergency Management, Disaster #FEMA-1659-DR-NM, CFDA 97.088

Questioned Costs

\$1,256,507, FEMA grant award

Condition

Employees failed to maintain assets accountability records to account for FEMA grant expenditures properly.

Criteria

Employees or management should ensure that the asset accountability records are properly updated to include all grant expenditures for capital outlay. (OMB Circular A-133, Part 6, F)

Cause

Management did not ensure that asset accountability records were properly updated for all FEMA grant expenditures for capital outlay.

Effect

The FEMA grant expenditures for capital outlay were not included on the asset accountability report.

Recommendation

We suggest that management ensure that all capital grant expenditures are included on the asset accountability report.

Response

Management will ensure that all capital grant expenditures are included on the asset accountability report.

**STATE OF NEW MEXICO
COUNTY OF LUNA
Exit Conference
June 30, 2007**

EXIT CONFERENCE

As exit conference was held on November 16, 2007, with Jack Fairall, CPA, of Marcus, Fairall, Bristol & Co., LLP with the following County officials:

Scott Vinson – County Manager
Gloria Rodriguez – County Treasurer
Eric Jordan – County Commissioner
Rosa Porrás- Accounts Payable Specialist
Joanne Hethcox- Budget/Procurement Director
Danny Gonzales – Human Resources Director
Rick Kocab – Chief Deputy Treasurer

COMPILATION OF FINANCIAL STATEMENTS

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

STATE OF NEW MEXICO
COUNTY OF LUNA
Passed Journal Entries
June 30, 2007

There are no passed journal entries.