

STATE OF NEW MEXICO LUNA COUNTY

Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2010
and Independent Auditors' Report

**STATE OF NEW MEXICO
LUNA COUNTY
OFFICIAL ROSTER
JUNE 30, 2010**

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Chairman
Member
Member
County Clerk
County Treasurer
County Assessor
County Sheriff
County Manager
County Road Superintendent
Detention Center Warden

STATE OF NEW MEXICO
LUNA COUNTY

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JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Luna County (the "County"), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. We have audited the financial statements of each of the County's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

We did not balance the fixed assets listing to the financial statements because the County did not complete a physical inventory of the fixed assets. We were unable to satisfy ourselves about the accuracy and completeness of the fixed asset listing by means of other auditing procedures.

In our opinion, except for the effects described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the County as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the major proprietary fund and nonmajor governmental funds for the year then ended in conformity with accounting principles generally accepted

in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The "Supplementary Information and Supporting Schedules" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Seckler & Pinto, LLP

December 29, 2010

STATE OF NEW MEXICO
LUNA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

As management of Luna County, we offer readers of Luna County's financial statements this narrative overview and analysis of the financial activities of Luna County for the fiscal year-ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the financial statements of Luna County and additional information provided.

FINANCIAL HIGHLIGHTS

- The assets of Luna County exceeded its liabilities at the close of the most recent fiscal year by \$45,714,871 (*net assets*). Of this amount, \$15,863,586 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- On an accrual basis, revenues for governmental activities *decreased* by \$5,401,342 from the prior year. On a cash basis, revenues declined \$2,992,835 compared to the prior year.
- Net expenditures for governmental activities, on an accrual basis, decreased \$1,986,708 from the prior year.
- As of June 30, 2010, the County's governmental funds reported combined ending fund balances of \$13,480,792.
- At the close of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$4,334,692.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Luna County's basic financial statements. Luna County'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 Luna County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Luna County'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 Luna County 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 Luna County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Luna County include general

government public safety, public works, and health and welfare. The business-type activity of the County includes a detention facility.

The government-wide financial statements can be found on pages 15 and 16 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. Luna County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Luna County 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 funds 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*.

Luna County maintains 27 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 24 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.

Luna County 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 on pages 17 through 23 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 Center, the Entertainment Complex, and the Columbus Import/Export Stockyards of the County. The proprietary fund is considered to be a major fund for the County. The basic proprietary fund statement can be found on pages 24 through 26.

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

Luna County 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 on page 27 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-46 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 49-58 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 Luna County, net assets increased from the prior year by \$5,325,598 to total \$45,714,871 at the close of the current fiscal year. (See Statement of Net Assets on page 15).

A large portion of Luna County's net assets represents the County's investment of \$40,190,468 (net of accumulated depreciation) in capital assets (e.g., land improvements, buildings, infrastructure and machinery and equipment), less any related outstanding debt used to acquire those assets. Luna County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Luna County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

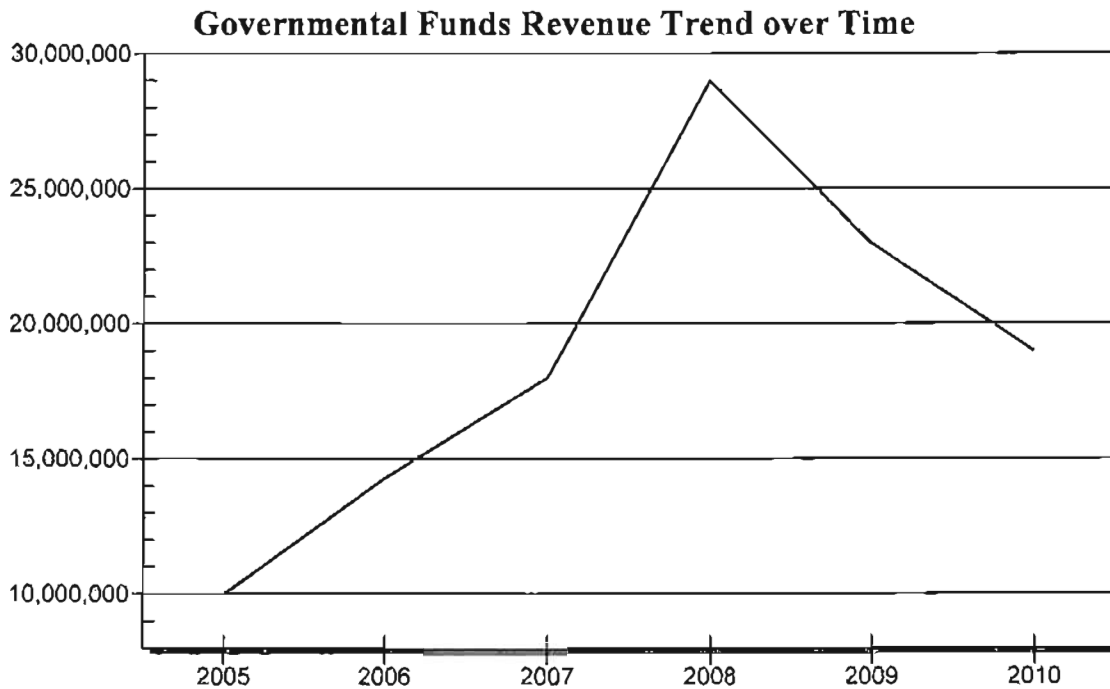
The remaining balance of *unrestricted net assets* \$15,863,586 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Luna County 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 \$5,325,598 during the current fiscal year. This increase is explained in the government activities discussion below, and is primarily a result of a significant decrease in net expenditures during the fiscal year.

Governmental Activities. During the fiscal year, revenues in the Governmental Funds continued to decline following the pattern in the State and the Nation. Total Expenditures for Governmental Activities also declined during the year and total revenues exceeded total expenditures by \$1,218,803 (cash basis). Property taxes and state-shared taxes (accrual basis) contributed \$9,801,726 for covering the \$12,663,799 net program expense associated with governmental activities.



Analysis of Changes in Net Assets (continued)

Governmental revenues, consisting mostly of taxes, are not directly associated with any governmental function. The chart on the preceding page provides a comparison of revenue over six years. On a cash basis, the total revenues decreased \$2,992,835. Property tax revenue and state-shared taxes decreased 9.2% as compared to the prior year.

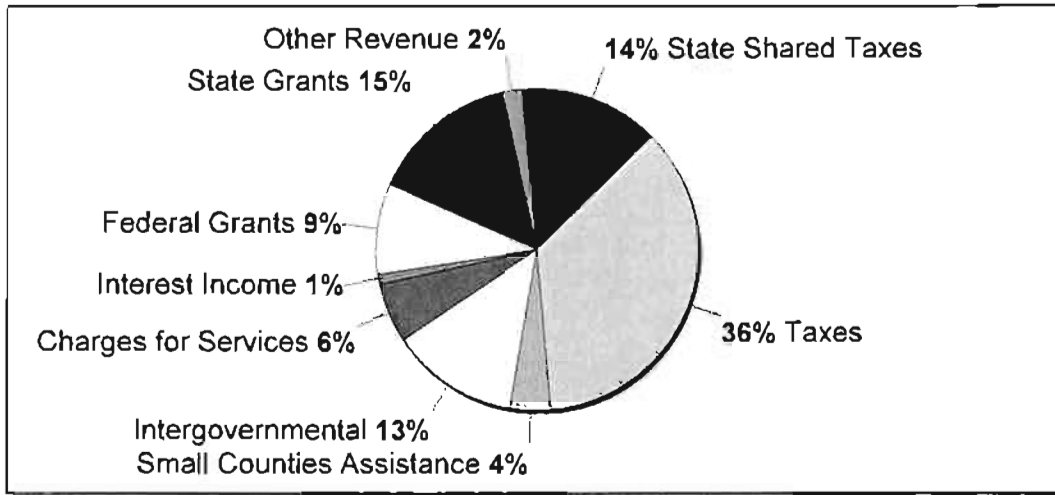
Investment earnings decreased by 91% in the fiscal year ended June 30, 2010. The primary cause for this decrease was the expenditure of bond funds that had been invested the previous year and the decrease in interest rates.

Charges for services decreased 14.5%.

Intergovernmental revenue decreased 30.2% as state assistance decreased significantly.

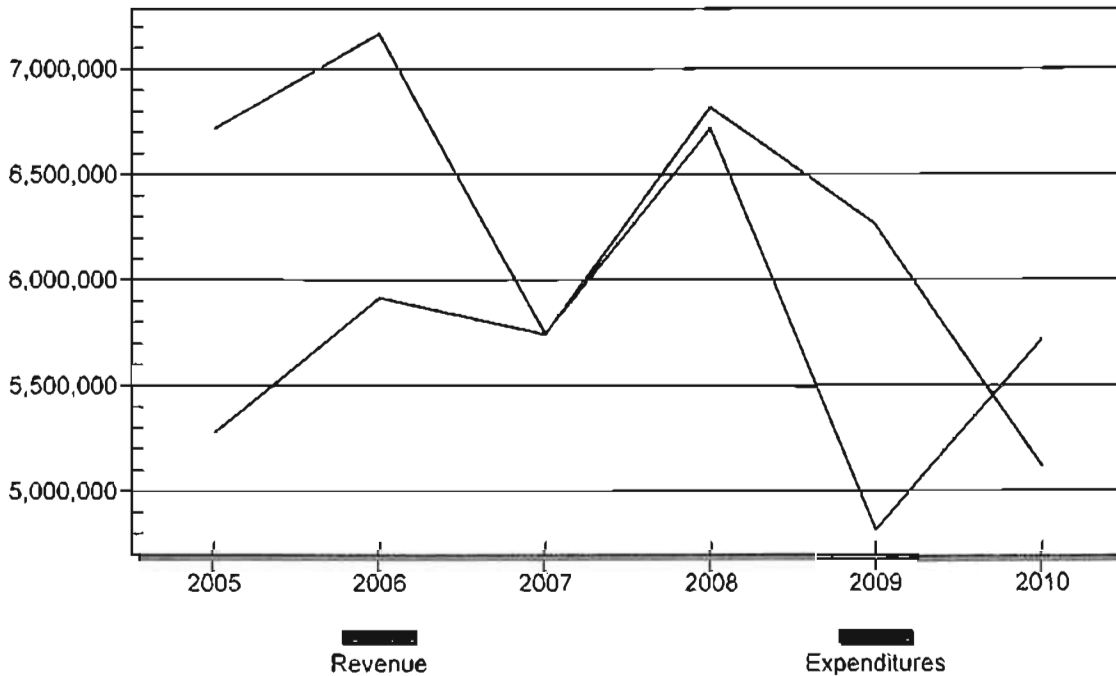
Total revenues from governmental activities are summarized below. For fiscal year ending June 30, 2010, Property and State-shared taxes made up 49.4% of the total governmental revenues compared to 47.0% of the prior year's revenues.

Governmental Revenues by Source



Business-Type Activities. Business-type activities increased the County’s net assets by \$10,161,535 compared to the prior year’s decrease of \$1,488,166. The key element of this increase was a change in accounting for certain activities (the Entertainment Complex and the Import/Export Stockyards) that had been reported as Governmental Activities in the previous year. But as the following graph shows, the County also successfully turned around its Detention Center operation and showed an increase in net assets in that operation for the first time since 2006. Operation expenses decreased 16.7% from the previous year. The decrease in expenses following a decrease in the previous year as well, combined with an increase in revenue completed the turnaround.

Detention Center Activities Trend Over Time



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds. The focus of Luna County's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable resources*. Such information is useful in assessing Luna County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. 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, Luna County's governmental funds reported combined ending fund balances of \$13,480,791, a decrease of \$4,633,792 from the prior year. The decrease is primarily due to the restatement of the reporting of the County's Livestock Import/Export operation and the Entertainment Complex (see Note 13). Approximately 98.0% of this total amount, \$13,217,004 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 \$263,787.

Revenues for governmental functions overall totaled \$19,081,852, on a cash basis in the fiscal year-ended June 30, 2010, which represents an decrease of \$2,992,835 from the fiscal year-ended June 30, 2009, due to significant decreases in revenue from all sources. Expenditures for governmental functions totaled \$17,863,049. This was a decrease of \$10,826,695 from the fiscal year-ended June 30, 2009 due to expenditure of bond funds to acquire capital assets in the prior year and planned decreases in spending in the current year. In the fiscal year-ended June 30, 2010, revenues for governmental functions exceeded expenditures by \$1,218,803.

The General Fund is the chief operating fund of Luna County. At the end of the current fiscal year, *unreserved* fund balance of the General Fund was \$4,334,692. The fund balance of Luna County's General Fund increased by \$1,497,816 during the current fiscal year. This increase is primarily due to a decrease in expenditures.

The Road Fund has total fund balance of \$944,517. The net decrease in fund balance during the current year in the Road Fund was \$417,932. This decrease is due primarily to decreased Federal and State operating grants and an increase in expenditures for road maintenance.

The County Maintenance Fund has a total fund balance of \$6,167,629. The net decrease in fund balance during the current year in the County Maintenance Fund was \$2,062,348. This decrease is due primarily to the change in reporting for certain activities described in the Notes to the Financial Statements, Note 13.

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 total unrestricted net assets for the Proprietary Funds were \$2,026,608. The total increase in net assets for the Proprietary Funds was \$3,115,105. Some of the factors concerning the finances of this fund have been addressed previously in the discussion of the County's business-type activities, but another factor affecting this Fund was the change in accounting for the County's Entertainment Complex and the County's Columbus Livestock Import/Export operation.

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. Luna County 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.

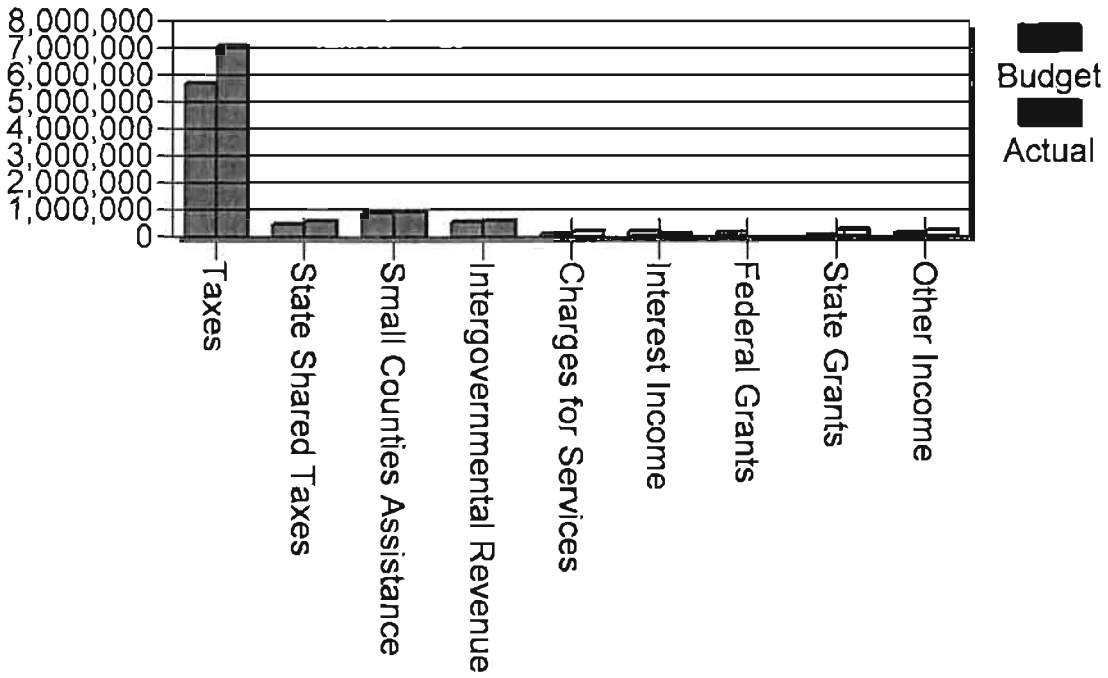
General Fund Budgetary Highlights. The General Fund accounts for all of the general services provided by the Luna County.

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

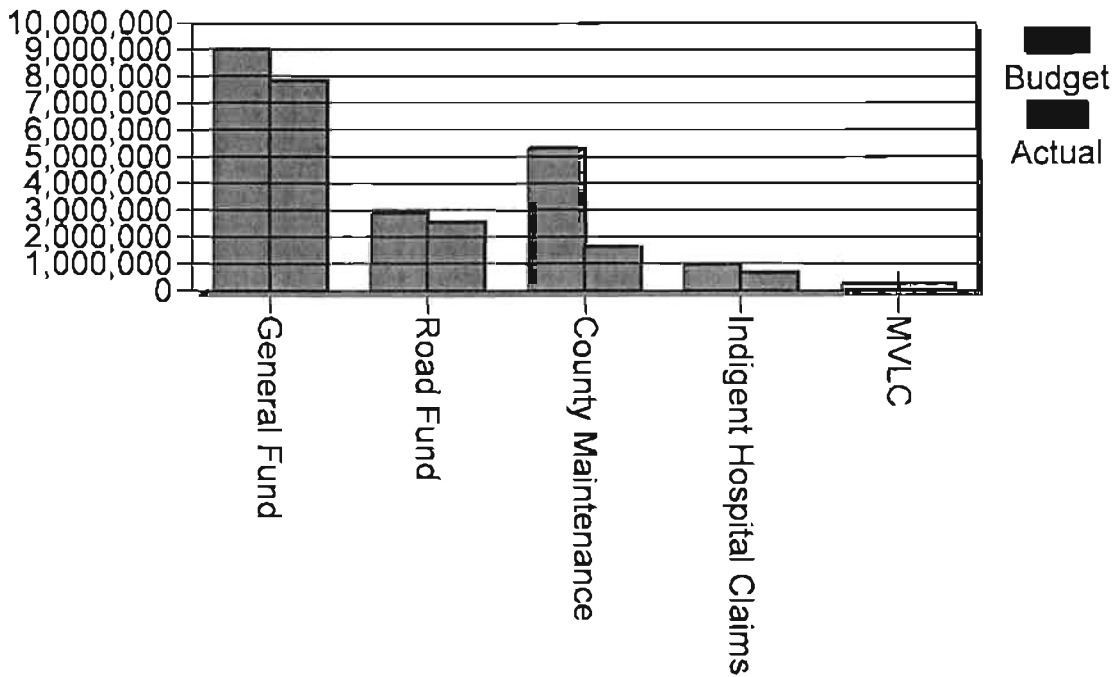
Type	Original Budget	Final Budget	Modification	Reason
General Government	\$ 4,624,990	\$ 4,704,427	\$ 79,437	To provide for additional expenditures
Public Safety	3,086,295	3,487,381	401,086	To provide for additional expenditures
Public Works	\$ 569,054	\$ 598,554	\$ 29,500	To provide for additional expenditures
Capital Outlay	\$ 178,180	\$ 178,180	\$ -	
Totals	<u>\$ 8,458,519</u>	<u>\$ 8,968,542</u>	<u>\$ 510,023</u>	

Budget and Actual Revenue by Source - General Fund

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



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. Luna County's capital assets for its governmental and business-type activities as of June 30, 2010 amount to \$40,190,468 (net of accumulated depreciation). Capital assets include land, 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 \$54,908 for governmental activities. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$8,945,932.

Capital Assets Net of Depreciation June 30,2010

	Government Activities	Business-Type Activities	Totals
Land & Construction in Progress	\$ 1,624,325	\$ 244,714	\$ 1,869,039
Buildings & Improvements	20,940,993	14,245,466	35,186,459
Equipment & Furnishings	<u>2,760,530</u>	<u>374,440</u>	<u>3,134,970</u>
Capital Assets, net of Accumulated Depreciation	<u>\$ 25,325,848</u>	<u>\$ 14,864,620</u>	<u>\$ 40,190,468</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.

The Statement of Net Assets shows the Investment in Capital Assets-Governmental Funds in the amount of \$14,722,878. This investment includes the land, buildings, land and building improvements, equipment, construction in progress, and all applicable debt service. The total shows a decrease in capital assets of \$171,750 from the prior fiscal year; at fiscal year-end Luna County had no construction projects in-progress. Equipment costing \$898,152.

The additions in business-type activities total \$8,954,126 in Buildings, Equipment and Furnishings principally to the Entertainment Complex.

The County's debt decreased \$529,482 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 6/30/2010
Net Value of Capital Assets	\$ 25,325,848	\$ 14,864,620	\$ 40,190,468
Long-Term Debt Principal Payment:			
NMFA Loan Fire Truck	-	-	-
Harlo HP 5500 Forklift	-	-	-
Judicial Complex Bond 2007A	4,141,468	-	4,141,468
Entertainment Center Bond 2007B	-	6,461,502	6,461,502
Total investment in Capital Assets, net of Related Debt	<u>21,184,380</u>	<u>8,403,118</u>	<u>29,587,498</u>
Total debt on Governmental Capital Assets	\$ 4,141,468		

Comparative Statements

Presented below are a Comparative Condensed Statement of Activities and a Comparative Statement of Net Assets. The County's Business-Type Activities, including the Luna County Detention Center, the Entertainment Complex and the Columbus Livestock Import/Export Stockyards contributed \$3,115,105 to increase the County's net assets at the end of fiscal year 2010. Total Revenue generated by Governmental activities and Business-type activities in the County in 2010 was \$1,897,768 less than those activities generated in 2009. The primary cause of this decrease in revenue was the significant decrease in revenue generated from governmental activities in all categories. Expenses for governmental operations and for the County's business type operations also decreased during the fiscal year, resulting in an increase in Net Assets for the combined operations during the fiscal year.

Condensed Comparative Statement of Activities

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for Services	1,177,894	1,378,044	6,568,001	4,829,575	7,745,895	6,207,619
Operating Grants & Contributions	3,452,648	3,642,294	-	-	3,452,648	3,642,294
Capital Grants & Contributions	1,152,741	1,216,058	-	-	1,152,741	1,216,058
General Revenues						
Property Taxes	7,185,211	7,638,450	-	-	7,185,211	7,638,450
State Shared Taxes	2,616,515	3,761,303	-	-	2,616,515	3,761,303
Intergovernmental Income	2,484,239	3,558,205	-	-	2,484,239	3,558,205
Small Counties Assistance	829,849	1,034,921	-	-	829,849	1,034,921
Other Income	564,466	868,505	1,518	3,495	565,984	872,000
Transfers	(2,124,211)	96,027	2,124,211	(96,027)	-	-
Total Revenues	<u>17,339,352</u>	<u>23,193,807</u>	<u>8,693,730</u>	<u>4,737,043</u>	<u>26,033,082</u>	<u>27,930,850</u>
Expenses						
General Government	4,775,578	6,198,915	-	-	4,775,578	6,198,915
Public Safety	5,161,963	5,067,723	-	-	5,161,963	5,067,723
Public Works	5,395,481	6,588,221	-	-	5,395,481	6,588,221
Health & Welfare	2,581,853	3,032,044	-	-	2,581,853	3,032,044
Interest on Long-Term Debt	532,207	-	-	-	532,207	-
Business Type Activities	-	-	5,578,625	6,225,209	5,578,625	6,225,209
Total Expenses	<u>18,447,082</u>	<u>20,886,903</u>	<u>5,578,625</u>	<u>6,225,209</u>	<u>24,025,707</u>	<u>27,112,112</u>
Change in Net Assets	(1,107,730)	2,306,904	3,115,105	(1,488,166)	2,007,375	818,738
Net Assets Beginning of Year	33,659,580	31,352,676	6,729,693	8,217,859	40,389,273	39,570,535
Restatements	(3,728,207)	-	7,046,430	-	3,318,223	-
Net Assets End of Year	<u>28,823,643</u>	<u>33,659,580</u>	<u>16,891,228</u>	<u>6,729,693</u>	<u>45,714,871</u>	<u>40,389,273</u>

Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Cash & Cash Equivalents	2,768,612	4,725,294	1,556,566	95,662	4,325,178	4,820,956
Investments	10,647,474	12,976,013	-	-	10,647,474	12,976,013
Receivables						
Property Taxes	1,414,188	982,664	-	-	1,414,188	982,664
Account	-	-	1,026,255	786,485	1,026,255	786,485
Grant	96,140	139,513	-	-	96,140	139,513
Other	464,771	271,101	-	-	464,771	271,101
Due from other funds	11,447	2,135,333	-	-	11,447	2,135,333
Due from other governments	416,436	570,631	113,206	-	529,642	570,631
Inventory	263,787	534,305	-	-	263,787	534,305
Capital Assets						
Land & Assets net of accumulated depreciation	<u>25,325,848</u>	<u>25,769,596</u>	<u>14,864,620</u>	<u>6,320,841</u>	<u>40,190,468</u>	<u>32,090,437</u>
Total Assets	<u>41,408,703</u>	<u>48,104,450</u>	<u>17,560,647</u>	<u>7,202,988</u>	<u>58,969,350</u>	<u>55,307,438</u>
Liabilities and Net assets						
Accounts payable	652,778	380,207	246,570	105,071	899,348	485,278
Accrued salaries	398,245	400,127	185,736	162,540	583,981	562,667
Interest payable	250,429	293,132	-	-	250,429	293,132
Bank overdrafts	60,062	-	22,968	11,445	83,030	11,445
Due to other funds	5,664	2,123,888	11,445	-	17,109	2,123,888
Non-Current Liabilities						
Compensated Absences						
Due within one year	153,728	93,137	50,675	48,560	204,403	141,697
Due after one year	461,184	279,411	152,025	145,679	613,209	425,090
Loans Payable						
Due within one year	270,000	278,855	-	-	270,000	278,855
Due after one year	<u>10,332,970</u>	<u>10,596,113</u>	<u>-</u>	<u>-</u>	<u>10,332,970</u>	<u>10,596,113</u>
Total Liabilities	12,585,060	14,444,870	669,419	473,295	13,254,479	14,918,165
Net Assets						
Invested in Capital Assets net of related debt	14,722,878	14,894,628	14,864,620	6,320,841	29,587,498	21,215,469
Restricted for						
Road Inventory	263,787	534,305	-	-	263,787	534,305
Unrestricted	<u>13,836,978</u>	<u>18,230,647</u>	<u>2,026,608</u>	<u>408,852</u>	<u>15,863,586</u>	<u>18,639,499</u>
Total Net Assets	<u>28,823,643</u>	<u>33,659,580</u>	<u>16,891,228</u>	<u>6,729,693</u>	<u>45,714,871</u>	<u>40,389,273</u>
Total Liabilities & Net Assets	<u>41,408,703</u>	<u>48,104,450</u>	<u>17,560,647</u>	<u>7,202,988</u>	<u>58,969,350</u>	<u>55,307,438</u>

The County's Total Assets increased during the fiscal year, and Total Liabilities decreased. Total Net Assets increased during the year. All of this puts Luna County in a stronger position to deal with the effects of the continuing economic downturn being experienced nationwide.

Contingencies

Bonds outstanding as June 30, 2010 consisted of Judicial Complex 2007A, and Entertainment Complex 2007B. Interest on both bonds is due January 1 and July 1 of each year. For additional information concerning these bonds, see Note 7.

For additional discussion of contingent liabilities see Note 8 and Note 11.

Economic Factors and Next Year's Budgets and Rates

Luna County has been affected by the same economic forces at play in the national economy. Unemployment in the County is at high levels and gross receipts tax revenues have declined. Management has been prudently cautious in developing the operating budget for the County for fiscal year 2011. The Board of County Commissioners through very careful attention to budget development and strict budget management and expenditure control has been able to provide some funds for capital renewal and replacement in its 2011 fiscal year budget. In fiscal 2010 the County undertook a thorough review of its priorities, staffing, compensation, projects, and programs with a focus on driving efficiency and effectiveness in its operations, resulting in reduced costs for 2010 and expected further reductions in 2011.

This financial report is designed to provide a general overview of Luna County'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
LUNA COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,768,612	\$ 1,556,566	\$ 4,325,178
Investments	10,647,474	-	10,647,474
Receivables:			
Property taxes	1,414,188	-	1,414,188
Account	-	1,026,255	1,026,255
Grant	96,140	-	96,140
Other	464,771	-	464,771
Due from other funds	11,447	-	11,447
Due from other governments	416,436	113,206	529,642
Inventory	263,787	-	263,787
Capital Assets:			
Land and assets net of accumulated depreciation	<u>25,325,848</u>	<u>14,864,620</u>	<u>40,190,468</u>
Total assets	<u>\$ 41,408,703</u>	<u>\$ 17,560,647</u>	<u>\$ 58,969,350</u>
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 652,778	\$ 246,570	\$ 899,348
Accrued salaries	398,245	185,736	583,981
Interest payable	250,429	-	250,429
Bank overdraft	60,062	22,968	83,030
Due to other funds	5,664	11,445	17,109
Noncurrent liabilities:			
Compensated absences:			
Due within one year	153,728	50,675	204,403
Due after one year	461,184	152,025	613,209
Loans payable:			
Due within one year	270,000	-	270,000
Due after one year	<u>10,332,970</u>	<u>-</u>	<u>10,332,970</u>
Total liabilities	<u>12,585,060</u>	<u>669,419</u>	<u>13,254,479</u>
NET ASSETS:			
Invested in capital assets, net of related debt	14,722,878	14,864,620	29,587,498
Restricted for:			
Road Inventory	263,787	-	263,787
Unrestricted	<u>13,836,978</u>	<u>2,026,608</u>	<u>15,863,586</u>
Total net assets	<u>28,823,643</u>	<u>16,891,228</u>	<u>45,714,871</u>
Total liabilities and net assets	<u>\$ 41,408,703</u>	<u>\$ 17,560,647</u>	<u>\$ 58,969,350</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 4,775,578	\$ 244,367	\$ 409,013	\$ -	\$ (4,122,198)	\$ -	\$ (4,122,198)
Public safety	5,161,963	-	1,077,293	432,112	(3,652,558)	-	(3,652,558)
Public works	5,395,481	933,527	31,232	616,706	(3,814,016)	-	(3,814,016)
Health and welfare	2,581,853	-	1,935,110	103,923	(542,820)	-	(542,820)
Interest on long-term debt	532,207	-	-	-	(532,207)	-	(532,207)
Total governmental activities	18,447,082	1,177,894	3,452,648	1,152,741	(12,663,799)	-	(12,663,799)
Business-Type Activities							
Detention Facility	5,187,348	5,708,694	-	-	-	521,346	521,346
Entertainment Complex	204,880	689,849	-	-	-	484,969	484,969
Columbus Stockyard	186,397	169,458	-	-	-	(16,939)	(16,939)
Total business-type activities	5,578,625	6,568,001	-	-	-	989,376	989,376
Total primary government	\$ 24,025,707	\$ 7,745,895	\$ 3,452,648	\$ 1,152,741	\$ -	\$ -	\$ -
General Revenues:							
Property taxes					7,185,211		7,185,211
State shared taxes					2,616,515		2,616,515
Intergovernmental income					2,484,239		2,484,239
Small counties assistance					829,849		829,849
Interest income					220,072	1,518	221,590
Other income					344,394		344,394
Transfers in (out)					(2,124,211)	2,124,211	-
Total general revenues					11,556,069	2,125,729	13,681,798
Change in net assets					(1,107,730)	3,115,105	2,007,375
Net assets - beginning					33,659,580	6,729,693	40,389,273
Restatements					(3,728,207)	7,046,430	3,318,223
Net assets - beginning restated					29,931,373	13,776,123	43,707,496
Net assets - ending					28,823,643	16,891,228	45,714,871

See accompanying notes to financial statements.

GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
LUNA COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Road Fund	County Maintenance	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ (1,021,919)	\$ 681,595	\$ 991,349	\$ 2,117,587	\$ 2,768,612
Investments	5,539,553	-	5,107,921	-	10,647,474
Receivables:					
Taxes	-	-	-	-	-
Property taxes	1,414,188	-	-	-	1,414,188
Grant	28,735	-	-	67,405	96,140
Other	115,032	89,514	86,625	173,600	464,771
Due from other funds	11,447	-	-	-	11,447
Due from other governments	113,206	-	-	303,230	416,436
Inventory	-	263,787	-	-	263,787
Total assets	\$ 6,200,242	\$ 1,034,896	\$ 6,185,895	\$ 2,661,822	\$ 16,082,855
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 295,823	\$ 43,706	\$ 18,266	\$ 294,983	\$ 652,778
Accrued salaries	277,494	46,673	-	74,078	398,245
Interest payable	-	-	-	250,429	250,429
Bank overdraft	-	-	-	60,062	60,062
Due to other funds	57,347	-	-	(51,683)	5,664
Deferred revenue	1,234,886	-	-	-	1,234,886
Total liabilities	1,865,550	90,379	18,266	627,869	2,602,064
Fund balances:					
Reserved for:					
Road inventory	-	263,787	-	-	263,787
Unreserved:					
Undesignated, reported in:					
General fund	4,334,692	-	-	-	4,334,692
Special revenue fund	-	680,730	6,167,629	1,910,718	8,759,077
Capital projects fund	-	-	-	373,664	373,664
Debt service funds	-	-	-	(250,429)	(250,429)
Total fund balances	4,334,692	944,517	6,167,629	2,033,953	13,480,791
Total liabilities and fund balances	\$ 6,200,242	\$ 1,034,896	\$ 6,185,895	\$ 2,661,822	\$ 16,082,855

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
LUNA COUNTY**

**RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2010**

Amounts reported for government activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 13,480,791
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,325,848
Certain assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	1,234,886
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(11,217,882)</u>
Net assets - Statement of Net Assets	<u>\$ 28,823,643</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Road Fund</u>	<u>County Maintenance Fund</u>	<u>Total Non-Major Funds</u>	<u>Total</u>
Revenues:					
Taxes	\$ 6,803,500	\$ -	\$ -	\$ -	\$ 6,803,500
State shared taxes	544,729	1,184,017	-	887,769	2,616,515
Small counties assistance	829,849	-	-	-	829,849
Intergovernmental revenue	465,204	94,586	30,476	1,893,973	2,484,239
Charges for services	115,821	933,527	-	128,546	1,177,894
Federal operating grants	188,063	-	24,200	1,510,790	1,723,053
Interest income	94,628	2,699	121,243	1,502	220,072
State operating grants	177,183	89,373	1,778,025	837,755	2,882,336
Other grants	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Other income	220,159	16,902	-	107,333	344,394
Total revenues	<u>9,439,136</u>	<u>2,321,104</u>	<u>1,953,944</u>	<u>5,367,668</u>	<u>19,081,852</u>
Expenditures:					
Current:					
General government	4,207,164	-	-	128,447	4,335,611
Public safety	3,092,685	-	-	1,709,597	4,802,282
Public works	610,716	2,739,036	1,578,131	-	4,927,883
Health and welfare	-	-	-	2,366,654	2,366,654
Culture and recreation	-	-	-	-	-
Debt service	-	-	-	792,207	792,207
Capital outlay	50,755	-	-	587,657	638,412
Total expenditures	<u>7,961,320</u>	<u>2,739,036</u>	<u>1,578,131</u>	<u>5,584,562</u>	<u>17,863,049</u>
Excess (deficiency) of revenues over expenditures	<u>1,477,816</u>	<u>(417,932)</u>	<u>375,813</u>	<u>(216,894)</u>	<u>1,218,803</u>
Other financing sources (uses):					
Operating transfers in (out)	<u>20,000</u>	<u>-</u>	<u>(2,438,161)</u>	<u>293,950</u>	<u>(2,124,211)</u>
Total other financing sources (uses)	<u>20,000</u>	<u>-</u>	<u>(2,438,161)</u>	<u>293,950</u>	<u>(2,124,211)</u>
Net changes in fund balances	<u>1,497,816</u>	<u>(417,932)</u>	<u>(2,062,348)</u>	<u>77,056</u>	<u>(905,408)</u>
Fund balance - beginning of year	2,836,876	1,362,449	8,229,977	5,685,104	18,114,406
Fund balance - restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,728,207)</u>	<u>(3,728,207)</u>
Fund balance - beginning of year, restated	<u>2,836,876</u>	<u>1,362,449</u>	<u>8,229,977</u>	<u>1,956,897</u>	<u>14,386,199</u>
Fund balance - end of year	<u>\$ 4,334,692</u>	<u>\$ 944,517</u>	<u>\$ 6,167,629</u>	<u>\$ 2,033,953</u>	<u>\$ 13,480,791</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	\$ (905,408)
The changes in net assets reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$898,152 exceeded depreciation expense of \$1,288,267 in the current period.	(390,115)
Property taxes and FEMA grant funds are deferred in the funds based on available and measurable criteria. In the Statement of Activities they are recorded as revenue.	211,792
Repayment of bond principal is an expenditure in the governmental funds but reduce the liability in the statement of net assets.	260,000
Disposition of capital assets	(41,635)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This is the amount of compensated absences liability.	<u>(242,364)</u>
Change in net assets of governmental activities	<u>\$ (1,107,730)</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 6,607,147	\$ 6,607,147	\$ 6,753,685	\$ 146,538
State shared taxes	520,000	520,000	545,831	25,831
Small counties assistance	140,000	140,000	837,854	697,854
Intergovernmental revenue	581,622	581,622	465,204	(116,418)
Charges for services	105,500	105,500	116,820	11,320
Interest income	150,000	150,000	70,120	(79,880)
Federal grants	-	-	159,329	159,329
State grants	236,987	236,987	68,231	(168,756)
Other income	140,200	140,200	220,160	79,960
Total revenues	8,481,456	8,481,456	9,237,234	755,778
Expenditures:				
Current:				
General government	4,624,990	4,704,427	4,147,618	556,809
Public safety	3,086,295	3,487,381	2,993,372	494,009
Public Works	569,054	598,554	603,898	(5,344)
Capital outlay	178,180	178,180	50,755	127,425
Total expenditures	8,458,519	8,968,542	7,795,643	1,172,899
Excess (deficiency) of revenues over expenditures	22,937	(487,086)	1,441,591	1,928,677
Other financing sources (uses):				
Designated cash	(22,937)	487,086	-	(487,086)
Operating transfers in (out)	-	-	20,000	20,000
Total other financing sources (uses)	(22,937)	487,086	20,000	(467,086)
Net changes in fund balances	-	-	1,461,591	1,461,591
Fund balance - beginning of year	-	-	(907,684)	
Fund balance - end of year	\$ -	\$ -	\$ 553,907	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 1,461,591	
Net revenue accruals			201,905	
Net expenditure accruals			(165,680)	
Net change in fund balance GAAP basis			\$ 1,497,816	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

ROAD FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
State shared taxes	\$ 875,000	\$ 875,000	\$ 1,015,865	\$ 140,865
Intergovernmental revenue	251,423	251,423	94,586	(156,837)
Charges for services	1,275,765	1,275,765	935,287	(340,478)
Interest income	5,000	5,000	2,699	(2,301)
Federal grants	-	-	-	-
State grants	289,625	289,625	89,373	(200,252)
Other revenue	-	-	16,902	16,902
Total revenues	<u>2,696,813</u>	<u>2,696,813</u>	<u>2,154,712</u>	<u>(542,101)</u>
Expenditures:				
Current:				
Public works	<u>2,824,807</u>	<u>2,850,024</u>	<u>2,517,433</u>	<u>332,591</u>
Total expenditures	<u>2,824,807</u>	<u>2,850,024</u>	<u>2,517,433</u>	<u>332,591</u>
Excess (deficiency) of revenues over expenditures	<u>(127,994)</u>	<u>(153,211)</u>	<u>(362,721)</u>	<u>(209,510)</u>
Other financing sources (uses):				
Designated cash	<u>127,994</u>	<u>153,211</u>	<u>-</u>	<u>(153,211)</u>
Total other financing sources (uses)	<u>127,994</u>	<u>153,211</u>	<u>-</u>	<u>(153,211)</u>
Net changes in fund balances	-	-	(362,721)	(362,721)
Fund balance - beginning of year	-	-	1,043,405	
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 680,684</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (362,721)	
Net revenue accruals			166,392	
Net expenditure accruals			<u>(221,603)</u>	
Net changes in fund balance GAAP basis			<u>\$ (417,932)</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COUNTY MAINTENANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Intergovernmental revenue	\$ 18,832	\$ 18,832	\$ 143,986	\$ 125,154
Interest income	150,000	150,000	101,538	(48,462)
Federal grants	662,000	662,000	24,200	(637,800)
State grants	3,837,624	3,837,624	1,691,399	(2,146,225)
Total revenues	4,668,456	4,668,456	1,961,123	(2,707,333)
Expenditures:				
Current:				
Public works	4,347,162	5,287,814	1,581,983	3,705,831
Total expenditures	4,347,162	5,287,814	1,581,983	3,705,831
Excess (deficiency) of revenues over expenditures	321,294	(619,358)	379,140	998,498
Other financing sources (uses):				
Designated cash	(321,294)	619,358	-	(619,358)
Operating transfers in (out)	-	-	(2,438,161)	(2,438,161)
Total other financing sources (uses)	(321,294)	619,358	(2,438,161)	(3,057,519)
Net changes in fund balances	-	-	(2,059,021)	(2,059,021)
Fund balance - beginning of year	-	-	1,915,462	
Fund balance - end of year	\$ -	\$ -	\$ (143,559)	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (2,059,021)	
Net revenue accruals			(7,179)	
Net expenditure accruals			3,852	
Net change in fund balance GAAP basis			\$ (2,062,348)	

See accompanying notes to financial statements.

PROPRIETARY FUNDS

STATE OF NEW MEXICO
LUNA COUNTY

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Detention Center	Entertainment Complex	Columbus Stockyard	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 752,927	\$ 803,639	\$ -	\$ 1,556,566
Accounts Receivable	1,023,561	-	2,694	1,026,255
Due from other governments	-	113,206	-	113,206
Total current assets	1,776,488	916,845	2,694	2,696,027
Non current assets:				
Capital assets	8,697,682	8,940,230	32,985	17,670,897
Accumulated depreciation	(2,584,890)	(204,880)	(16,507)	(2,806,277)
Total non-current assets	6,112,792	8,735,350	16,478	14,864,620
Total assets	\$ 7,889,280	\$ 9,652,195	\$ 19,172	\$ 17,560,647
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 243,579	\$ -	\$ 2,991	\$ 246,570
Accrued salaries	181,113	-	4,623	185,736
Bank overdraft	-	-	22,968	22,968
Due to other funds	11,445	-	-	11,445
Accrued compensated absences	50,147	-	528	50,675
Long term accrued compensated absences	150,439	-	1,586	152,025
Total liabilities	636,723	-	32,696	669,419
Net assets:				
Invested in capital assets	6,112,792	8,735,350	16,478	14,864,620
Unrestricted	1,139,765	916,845	(30,002)	2,026,608
Total net assets	7,252,557	9,652,195	(13,524)	16,891,228
Total liabilities and net assets	\$ 7,889,280	\$ 9,652,195	\$ 19,172	\$ 17,560,647

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Detention Center	Entertainment Complex	Columbus Stockyard	Total
Operating revenues:				
Cattle crossing revenue	\$ -	\$ -	\$ 169,458	\$ 169,458
Starmax revenues	-	4,000	-	4,000
Gross receipt tax	-	685,849	-	685,849
Correction fees	347,552	-	-	347,552
Adult prisoner fees	5,249,959	-	-	5,249,959
Juvenile prisoner fees	37,760	-	-	37,760
Dispatch-city	1,143	-	-	1,143
Miscellaneous revenue	72,280	-	-	72,280
Total operating revenues	<u>5,708,694</u>	<u>689,849</u>	<u>169,458</u>	<u>6,568,001</u>
Operating expenditures:				
Personnel expenses	3,576,198	-	158,570	3,734,768
Depreciation	221,862	204,880	5,743	432,485
Other operating costs	1,389,288	-	22,084	1,411,372
Total operating expenditures	<u>5,187,348</u>	<u>204,880</u>	<u>186,397</u>	<u>5,578,625</u>
Operating income (loss)	<u>521,346</u>	<u>484,969</u>	<u>(16,939)</u>	<u>989,376</u>
Non-operating revenues:				
Interest revenue	1,518	-	-	1,518
Operating transfers in (out)	-	2,124,211	-	2,124,211
Total non-operating revenues	<u>1,518</u>	<u>2,124,211</u>	<u>-</u>	<u>2,125,729</u>
Income (loss) before transfers	<u>522,864</u>	<u>2,609,180</u>	<u>(16,939)</u>	<u>3,115,105</u>
Change in net assets:	<u>522,864</u>	<u>2,609,180</u>	<u>(16,939)</u>	<u>3,115,105</u>
Total net assets, beginning of year	6,729,693	-	-	6,729,693
Total net assets, restatement	-	7,043,015	3,415	7,046,430
Total net assets, beginning of year, restated	6,729,693	7,043,015	3,415	13,776,123
Total net assets - end of year	<u>\$ 7,252,557</u>	<u>\$ 9,652,195</u>	<u>\$ (13,524)</u>	<u>\$ 16,891,228</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
DETENTION CENTER
FOR THE YEAR ENDED JUNE 30, 2010

	Detention Center	Entertainment Complex	Columbus Stockyard	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 5,471,618	\$ 689,849	\$ 170,038	\$ 6,331,505
Cash payments to suppliers for goods and services	(1,291,875)	-	1,598	(1,290,277)
Cash payments to employees for services	(3,551,278)	-	(159,394)	(3,710,672)
Net cash used in operating activities	628,465	689,849	12,242	1,330,556
Cash Flows From Non-Capital and Related Financing Activities:				
Cash received (paid) from intergovernmental sources	-	(1,750,233)	(12,242)	(1,762,475)
Net transfers in (out)	-	2,124,211	-	2,124,211
Net cash used in non-capital and related financing activities	-	373,978	(12,242)	361,736
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	27,282	(909,921)	-	(882,639)
Net cash used in non-capital and related financing activities	27,282	(909,921)	-	(882,639)
Cash Flows From Investing Activities:				
Interest income	1,518	-	-	1,518
Net cash provided by (used in) investing activities	1,518	-	-	1,518
Net increase (decrease) in cash	657,265	153,906	-	811,171
Cash and cash equivalents, beginning of year	95,662	649,733	-	745,395
Cash and cash equivalents, end of year	\$ 752,927	\$ 803,639	\$ -	\$ 1,556,566
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 521,346	\$ 484,969	\$ (16,939)	\$ 989,376
Depreciation	180,767	204,880	5,744	391,391
Receivables	(237,076)	-	580	(236,496)
Accrued expenses	24,920	-	(824)	24,096
Accounts payable	138,508	-	23,681	162,189
Net cash provided (used) by operating activities	\$ 628,465	\$ 689,849	\$ 12,242	\$ 1,330,556

See accompanying notes to financial statements.

AGENCY FUNDS

**STATE OF NEW MEXICO
LUNA COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
JUNE 30, 2010**

ASSETS

Cash and temporary investments	\$ 213,845
Receivables:	
Property taxes	<u>2,339,887</u>
Total assets	\$ <u>2,553,732</u>

LIABILITIES

Due to inmates	\$ 51,965
Due to other governments	2,448,278
Prepaid taxes	1,329
Overpayment of taxes	340
Taxes paid in advance	21,788
Due to taxpayers	<u>30,032</u>
Total liabilities	\$ <u>2,553,732</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LUNA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 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.

A. 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 and 39. 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.

B. Basis of Presentation

Government-Wide and Fund Financial Statements—The government-wide financial statements (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 County has elected to follow Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989. The County follows all applicable GASB pronouncements and FASB pronouncements issued prior to November 30, 1989, unless they conflict with GASB pronouncements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

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.

C. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements—The government-wide, proprietary, and agency fund financial statements are reported using the economic resources measurement focus and 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 gross receipts taxes and property taxes, grants and entitlements. On an accrual basis, revenue from property taxes, net of estimated refunds and uncollectible amounts, is recognized as revenues in the year for which they are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements are met.

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 the 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.

Governmental Fund Financial Statements—The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The County considers all revenues to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues. Property taxes, gross receipts taxes, franchise taxes, and interest are considered susceptible to accrual. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Only the portion of special assessments receivable due within the current fiscal period is

considered to be susceptible to accrual as revenue of the current period.

For this purpose, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government because they are not measurable or reasonably estimateable.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Government funds are used to account for the County's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition of construction of general capital assets and the servicing of general long-term debt. The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the County except for items included in other funds.

The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Debt Service Fund account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The Capital Projects Funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the County is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition tot the General Fund), which includes funds that are not required to be presented as major but were at the discretion of management:

The Road Fund is used to account for the distribution of gasoline taxes, and motor vehicles registration fees to the County and the expenditure for construction, reconstruction, resurfacing, or other improvement or maintenance of pubic roads as authorized by NMSA 1978 Section 7-24A-5.

The County Maintenance Fund is used to account for the federal and state grants funds and expenditures by the County for various maintenance projects established by the County as authorized by NMSA 1978 24-10A-6.

The County reports the following business-type funds:

The detention center fund accounts for the operation and maintenance of the Detention Facility for the County.

The entertainment complex fund to account for the receipts for the capital improvements to the entertainment compex.

The Columbus Stockyard fund to account for the receipts generated at the border from Mexico for the crossing of cattle and livestock.

Additionally, the government reports the following fund types:

The Fiduciary Funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The County's fiduciary funds are used to account for the collection and payment of property taxes and special fees to other governmental agencies.

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.

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 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.

D. 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 twelve months or less from the date of acquisition.

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

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

Receivables and Payables—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund 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 January 1st of the assessment year. Current year taxes are levied on November 1st, 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 10th, or optionally in two equal installments on November 10th and April 10th of the next tax year. Although due on November 10th and April 10th the taxes are not considered delinquent until December 10th and May 10th, 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 1st based on the assessed value of property as listed on the previous January 1st 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.

Net Assets—Investment in capital assets, net of related debt- This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets-Restricted net assets result from the constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation. 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.

Unrestricted net assets - This category reflects net assets of the County, not restricted for any project or other purpose.

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.

Capital Assets-Capital assets, which include property, plant and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets including computer software are defined by the government as assets with no limitation on initial or individual cost. The New Mexico Audit Act (Section 12-6-10 NMSA 1978) requires agencies to capitalize only chattels and equipment that cost over \$5,000 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. Luna County was a phase III government for purposes of implementing GASB34 and therefore was not required to record infrastructure assets retroactively back to fiscal years ending after June 30, 1980. However, Luna County is required to record infrastructure assets on a prospective basis beginning with fiscal year ended June 30, 2004. There were no infrastructure assets placed in service during the fiscal year ended June 30, 2010. 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 is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	20
Machinery and equipment	5-10

Accrued Expenses—Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2010, along with the applicable PERA and Retiree Health Care.

Deferred Revenues—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 Revenue 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 compensate 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 five years of service accumulate three weeks of paid time off per year. Employees with more than five years but less than fifteen years of service accumulate four weeks of paid time off per year. In addition, employees with and excess of fifteen years of service accumulate five weeks of paid time off per year. There is no separate of accumulation of sick leave.

An employee may accumulate no more than 360 hours of paid time off. Accumulated paid time off for the County total \$817,612 as of June 30, 2010. Of the total, \$200,586 is related to Business-Type Activities - Detention Center and \$2,114 to Business-Type Activities - Columbus Stockyard.

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 \$28,759 as of June 30, 2010. Of the total \$3,527 is allocable to the Business-Type Activities - Detention Center.

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.

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.

Subsequent Events—Management has evaluated events through December 29, 2010, the date the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Preliminary annual budgets of the County are prepared prior to June 1 and must be approved by resolution of the Board of County Commissioners, and submitted to the Local Government Division of the State Department of Finance and Administration for approval. The budget is formally approved prior to July 31. Any amendments must also be approved by the Board of County Commissioners and the Department of Finance and Administration.

A separate budget is prepared for each fund. Line items within each budget may be over expended; however, it is not legally permissible to over expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

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

The County is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

Other required individual fund disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balance of individual funds:

Mimbres Valley Learning Center	\$ 34,020
Columbus Stockyards	13,524
Entertainment Complex Bond	174,199
Judicial Bond	76,230

B. Designated cash appropriations in excess of available balances:

Farm and Range	\$ 7,496
KLCB Aluminum	75
Law Enforcement Protection	559,494
Volunteer Fire	62,804
DWI Grant	6,797
Entertainment Complex	97,319

C. Excess of fund actual expenditures over budget:

Fund	Budget Amount	Actual Amount	Over Expended
Columbus Stockyards	\$ 174,703	\$ 180,764	\$ (6,061)

3. CASH AND INVESTMENTS

State statutes authorize the investment of County funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the County properly followed State investment requirements as of June 30, 2010.

Deposits of funds may be made in interest or non interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the County. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non demand interest bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess, of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

The County maintains cash in two financial institutions within Deming, New Mexico. The County's deposits are carried at cost.

As of June 30, 2010 the amount of cash reported on the financial statements differs from the amount on deposits with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$ 375	\$ -	\$ 375
First New Mexico Bank	4,385,766	(187,896)	4,197,870
Wells Fargo Bank	340,778	-	340,778
Total cash deposits	<u>\$ 4,726,919</u>	<u>\$ (187,896)</u>	<u>\$ 4,539,023</u>

The amounts reported as cash for the primary government within the financial statement is displayed as:

Cash and cash equivalents	\$ 4,325,178
Agency funds	213,845
Statement of Net Assets	<u>\$ 4,539,023</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the County.

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the County carrying value of the deposits (demand and certificate deposit).

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the County for at least one half of the amount on deposit with the institution. As of June 30, 2010 \$4,226,544 of the County's bank balances of \$4,726,544 were exposed to custodial credit risk as follows:

	First New Mexico Bank	Wells Fargo Bank	Total
Year ended June 30, 2010			
Total amount of deposits	\$ 4,385,766	\$ 340,778	\$ 4,726,544
FDIC Coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	4,135,766	90,778	4,226,544
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the County's name	4,290,000	102,046	4,392,046
Over collateralization	<u>\$ (154,234)</u>	<u>\$ (11,268)</u>	<u>\$ (165,502)</u>
Collateral requirement (50% of uninsured public funds)	\$ 2,067,883	\$ 45,389	\$ 2,113,272
Pledged securities	4,290,000	102,046	4,392,046
Over (under) collateralization	<u>\$ 2,222,117</u>	<u>\$ 56,657</u>	<u>\$ 2,278,774</u>

The collateral pledged is listed on the supplemental schedule of collateral pledged by depositor of public funds on this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the County for at least one hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution. At June 30, 2010, the County's investment balances were exposed to custodial credit risk as follows:

Investment Type	Fair Value	Weighted Maturity Average (Months)
Federal Home Loan Bank	\$ 751,095	31.85
US Treasury, Notes	3,680,263	12.10
Federal National Mortgage Assoc.	838,950	35.32
Local Government Investment Pool	12,138	0.83
Freddie Mac	4,547,236	56.03
Savings Account	817,792	-
Total fair value	<u>\$ 10,647,474</u>	
Portfolio weighted average maturity		34.53

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

New MexiGROW Local Government Investment Pool - The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10-1 through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. 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. The LGIP is rated AAAM by Standard and Poor's and has a weighted average maturity of 50 days at June 30, 2010. Participation in the LGIP is voluntary.

LGIP's remaining position in the Reserve Primary Fund was transferred to the Reserve Contingency Fund. Therefore, the balance in the LGIP Reserve Contingency Fund reflects the County's remaining pro rata share of the LGIP's investment in the Reserve Primary Fund. The Reserve Contingency Fund, which is not rated, is a non-performing asset, and as such, a WAM cannot be calculated. The New Mexico State Treasurer's Office has no information about timing nor amounts of potential future distributions. As a result, the State Treasurer's Office cannot anticipate what the actual loss to the LGIP from the Reserve Primary Fund may be or when the actual loss may be realized. No actual loss has been realized to date.

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 bi-monthly to review and evaluate investment activity. The committee includes the County Treasurer, the County Treasurer's Investment Officer, the County Manger and one other county employee. This committee reports to the County Board of Finance which includes the County Treasurer, the County manager, three Commissioners and the County Clerk.

Interest Rate Risk. The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The County's investments shall be in accordance with State Law, 6-10-10, and 6-10-10.1 NMSA 1978 in that credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The County invests

in securities issued by the U.S. government or its agencies, money market funds consisting of U.S. government and/or U.S. government-sponsored agency securities, and New Mexico State Treasurer's Investment Pool.

As of June 30, 2010, the County's investments in U.S. Agencies with the Federal Home Loan Bank, U.S. Treasury, and the Federal National Mortgage Association were all rated AAA by Moody's Investors Service and AAA by Standard & Poor's. The County's investment in the State Investment Pool was rated AAAM by Standard & Poor's.

Concentration of Credit Risk. The County's investment policy places no limit on the amounts the County may invest in any one issuer. 7.7% of the County's investments are in money market funds. The County's investments in U.S. agencies total 7% with the Federal Home Loan Bank, 34.6% with the U.S. Treasury 42.7% with Freddie Mac, and 7.9% with the Federal National Mortgage Association and the remainder of .1% is invested in the Local Government Investment Pool.

A reconciliation of cash and investments for the County follows:

Bank accounts	\$ 4,538,648
Petty cash on hand	375
Carrying amount of investments	<u>10,647,474</u>
Total cash and investments	<u>\$ 15,186,497</u>

Statement of Net Assets

Primary Government

Cash and investments	\$ 14,972,652
Statement of Fiduciary Net Assets	<u>213,845</u>
Total cash, investment	<u>\$ 15,186,497</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Business Type Activities</u>	<u>Total</u>
Taxes Receivable:				
Property taxes	\$ 1,414,188	\$ -	\$ -	\$ 1,414,188
Accounts	-	-	1,026,255	\$ 1,026,255
State of New Mexico				
Other	<u>115,032</u>	<u>349,739</u>	<u>-</u>	<u>464,771</u>
	<u>1,529,220</u>	<u>349,739</u>	<u>1,026,255</u>	<u>2,905,214</u>
Intergovernmental:				
Grants	-	96,140	-	96,140
Other:				
Due from other governments	<u>113,206</u>	<u>303,230</u>	<u>113,206</u>	<u>529,642</u>
	<u>113,206</u>	<u>399,370</u>	<u>113,206</u>	<u>625,782</u>
Accrued interest	-	-	-	-
	<u>\$ 1,642,426</u>	<u>\$ 749,109</u>	<u>\$ 1,139,461</u>	<u>\$ 3,530,996</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year deferred revenue which related to delinquent property taxes was \$1,234,886.

5. INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

Interfund transfers reflect a temporary transfer of cash due to temporary needs within the fund. The composition of interfund transfers during the year ended June 30, 2010 is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	County Maintenance Fund	\$ 20,000	To cover unexpected expenses
Farm and Range	Community Health and Social Services	10,000	To help pay for soil conservation efforts within Luna County
Indigent Claims	Community Health and Social Services	55,000	To resolve negative beginning balance
County Maintenance	Community Health and Social Services	250,000	To meet community service obligation and support
Entertainment Complex	County Maintenance	2,668,161	To complete purchase of Entertainment Complex
Volunteer Fire Department	Fire	19,066	Match to purchase property plant and equipment
Ambulance	Volunteer Fire Department	296	To pay personnel
Entertainment Complex Bond	Entertainment Complex	543,950	To fund for principal and interest bond payments
Judicial Complex Bond	Judicial Complex	<u>290,960</u>	To fund for principal and interest bond payments
		<u>\$ 3,857,433</u>	

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 1,624,325	\$ -	\$ -	\$ -	\$ 1,624,325
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>1,624,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,624,325</u>
Capital assets being depreciated					
Buildings	23,139,271	2,574	-	(13,010)	23,128,835
Equipment and furnishings	9,501,449	895,578	(810,259)	(19,975)	9,566,793
Total capital assets being depreciated	<u>32,640,720</u>	<u>898,152</u>	<u>(810,259)</u>	<u>(32,985)</u>	<u>32,695,628</u>
Less accumulated depreciation for:					
Buildings	1,705,575	487,085	-	(4,818)	2,187,842
Equipment and furnishings	6,789,874	801,182	(778,848)	(5,945)	6,806,263
Total accumulated depreciation	<u>8,495,449</u>	<u>1,288,267</u>	<u>(778,848)</u>	<u>(10,763)</u>	<u>8,994,105</u>
Total capital assets being depreciated, net	<u>24,145,271</u>	<u>(390,115)</u>	<u>(31,411)</u>	<u>(22,222)</u>	<u>23,701,523</u>
Governmental activities capital assets, net	<u>\$ 25,769,596</u>	<u>\$ (390,115)</u>	<u>\$ (31,411)</u>	<u>\$ (22,222)</u>	<u>\$ 25,325,848</u>

Depreciation expense for the year ended June 30, 2010 was charged to the following functions and funds:

General government	\$ 556,328
Public safety	424,913
Public works	189,939
Health and welfare	117,087
	<u>\$ 1,288,267</u>

	Balance June 30, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Business Type Activities:					
Capital assets not being depreciated:					
Land	\$ 244,714	\$ -	\$ -	\$ -	\$ 244,714
Total capital assets not being depreciated	<u>244,714</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,714</u>
Capital assets being depreciated:					
Buildings	7,335,839	8,940,230	-	13,010	16,289,079
Equipment and furnishings	1,144,411	13,896	(41,179)	19,975	1,137,103
Total capital assets being depreciated	<u>8,480,250</u>	<u>8,954,126</u>	<u>(41,179)</u>	<u>32,985</u>	<u>17,426,182</u>
Less accumulated depreciation for:					
Buildings	1,683,881	354,914	-	4,818	2,043,613
Equipment and furnishings	720,242	77,572	(41,096)	5,945	762,663
Total accumulated depreciation	<u>2,404,123</u>	<u>432,486</u>	<u>(41,096)</u>	<u>10,763</u>	<u>2,806,276</u>
Total capital assets being depreciated, net	<u>6,076,127</u>	<u>8,521,640</u>	<u>(83)</u>	<u>22,222</u>	<u>14,619,906</u>
Business-type activities capital assets, net	<u>\$ 6,320,841</u>	<u>\$ 8,521,640</u>	<u>\$ (83)</u>	<u>\$ 22,222</u>	<u>\$ 14,864,620</u>

7. **LONG TERM DEBT**

Governmental Activities: During the year ended June 30, 2010, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
NMFA Loan Fire Truck	\$ 7,803	\$ -	\$ 7,803	\$ -	\$ -
Harlo HP 5500Forklift	13,815	-	13,815	-	-
Judicial Bond 2007A	4,253,843	-	112,375	4,141,468	120,000
Entertainment Complex 2007B	6,599,507	-	138,005	6,461,502	150,000
Compensated absences	<u>372,548</u>	<u>499,848</u>	<u>257,484</u>	<u>614,912</u>	<u>153,728</u>
Total primary government	<u>\$ 11,247,516</u>	<u>\$ 499,848</u>	<u>\$ 529,482</u>	<u>\$ 11,217,882</u>	<u>\$ 423,728</u>

Liabilities for compensated absences are generally liquidated by the fund from which the employee's salaries are paid; the majority of the County's liability has been satisfied by payments from the General Fund

New Mexico Finance Authority (NMFA) Loans

In 2001, the County entered into a loan agreement with NMFA 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 was \$77,985. Interest on the loan is 0%. The term of the loan is for ten years.

Bond - Judicial Complex 2007A

On October 19, 2007, the County entered into a bond agreement for the construction of a Judicial Complex. The bond maturity amount is \$4,515,000, but was discounted \$102,295 so the County received funds of \$4,412,705. The County pledged Correctional Facility Gross Receipts Tax for the repayment of the bond. Interest on the bond is due January 1 and July 1 of each year beginning in 2008. Interest rates for the bond began at 3.55% and increase until maturity up to 4.45%. The term of the bond is 25 years.

Loan debt service requirements to maturity are as follows:

Years ending June 30,	Interest Rate	Principal	Interest	Total
2011	3.600%	120,000	165,258	285,258
2012	3.600%	120,000	160,938	280,938
2013	3.650%	125,000	156,497	281,497
2014	3.650%	130,000	151,843	281,843
2015	3.650%	135,000	146,973	281,973
Due thereafter		3,605,000	1,381,799	4,986,799
Discount remaining		<u>(93,531)</u>	<u>-</u>	<u>(93,531)</u>
		<u>\$ 4,141,469</u>	<u>\$ 2,163,308</u>	<u>\$ 6,304,777</u>

Bond - Entertainment Complex 2007B

On October 19, 2007, the County entered into a bond agreement for the construction of an Entertainment Complex. The bond maturity amount is \$7,165,000 but was discounted \$328,605 so the County received funds of \$6,836,395. The County pledged Taxable Capital Outlay Gross Receipts Tax for the repayment of the bond. Interest on the bond is due January 1 and July 1 of each year beginning in 2008. Interest rates for the bond began at 5.10% and increase until maturity up to 6.00%. The term of the bond is 25 years.

Loan debt service requirements to maturity are as follows:

<u>Years ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	5.150%	150,000	367,149	517,149
2012	5.200%	160,000	359,127	519,127
2013	5.250%	165,000	350,635	515,635
2014	5.300%	175,000	341,667	516,667
2015	5.35%	185,000	332,080	517,080
Due thereafter		5,930,000	3,310,071	9,240,071
Discount remaining		(303,498)	-	(303,498)
		<u>\$ 6,461,502</u>	<u>\$ 5,060,729</u>	<u>\$ 11,522,231</u>

Lease - US Bancorp Manifest Funding Services

On March 31, 2008, the County entered into a lease agreement with US Bancorp Manifest Funding Services for the purchase of a Harlo HP 5500 forklift for the road department. The lease term is 36 months with a monthly payment of \$921. At the end of the lease term the County has the option to purchase the forklift for \$1. The original amount of the lease is \$34,998, which is the cost of the forklift. An advance payment was made in the amount of \$1,842.

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	<u>2,763</u>	<u>-</u>	<u>2,763</u>

Business-Type Activities: During the year ended June 30, 2010, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	<u>\$ 194,239</u>	<u>\$ 149,036</u>	<u>\$ 140,575</u>	<u>\$ 202,700</u>	<u>\$ 50,675</u>

Liabilities for compensated absences are generally liquidated in the detention center fund.

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, 2009 through June 30, 2010, the premiums paid were \$528,557. The assumption of risk transfers upon payment of premiums within the policy limits. To minimize the risk of loss for workers' compensation, the County participates in the New Mexico County Insurance Association (a risk pool of counties within the State of New Mexico). The pool is self insured for workers' compensation claims up to \$300,000. Above that amount, the pool maintains an Excess Employers' Reinsurance Policy.

9. PERA PENSION PLAN

Plan Description. Substantially all of Luna County'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.

Funding Policy. General County plan members are required to contribute 9.15% for county 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 County has elected to contribute 75% of the 9.15% of employee required contribution as well as a required matching contribution of 9.15% of general participants' gross salary. The total county contribution rate for general personnel is 16.02%. For law enforcement employees, the county has elected to contribute 25% of the 16.3% of employee required contribution as well as a required matching contribution of 18.5% of law enforcements' gross salary. The total county contribution rate for law enforcement personnel is 22.575%. 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, 2010, 2009, and 2008, were \$1,482,208, \$1,389,462, and \$1,199,604, respectively, equal to the amount of the required contributions for the years, respectively.

10. POST EMPLOYMENT BENEFITS

The Retiree Health Care Act (the "Act") (Chapter 10, Article 7C, NMSA, 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. 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 Retiree Health Care Fund and by co-payments or out of pocket payments by eligible retirees. Monies flow to the Retiree Health Care Fund on 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, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act (ERA), Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial 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 employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer'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 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees 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 issued 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, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, NM 87107.

For the years ended June 30, 2010, 2009, and 2008, the County remitted \$94,808, \$109,271, and \$98,294, respectively, in employer contributions to the Retiree Health Care Authority.

11. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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 amount, if any, to be immaterial.

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

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, 2010, 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.

12. ACCOUNTING STANDARDS

In June 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets which is effective for financial statements for periods beginning after June 15, 2009. The Statement establishes uniform financial reporting standards for intangible assets. The County incorporated this statement for the current fiscal year, and believes it had no significant effect on the financial statements for the year.

In November 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 52, Land Held as Investments by Endowments, which is effective for financial statements for periods beginning after June 15, 2008, with earlier application encouraged. This Statement establishes standards for the reporting of land and other real estate by endowment. The County is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In June, 2008 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which is effective for all periods beginning after June 15, 2009. The statement is intended to improve how governments report information about derivative instruments. The County is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements on the upcoming year.

13. FUND BALANCE AND NET ASSETS RESTATEMENT

Fund balance at June 30, 2009 has been adjusted to restate the reporting of the Columbus Stockyard Complex and Entertainment Complex in proprietary funds instead of special revenue funds and capital project funds, respectively. The restatement resulted in a cumulative effect on total non-major fund balance at June 30, 2009 of \$3,728,207 which was transferred to the proprietary funds.

In addition, the fund balance at June 30, 2009, for proprietary funds has been adjusted to correct an error in the reporting of construction in progress activity in the entertainment complex fund. The correction which totals \$3,318,223 is to correct items expensed in prior years which should have been capitalized as construction in progress.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
LUNA COUNTY

NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

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 provided by the Taylor Grazing Act. (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 1987.

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 - 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, BNSA 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 Luna 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 fund was established by County ordinance.

Sirolli Institute - To account for a grant that is an effort to develop community opportunity for economic development. The authority to create this fund is by County ordinance.

Healthy Start Initiative- To account for proceeds and expenditures related to a federal grant to eliminate ethnic disparities in prenatal 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 78-1-1, NMSA 1978.

Volunteer Fire Department - 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.

Community Health and Social Services - To account for the funds received to aid the lower income residents in Luna County.

CAPITAL PROJECT FUND

Judicial Complex Fund - To account for the receipts for the capital improvements to the Sixth Judicial District Court. 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.

DEBT SERVICE FUNDS

Entertainment Complex Bond - To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs specifically for the building of the entertainment complex. The fund's source of revenue is bond proceeds. The authority to create this fund is by County ordinance.

Judicial Bond- To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs specifically for the building of the Sixth Judicial District Court. The fund's source of revenue is bond proceeds. The authority to create this fund is by County ordinance.

STATE OF NEW MEXICO
LUNA COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

ASSETS	Special Revenue Funds							
	Farm and Range	Recreation	Reappraisal Program	Indigent Claims	Treasurer's Mobile Home Sales	DWI Grants	Recording Fees	
Cash and cash equivalents	\$ 11,297	\$ 143	\$ 112,288	\$ 72,075	\$ 188,472	\$ 33,430	\$ 51,747	
Investments	-	-	-	-	-	-	-	
Receivables:								
Grant	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	
Due from other governments	-	-	-	113,206	-	-	-	
Due from other funds	-	-	-	-	-	-	-	
Total assets	\$ 11,297	\$ 143	\$ 112,288	\$ 185,281	\$ 188,472	\$ 33,430	\$ 51,747	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 845	\$ -	\$ 45	\$ 6,092	\$ 79	
Accrued salaries	-	-	1,540	-	-	7,453	-	
Bank overdraft	-	-	-	-	-	-	-	
Due to other funds	-	-	-	-	-	(51,683)	-	
Total liabilities	-	-	2,385	-	45	(38,138)	79	
Fund balances:								
Unreserved:								
Special revenue fund	11,297	143	109,903	185,281	188,427	71,568	51,668	
Total fund balances	11,297	143	109,903	185,281	188,427	71,568	51,668	
Total liabilities and fund balances	\$ 11,297	\$ 143	\$ 112,288	\$ 185,281	\$ 188,472	\$ 33,430	\$ 51,747	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

ASSETS	Special Revenue Funds							
	KLCB Aluminum	Mimbres Valley Learning Center	Sirilli Institute	Healthy Start	Juvenile Field Services	Law Enforcement	Solid Waste	
Cash and cash equivalents:	\$ 228	\$ -	\$ 13,628	\$ 271,114	\$ 37,155	\$ 66,173	\$ 73	
Investments	-	-	-	-	-	-	-	
Receivables:								
Grant	-	-	-	45,711	-	21,694	-	
Other	-	1,242	-	36,261	88,924	47,173	-	
Due from other governments	-	28,301	-	-	-	16,173	-	
Due from other funds	-	-	-	-	-	-	-	
Total assets	\$ 228	\$ 29,543	\$ 13,628	\$ 353,086	\$ 126,079	\$ 151,213	\$ 73	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ 3,501	\$ 225	\$ 35,226	\$ 13,944	\$ 93,688	\$ -	
Accrued salaries	-	-	-	28,134	21,317	12,238	-	
Bank overdraft	-	60,062	-	-	-	-	-	
Due to other funds	-	-	-	-	-	-	-	
Total liabilities	-	63,563	225	63,360	35,261	105,926	-	
Fund balances:								
Unreserved:								
Special revenue fund	228	(34,020)	13,403	289,726	90,818	45,287	73	
Total fund balances	228	(34,020)	13,403	289,726	90,818	45,287	73	
Total liabilities and fund balances	\$ 228	\$ 29,543	\$ 13,628	\$ 353,086	\$ 126,079	\$ 151,213	\$ 73	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

ASSETS	Special Revenue Funds					Total Special Revenue Funds
	Volunteer Fire Departments	Fire	Ambulance	Community Health and Social Services		
Cash and cash equivalents:	\$ 202,940	\$ 297,194	\$ 300,307	\$ 142,262	\$	\$ 1,800,526
Investments	-	-	-	-	-	-
Receivables:						
Grant	-	-	-	-	-	67,405
Other	-	-	-	-	-	173,600
Due from other governments	-	32,345	56,602	-	-	246,627
Due from other funds	-	-	-	-	-	-
Total assets	\$ 202,940	\$ 329,539	\$ 356,909	\$ 142,262	\$	\$ 2,288,158
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 10,196	\$ 23,949	\$ 98,826	\$ 8,367	\$	\$ 294,983
Accrued salaries	-	3,396	-	-	-	74,078
Bank overdraft	-	-	-	-	-	60,062
Due to other funds	-	-	-	-	-	(51,683)
Total liabilities	10,196	27,345	98,826	8,367	\$	377,440
Fund balances:						
Unreserved:						
Undesignated, reported in:						
Special revenue fund	192,744	302,194	258,083	133,895		1,910,718
Total fund balances	192,744	302,194	258,083	133,895		1,910,718
Total liabilities and fund balances	\$ 202,940	\$ 329,539	\$ 356,909	\$ 142,262	\$	\$ 2,288,158

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

Capital Project Funds

ASSETS

	Entertainment Complex	Judicial Complex	Total Capital Project Funds
Cash and cash equivalents:			
Investments	\$ -	\$ 317,061	\$ 317,061
Receivables:	-	-	-
Due from other governments	-	56,603	56,603
Total assets	\$ -	\$ 373,664	\$ 373,664

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balances:			
Unreserved	-	-	-
Capital projects fund	-	373,664	373,664
Total fund balances	-	373,664	373,664
Total liabilities and fund balances	\$ -	\$ 373,664	\$ 373,664

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Debt Service Funds			
	Entertainment Complex Bond	Judicial Bond	Total Debt Service Funds	Total Non-major Funds
Cash and cash equivalents:				
Investment	\$ -	-	-	\$ 2,117,587
Receivables:				
Grant	-	-	-	67,405
Other	-	-	-	173,600
Due from other governments	-	-	-	303,230
Due from other funds	-	-	-	-
Interfund receivable	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
Total assets	\$ -	\$ -	\$ -	\$ 2,661,822
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	-	\$ 294,983
Accrued salaries	-	-	-	74,078
Bank overdraft	-	-	-	60,062
Interest payable	174,199	76,230	250,429	250,429
Due to other funds	-	-	-	(51,683)
Deferred revenue	-	-	-	-
Total liabilities	174,199	76,230	250,429	627,869
Fund balances				
Unreserved:				
Undesignated, reported in:				
Special revenue fund	-	-	-	1,910,718
Capital projects fund	-	-	-	373,664
Debt service funds	(174,199)	(76,230)	(250,429)	(250,429)
Total fund balances	(174,199)	(76,230)	(250,429)	2,033,953
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 2,661,822

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds							
	Farm and Range	Recreation	Reappraisal Program	Indigent Claims	Treasurer's Mobile Home Sales	DWI Grants	Recording Fees	
Revenues:								
State shared taxes	\$ 12,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	19,195	-	-	687,546	-	-	-	-
Charges for services	-	-	99,677	-	-	8,100	-	20,769
Interest income	68	-	-	209	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	204,111	-	-
Other income	-	-	-	-	44,281	2,465	-	-
Total revenues	31,893	-	99,677	687,755	44,281	214,676	-	20,769
Expenditures:								
Current:								
General government	33,500	-	86,152	-	6,215	-	-	2,580
Public safety	-	-	-	-	-	187,633	-	-
Health and welfare	-	-	-	627,364	-	-	-	-
Debt service principal	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	8,913	-	-	59,846
Total expenditures	33,500	-	86,152	627,364	15,128	187,633	-	62,426
Excess (deficiency) of revenues over expenditures	(1,607)	-	13,525	60,391	29,153	27,043	-	(41,657)
Other financing sources (uses):								
Transfers in	10,000	-	-	55,000	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	10,000	-	-	55,000	-	-	-	-
Net changes in fund balances	8,393	-	13,525	115,391	29,153	27,043	-	(41,657)
Fund balance - beginning of year	2,904	143	96,378	69,890	159,274	44,525	-	93,325
Fund balance - restatement	-	-	-	-	-	-	-	-
Fund balance - beginning of year, restated	2,904	143	96,378	69,890	159,274	44,525	-	93,325
Fund balance - end of year	\$ 11,297	\$ 143	\$ 109,903	\$ 185,281	\$ 188,427	\$ 71,568	\$	\$ 51,668

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Special Revenue Funds										
KLCB Aluminum	Mimbres Valley Learning Center	Sirrolli Institute	Healthy Start	Juvenile Field Services	Law Enforcement	Solid Waste				
\$ -	\$ 189,291	\$ -	\$ -	\$ -	\$ -	\$ -				
-	-	-	66,715	499,365	151,936	-				
-	-	-	-	-	-	-				
-	-	-	-	-	106	-				
-	-	-	698,267	-	812,523	-				
-	-	-	256,056	-	211,941	-				
153	17,763	-	-	652	42,019	-				
153	207,054	-	1,021,038	500,017	1,218,525	-				
Revenues:										
State shared taxes										
Intergovernmental										
Charges for services										
Interest income										
Federal grants										
State grants										
Other income										
Total revenues										
Expenditures:										
Current:										
General government										
Public safety										
Health and welfare										
Debt service principal										
Capital outlay										
Total expenditures										
153	(15,377)	(2,876)	3,590	11,819	(51,601)	-				
Excess (deficiency) of revenues over expenditures										
Other financing sources (uses):										
Transfers in										
Transfers out										
Total other financing sources (uses)										
153	(15,377)	(2,876)	3,590	11,819	(51,601)	-				
Net changes in fund balances										
75	(18,643)	16,279	286,136	78,999	96,888	73				
Fund balance - beginning of year										
Fund balance - restatement										
75	(18,643)	16,279	286,136	78,999	96,888	73				
Fund balance - beginning of year, restated										
228	(34,020)	13,403	289,726	90,818	45,287	73				
Fund balance - end of year										

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds						
	Volunteer Fire Departments	Fire	Ambulance	Columbus Stockyard	Community Health and Social Services	Total Special Revenue Funds	
Revenues:							
State shared taxes	\$ -	\$ -	\$ 342,924	\$ -	\$ -	\$ 544,845	
Intergovernmental	272,224	196,708	284	-	-	1,893,973	
Charges for services	-	-	-	-	-	128,546	
Interest income	1,119	-	-	-	-	1,502	
Federal grants	-	-	-	-	-	1,510,790	
State grants	30,000	-	-	-	135,647	837,755	
Other income	-	-	-	-	-	107,333	
Total revenues	303,343	196,708	343,208	-	135,647	5,024,744	
Expenditures:							
Current:							
General government	-	-	-	-	-	128,447	
Public safety	193,336	191,680	341,357	-	-	1,709,597	
Health and welfare	-	-	-	-	8,367	2,366,654	
Debt service principal	-	-	-	-	-	-	
Capital outlay	44,333	-	-	-	-	587,657	
Total expenditures	237,669	191,680	341,357	-	8,367	4,792,355	
Excess (deficiency) of revenues over expenditures	65,674	5,028	1,851	-	127,280	232,389	
Other financing sources (uses):							
Transfers in	18,770	-	296	-	-	84,066	
Transfers out	-	(19,066)	-	-	(315,000)	(334,066)	
Total other financing sources (uses)	18,770	(19,066)	296	-	(315,000)	(250,000)	
Net changes in fund balances	84,444	(14,038)	2,147	-	(187,720)	(17,611)	
Fund balance - beginning of year	108,300	316,232	255,936	(18,807)	321,615	1,909,522	
Fund balance - restatement	-	-	-	18,807	-	18,807	
Fund balance - beginning of year, restated	108,300	316,232	255,936	-	321,615	1,928,329	
Fund balance - end of year	\$ 192,744	\$ 302,194	\$ 258,083	\$ -	\$ 133,895	\$ 1,910,718	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Capital Project Funds		
	Entertainment Complex	Judicial Complex	Total Capital Project Funds
Revenues:			
State shared taxes	\$ -	\$ 342,924	\$ 342,924
Other income	-	-	-
Total revenues	-	342,924	342,924
Expenditures:			
Current:	-	-	-
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	-	342,924	342,924
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	(290,960)	(290,960)
Total other financing sources (uses)	-	(290,960)	(290,960)
Net changes in fund balances	-	51,964	51,964
Fund balance - beginning of year	3,747,014	321,700	4,068,714
Fund balance - restatement	(3,747,014)	-	(3,747,014)
Fund balance - beginning of year, restated	-	321,700	321,700
Fund balance - end of year	\$ -	\$ 373,664	\$ 373,664

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Debt Service Funds			
	Entertainment Complex Bond	Judicial Bond	Total Debt Service Funds	Total Non-major Funds
Revenues:				
State shared taxes	\$ -	\$ -	\$ -	\$ 887,769
Intergovernmental	-	-	-	1,893,973
Charges for services	-	-	-	128,546
Interest income	-	-	-	1,502
Bond proceeds	-	-	-	-
Federal operating grants	-	-	-	1,510,790
State operating grants	-	-	-	837,755
Other income	-	-	-	107,333
Total revenues	-	-	-	5,367,668
Expenditures:				
Current:				
General government	-	-	-	128,447
Public safety	-	-	-	1,709,597
Health and welfare	-	-	-	2,366,654
Capital outlay	-	-	-	587,657
Debt Service:				
Principal	145,000	115,000	260,000	260,000
Interest expense	371,818	160,389	532,207	532,207
Total expenditures	516,818	275,389	792,207	5,584,562
Excess (deficiency) of revenues over expenditures	(516,818)	(275,389)	(792,207)	(216,894)
Other financing sources (uses):				
Transfers in	543,950	290,960	834,910	918,976
Transfers out	-	-	-	(625,026)
Total other financing sources (uses)	543,950	290,960	834,910	293,950
Net changes in fund balances	27,132	15,571	42,703	77,056
Fund balance - beginning of year	(201,331)	(91,801)	(293,132)	5,685,104
Fund balance - restatement	-	-	-	(3,728,207)
Fund balance - beginning of year, restated	(201,331)	(91,801)	(293,132)	1,956,897
Fund balance - end of year	(174,199)	(76,230)	(250,429)	2,033,953

See accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

**STATE OF NEW MEXICO
LUNA COUNTY**

**FARM AND RANGE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State shared taxes	\$ 4,500	\$ 4,500	\$ 12,630	\$ 8,130
Intergovernmental	18,500	18,500	19,195	695
Interest income	100	100	68	(32)
Total revenues	<u>23,100</u>	<u>23,100</u>	<u>31,893</u>	<u>8,793</u>
Expenditures:				
Current:				
General government	<u>33,500</u>	<u>33,500</u>	<u>33,500</u>	<u>-</u>
Total expenditures	<u>33,500</u>	<u>33,500</u>	<u>33,500</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(10,400)</u>	<u>(10,400)</u>	<u>(1,607)</u>	<u>8,793</u>
Other financing sources (uses):				
Designated cash	10,400	10,400	-	(10,400)
Operating transfers in (out)	-	-	10,000	10,000
Total other financing sources (uses)	<u>10,400</u>	<u>10,400</u>	<u>10,000</u>	<u>(400)</u>
Net changes in fund balances	-	-	8,393	8,393
Fund balance - beginning of year	-	-	2,904	
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,297</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

RECREATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net changes in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	143	
Fund balance - end of year	\$ -	\$ -	\$ 143	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

RE-APPRAISAL PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ 99,677	\$ 99,677
Total revenues	-	-	99,677	99,677
Expenditures:				
Current:				
General government	99,018	99,018	87,994	11,024
Total expenditures	99,018	99,018	87,994	11,024
Excess (deficiency) of revenues over expenditures	(99,018)	(99,018)	11,683	110,701
Other financing sources (uses):				
Designated cash	99,018	99,018	-	(99,018)
Total other financing sources (uses)	99,018	99,018	-	(99,018)
Net changes in fund balances	-	-	11,683	11,683
Fund balance - beginning of year	-	-	100,591	
Fund balance - end of year	\$ -	\$ -	\$ 112,274	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 11,683	
Net revenue accruals			-	
Net expense accruals			1,842	
Net changes in fund balance GAAP basis			\$ 13,525	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

INDIGENT HOSPITAL CLAIMS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue	\$ 998,000	\$ 998,000	\$ 695,552	\$ (302,448)
Interest income	1,500	1,500	209	(1,291)
Total revenues	<u>999,500</u>	<u>999,500</u>	<u>695,761</u>	<u>(303,739)</u>
Expenditures:				
Current:				
Health and welfare	<u>815,346</u>	<u>932,546</u>	<u>627,795</u>	<u>304,751</u>
Total expenditures	<u>815,346</u>	<u>932,546</u>	<u>627,795</u>	<u>304,751</u>
Excess (deficiency) of revenues over expenditures	<u>184,154</u>	<u>66,954</u>	<u>67,966</u>	<u>1,012</u>
Other financing sources (uses):				
Designated cash	(184,154)	(66,954)	-	66,954
Operating transfers in (out)	-	-	55,000	55,000
Total other financing sources (uses)	<u>(184,154)</u>	<u>(66,954)</u>	<u>55,000</u>	<u>121,954</u>
Net changes in fund balances	-	-	122,966	122,966
Fund balance - beginning of year	-	-	-	
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,966</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 122,966	
Net revenue accruals			(8,006)	
Net expense accruals			431	
Net changes in fund balance GAAP basis			<u>\$ 115,391</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

TREASURER'S MOBILE HOME SALES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Other income	\$ 31,500	\$ 31,500	\$ 44,281	\$ 12,781
Total revenues	31,500	31,500	44,281	12,781
Expenditures:				
Current:				
General government	10,000	10,000	6,587	3,413
Capital outlay	30,000	30,000	8,913	21,087
Total expenditures	40,000	40,000	15,500	24,500
Excess (deficiency) of revenues over expenditures	(8,500)	(8,500)	28,781	37,281
Other financing sources (uses):				
Designated cash	8,500	8,500	-	(8,500)
Total other financing sources (uses)	8,500	8,500	-	(8,500)
Net changes in fund balances	-	-	28,781	28,781
Fund balance - beginning of year	-	-	159,691	
Fund balance - end of year	\$ -	\$ -	\$ 188,472	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 28,781	
Net revenue accruals			-	
Net expense accruals			372	
Net changes in fund balance GAAP basis			\$ 29,153	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

DWI GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 12,800	\$ 12,800	\$ 8,100	\$ (4,700)
State grants	226,159	226,159	226,285	126
Other income	-	-	2,465	2,465
Total revenues	<u>238,959</u>	<u>238,959</u>	<u>236,850</u>	<u>(2,109)</u>
Expenditures:				
Current:				
Public safety	245,756	245,756	177,938	67,818
Capital outlay	<u>1,450</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>247,206</u>	<u>245,756</u>	<u>177,938</u>	<u>67,818</u>
Excess (deficiency) of revenues over expenditures	<u>(8,247)</u>	<u>(6,797)</u>	<u>58,912</u>	<u>65,709</u>
Other financing sources (uses):				
Designated cash	<u>8,247</u>	<u>6,797</u>	<u>-</u>	<u>(6,797)</u>
Total other financing sources (uses)	<u>8,247</u>	<u>6,797</u>	<u>-</u>	<u>(6,797)</u>
Net changes in fund balances	-	-	58,912	58,912
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,912</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 58,912	
Net revenue accruals			(22,174)	
Net expense accruals			<u>(9,695)</u>	
Net changes in fund balance GAAP basis			<u>\$ 27,043</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

RECORDING FEES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 25,000	\$ 25,000	\$ 20,769	\$ (4,231)
Total revenues	25,000	25,000	20,769	(4,231)
Expenditures:				
Current:				
General government	5,000	5,000	2,580	2,420
Capital outlay	70,000	70,000	60,181	9,819
Total expenditures	75,000	75,000	62,761	12,239
Excess (deficiency) of revenues over expenditures	(50,000)	(50,000)	(41,992)	8,008
Other financing sources (uses):				
Designated cash	50,000	50,000	-	(50,000)
Total other financing sources (uses)	50,000	50,000	-	(50,000)
Net changes in fund balances	-	-	(41,992)	(41,992)
Fund balance - beginning of year	-	-	93,739	
Fund balance - end of year	\$ -	\$ -	\$ 51,747	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (41,992)	
Net revenue accruals			-	
Net expense accruals			-	
Capital outlay			335	
Net changes in fund balance GAAP basis			\$ (41,657)	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

KLCB ALUMINUM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Other income	\$ 100	\$ 100	\$ 153	\$ 53
Total revenues	100	100	153	53
Expenditures:				
Current:				
General government	250	250	-	250
Total expenditures	250	250	-	250
Excess (deficiency) of revenues over expenditures	(150)	(150)	153	303
Other financing sources (uses):				
Designated cash	150	150	-	(150)
Total other financing sources (uses)	150	150	-	(150)
Net changes in fund balances	-	-	153	153
Fund balance - beginning of year	-	-	75	
Fund balance - end of year	\$ -	\$ -	\$ 228	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

MIMBRES VALLEY LEARNING CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
State shared taxes	\$ 219,894	\$ 219,894	\$ 193,781	\$ (26,113)
State grants	68,000	68,000	-	(68,000)
Other income	6,000	6,000	17,763	11,763
Total revenues	<u>293,894</u>	<u>293,894</u>	<u>211,544</u>	<u>(82,350)</u>
Expenditures:				
Current:				
Health and welfare	<u>238,000</u>	<u>248,000</u>	<u>228,353</u>	<u>19,647</u>
Total expenditures	<u>238,000</u>	<u>248,000</u>	<u>228,353</u>	<u>19,647</u>
Excess (deficiency) of revenues over expenditures	<u>55,894</u>	<u>45,894</u>	<u>(16,809)</u>	<u>(62,703)</u>
Other financing sources (uses):				
Designated cash	<u>(55,894)</u>	<u>(45,894)</u>	<u>-</u>	<u>45,894</u>
Total other financing sources (uses)	<u>(55,894)</u>	<u>(45,894)</u>	<u>-</u>	<u>45,894</u>
Net changes in fund balances	-	-	(16,809)	(16,809)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,020)</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (16,809)	
Net revenue accruals			(4,490)	
Net expense accruals			<u>5,922</u>	
Net changes in fund balance GAAP basis			<u>\$ (15,377)</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

SIROLI INSTITUTE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Health and welfare	7,500	7,500	2,888	4,612
Total expenditures	7,500	7,500	2,888	4,612
Excess (deficiency) of revenues over expenditures	(7,500)	(7,500)	(2,888)	4,612
Other financing sources (uses):				
Designated cash	7,500	7,500	-	(7,500)
Total other financing sources (uses)	7,500	7,500	-	(7,500)
Net changes in fund balances	-	-	(2,888)	(2,888)
Fund balance - beginning of year	-	-	16,504	
Fund balance - end of year	\$ -	\$ -	\$ 13,616	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (2,888)	
Net revenue accruals			-	
Net expense accruals			12	
Net changes in fund balance GAAP basis			\$ (2,876)	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

HEALTHY START INITIATIVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 36,300	\$ 36,300	\$ 54,221	\$ 17,921
Federal grants	712,500	712,500	\$ 711,708	(792)
State grants	303,237	303,237	289,173	(14,064)
Total revenues	1,052,037	1,052,037	1,055,102	3,065
Expenditures:				
Current:				
Health and welfare	1,106,291	1,152,013	1,001,388	150,625
Total expenditures	1,106,291	1,152,013	1,001,388	150,625
Excess (deficiency) of revenues over expenditures	(54,254)	(99,976)	53,714	153,690
Other financing sources (uses):				
Designated cash	54,254	99,976	-	(99,976)
Total other financing sources (uses)	54,254	99,976	-	(99,976)
Net changes in fund balances	-	-	53,714	53,714
Fund balance - beginning of year	-	-	217,144	
Fund balance - end of year	\$ -	\$ -	\$ 270,858	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 53,714	
Net revenue accruals			(34,063)	
Net expense accruals			(16,061)	
Net changes in fund balance GAAP basis			\$ 3,590	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

JUVENILE FIELD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue	\$ 575,423	\$ 575,423	\$ 425,195	\$ (150,228)
Federal grants	-	-	9,452	9,452
Other income	-	-	652	652
Total revenues	<u>575,423</u>	<u>575,423</u>	<u>435,299</u>	<u>(140,124)</u>
Expenditures:				
Current:				
Health and welfare	582,360	582,360	481,184	101,176
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>30</u>	<u>1,970</u>
Total expenditures	<u>584,360</u>	<u>584,360</u>	<u>481,214</u>	<u>103,146</u>
Excess (deficiency) of revenues over expenditures	<u>(8,937)</u>	<u>(8,937)</u>	<u>(45,915)</u>	<u>(36,978)</u>
Other financing sources (uses):				
Designated cash	<u>8,937</u>	<u>8,937</u>	<u>-</u>	<u>(8,937)</u>
Total other financing sources (uses)	<u>8,937</u>	<u>8,937</u>	<u>-</u>	<u>(8,937)</u>
Net changes in fund balances	-	-	(45,915)	(45,915)
Fund balance - beginning of year	-	-	81,066	
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,151</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (45,915)	
Net revenue accruals			64,717	
Net expense accruals			<u>(6,983)</u>	
Net changes in fund balance GAAP basis			<u>\$ 11,819</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 193,050	\$ 193,050	\$ 140,697	\$ (52,353)
Interest income	-	-	106	106
Federal grants	396,268	396,268	995,607	599,339
State grants	250,000	250,000	-	(250,000)
Other income	25,000	25,000	42,019	17,019
Total revenues	864,318	864,318	1,178,429	314,111
Expenditures:				
Current:				
Public safety	675,609	923,662	712,847	210,815
Capital outlay	152,837	576,048	475,322	100,726
Total expenditures	828,446	1,499,710	1,188,169	311,541
Excess (deficiency) of revenues over expenditures	35,872	(635,392)	(9,740)	625,652
Other financing sources (uses):				
Designated cash	(35,872)	635,392	-	(635,392)
Total other financing sources (uses)	(35,872)	635,392	-	(635,392)
Net changes in fund balances	-	-	(9,740)	(9,740)
Fund balance - beginning of year	-	-	75,898	
Fund balance - end of year	\$ -	\$ -	\$ 66,158	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (9,740)	
Net revenue accruals			40,096	
Net expense accruals			(81,957)	
Net changes in fund balance GAAP basis			\$ (51,601)	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
LUNA COUNTY**

**SOLID WASTE WATER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net changes in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	73	
Fund balance - end of year	\$ -	\$ -	\$ 73	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

VOLUNTEER FIRE DEPARTMENTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 117,174	\$ 117,174	\$ 264,426	\$ 147,252
Interest income	-	-	1,119	1,119
State grants	-	-	30,000	30,000
Total revenues	<u>117,174</u>	<u>117,174</u>	<u>295,545</u>	<u>178,371</u>
Expenditures:				
Current:				
Public safety	178,386	240,638	186,945	53,693
Debt service	-	-	(7,798)	7,798
Capital outlay	5,300	49,856	42,803	7,053
Total expenditures	<u>183,686</u>	<u>290,494</u>	<u>221,950</u>	<u>68,544</u>
Excess (deficiency) of revenues over expenditures	<u>(66,512)</u>	<u>(173,320)</u>	<u>73,595</u>	<u>246,915</u>
Other financing sources (uses):				
Designated cash	66,512	173,320	-	(173,320)
Operating transfers in (out)	-	-	18,770	18,770
Total other financing sources (uses)	<u>66,512</u>	<u>173,320</u>	<u>18,770</u>	<u>(154,550)</u>
Net changes in fund balances	-	-	92,365	92,365
Fund balance - beginning of year	-	-	110,516	
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,881</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 92,365	
Net revenue accruals			7,798	
Net expense accruals			(6,391)	
Capital outlay			(1,530)	
Principal payment on debt			(7,798)	
Net changes in fund balance GAAP basis			<u>\$ 84,444</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

**FIRE PROTECTION 1/4% GRT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental income	\$ 205,000	\$ 205,000	\$ 201,326	\$ (3,674)
Total revenues	<u>205,000</u>	<u>205,000</u>	<u>201,326</u>	<u>(3,674)</u>
Expenditures:				
Current:				
Public safety	<u>162,754</u>	<u>216,222</u>	<u>164,335</u>	<u>51,887</u>
Total expenditures	<u>162,754</u>	<u>216,222</u>	<u>164,335</u>	<u>51,887</u>
Excess (deficiency) of revenues over expenditures	<u>42,246</u>	<u>(11,222)</u>	<u>36,991</u>	<u>48,213</u>
Other financing sources (uses):				
Designated cash	(42,246)	11,222	-	(11,222)
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>(19,066)</u>	<u>(19,066)</u>
Total other financing sources (uses)	<u>(42,246)</u>	<u>11,222</u>	<u>(19,066)</u>	<u>(30,288)</u>
Net changes in fund balances	-	-	17,925	17,925
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>279,269</u>	
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,194</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 17,925	
Net revenue accruals			(4,618)	
Net expense accruals			<u>(27,345)</u>	
Net changes in fund balance GAAP basis			<u>\$ (14,038)</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

AMBULANCE 1/8% GRT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
State shared taxes	\$ 413,857	\$ 413,857	\$ 346,927	\$ (66,930)
Intergovernmental revenue	-	-	284	284
Total revenues	<u>413,857</u>	<u>413,857</u>	<u>347,211</u>	<u>(66,646)</u>
Expenditures:				
Current:				
Public safety	<u>377,000</u>	<u>378,303</u>	<u>351,257</u>	<u>27,046</u>
Total expenditures	<u>377,000</u>	<u>378,303</u>	<u>351,257</u>	<u>27,046</u>
Excess (deficiency) of revenues over expenditures	<u>36,857</u>	<u>35,554</u>	<u>(4,046)</u>	<u>(39,600)</u>
Other financing sources (uses):				
Designated cash	(36,857)	(35,554)	-	35,554
Sale of capital assets	-	-	-	-
Operating transfers in (out)	-	-	296	296
Total other financing sources (uses)	<u>(36,857)</u>	<u>(35,554)</u>	<u>296</u>	<u>35,850</u>
Net changes in fund balances	-	-	(3,750)	(3,750)
Fund balance - beginning of year	-	-	304,056	
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,306</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (3,750)	
Net revenue accruals			(4,003)	
Net expense accruals			9,900	
Net changes in fund balance GAAP basis			<u>\$ 2,147</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COMMUNITY HEALTH & SOCIAL SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State grants	\$ 551,340	\$ 551,340	\$ 135,647	\$ (415,693)
Total revenues	<u>551,340</u>	<u>551,340</u>	<u>135,647</u>	<u>(415,693)</u>
Expenditures:				
Current:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>551,340</u>	<u>551,340</u>	<u>135,647</u>	<u>(415,693)</u>
Designated cash	<u>(551,340)</u>	<u>(551,340)</u>	<u>-</u>	<u>551,340</u>
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>(315,000)</u>	<u>(315,000)</u>
Total other financing sources (uses)	<u>(551,340)</u>	<u>(551,340)</u>	<u>(315,000)</u>	<u>236,340</u>
Net changes in fund balances	-	-	(179,353)	(179,353)
Fund balance - beginning of year	-	-	321,615	
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,262</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (179,353)	
Net revenue accruals			-	
Net expense accruals			<u>(8,367)</u>	
Net changes in fund balance GAAP basis			<u>\$ (187,720)</u>	

See accompanying notes to financial statements.

CAPITAL PROJECTS FUNDS

**STATE OF NEW MEXICO
LUNA COUNTY**

**JUDICIAL COMPLEX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Bond proceeds	407,516	407,516	346,927	(60,589)
Total revenues	417,516	417,516	346,927	(70,589)
Expenditures:				
Debt service	345,959	345,959	290,960	54,999
Total expenditures	345,959	345,959	290,960	54,999
Excess (deficiency) of revenues over expenditures	71,557	71,557	55,967	(15,590)
Other financing sources (uses):				
Designated cash	(71,557)	(71,557)	-	71,557
Total other financing sources (uses)	(71,557)	(71,557)	-	71,557
Net changes in fund balance	-	-	55,967	55,967
Fund balance - beginning of year	-	-	261,094	
Fund balance - end of year	\$ -	\$ -	\$ 522,188	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 55,967	
Net revenue accruals			(4,003)	
Net expense accruals			-	
Net changes in fund balance GAAP basis			\$ 51,964	

See accompanying notes to financial statements.

DEBT SERVICE FUNDS

STATE OF NEW MEXICO
LUNA COUNTY

ENTERTAINMENT COMPLEX BOND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Operating transfers in (out)	-	-	543,950	543,950
Total other financing sources (uses)	-	-	543,950	543,950
Net changes in fund balance	-	-	543,950	543,950
Fund balance - beginning of year	-	-	-	
Fund balance - end of year	\$ -	\$ -	\$ 543,950	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 543,950	
Net revenue accruals			-	
Net expense accruals			(516,818)	
Net changes in fund balance GAAP basis			\$ 27,132	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

JUDICIAL BOND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses):				
Designated cash	-	-	-	-
Operating transfers in (out)	-	-	290,960	290,960
Total other financing sources (uses)	-	-	290,960	290,960
Net changes in fund balance	-	-	290,960	290,960
Fund balance - beginning of year	-	-	-	
Fund balance - end of year	\$ -	\$ -	\$ 290,960	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 290,960	
Net revenue accruals			-	
Net expense accruals			(275,389)	
Net changes in fund balance GAAP basis			\$ 15,571	

See accompanying notes to financial statements.

PROPRIETARY FUND

STATE OF NEW MEXICO
LUNA COUNTY

DETENTION CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 5,188,238	\$ 5,188,238	\$ 5,471,702	\$ 283,464
Interest income	-	-	1,518	1,518
Total revenues	5,188,238	5,188,238	5,473,220	284,982
Expenditures:				
Personnel expenditures	3,411,536	3,477,036	3,459,348	17,688
Operating expenditures	1,433,565	1,487,974	1,359,273	128,701
Capital outlay	50,000	-	-	-
Total expenditures	4,895,101	4,965,010	4,818,621	146,389
Excess (deficiency) of revenues over expenditures	293,137	223,228	654,599	431,371
Other financing sources (uses):				
Designated cash	(293,137)	(223,228)	-	223,228
Total other financing sources (uses)	(293,137)	(223,228)	-	223,228
Net changes in fund balance	-	-	654,599	654,599
Fund balance - beginning of year	-	-	95,662	
Fund balance - end of year	\$ -	\$ -	\$ 750,261	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 654,599	
Net revenue accruals			236,993	
Net expense accruals			(368,728)	
Net changes in fund balance GAAP basis			\$ 522,864	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

ENTERTAINMENT COMPLEX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
State shared taxes	\$ 815,033	\$ 815,033	\$ 697,855	\$ (117,178)
Interest income	12,000	12,000	-	(12,000)
Total revenues	827,033	827,033	697,855	(129,178)
Expenditures:				
Debt service	664,165	664,165	543,951	120,214
Capital outlay	5,644,229	5,644,229	5,644,229	-
Total expenditures	6,308,394	6,308,394	6,188,180	120,214
Excess (deficiency) of revenues over expenditures	(5,481,361)	(5,481,361)	(5,490,325)	(8,964)
Other financing sources (uses):				
Designated cash	5,481,361	5,481,361	-	(5,481,361)
Operating transfers in (out)	-	-	2,124,211	2,124,211
Total other financing sources (uses)	5,481,361	5,481,361	2,124,211	(3,357,150)
Net changes in fund balance	-	-	(3,366,114)	(3,366,114)
Fund balance - beginning of year	-	-	5,384,042	
Fund balance - restated	-	-	-	
Fund balance - beginning of year, restated	-	-	5,384,042	
Fund balance - end of year	\$ -	\$ -	\$ 2,017,928	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (3,366,114)	
Net revenue accruals			(8,006)	
Net expense accruals			5,983,300	
Net changes in fund balance GAAP basis			\$ 2,609,180	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
LUNA COUNTY

COLUMBUS STOCKYARDS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 220,000	\$ 220,000	\$ 170,037	\$ (49,963)
Total revenues	220,000	220,000	170,037	(49,963)
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	174,703	174,703	180,764	(6,061)
Total expenditures	174,703	174,703	180,764	(6,061)
Excess (deficiency) of revenues over expenditures	45,297	45,297	(10,727)	(56,024)
Designated cash	(45,297)	(45,297)	-	45,297
Total other financing sources (uses)	(45,297)	(45,297)	-	45,297
Net changes in fund balances	-	-	(10,727)	(10,727)
Fund balance - beginning of year	-	-	-	
Fund balance -restated	-	-	-	
Fund balance - beginning of year, restated	-	-	-	
Fund balance - end of year	\$ -	\$ -	\$ (10,727)	
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (10,727)	
Net revenue accruals			(579)	
Net expense accruals			(5,633)	
Net changes in fund balance GAAP basis			\$ (16,939)	

See accompanying notes to financial statements.

FIDUCIARY FUNDS

**STATE OF NEW MEXICO
LUNA COUNTY**

FIDUCIARY FUNDS - AGENCY FUNDS

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 distributes funds in a custodial capacity for inmates housed at the County Detention Center.

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
LUNA COUNTY**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
TAXES COLLECTED FOR OTHERS:				
ASSETS:				
Cash and cash equivalents	\$ 592,300	\$ -	\$ 430,420	\$ 161,880
Property taxes receivable	1,384,808	955,079	-	2,339,887
Total assets	1,977,108	955,079	430,420	2,501,767
LIABILITIES:				
Due to other governmental agency	\$ 1,919,728	\$ 1,847,071	\$ 1,318,521	\$ 2,448,278
Prepaid taxes	1,076	253	-	1,329
Overpayment of taxes	6,958	-	6,618	340
Taxes paid in advance	19,290	2,498	-	21,788
Due to taxpayers	30,056	-	24	30,032
Total liabilities	1,977,108	1,849,822	1,325,163	2,501,767
INMATE ACCOUNTS:				
ASSETS:				
Cash and cash equivalents	\$ 46,270	\$ 5,695	\$ -	\$ 51,965
Total assets	46,270	5,695	-	51,965
LIABILITIES:				
Due to inmates	\$ 46,270	\$ 5,695	\$ -	\$ 51,965
Total liabilities	46,270	5,695	-	51,965
TOTAL ASSETS AND LIABILITIES:				
ASSETS:				
Cash and cash equivalents	\$ 638,609	\$ 5,695	\$ 430,459	\$ 213,845
Property taxes receivable	1,384,808	955,079	-	2,339,887
Total assets	2,023,417	960,774	430,459	2,553,732
LIABILITIES:				
Due to other governmental agency	\$ 1,919,728	\$ 1,847,071	\$ 1,318,521	\$ 2,448,278
Prepaid taxes	1,076	253	-	1,329
Overpayment of taxes	6,958	-	6,618	340
Taxes paid in advance	19,290	2,498	-	21,788
Due to taxpayers	30,056	-	24	30,032
Due to inmates	46,270	5,695	-	51,965
Bank overdrafts	39	-	39	-
Total liabilities	2,023,417	1,855,517	1,325,202	2,553,732

See accompanying notes to financial statements.

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
LUNA COUNTY**

**SUPPLEMENTAL SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY OF
PUBLIC FUNDS
JUNE 30, 2010**

	1st New Mexico Bank	Wells Fargo Bank	Total
Total amount of deposits	\$ 4,385,766	\$ 340,778	\$ 4,726,544
Less FDIC or FSLIC coverage	250,000	250,000	500,000
Total uninsured public Funds	<u>4,135,766</u>	<u>90,778</u>	<u>4,226,544</u>
Collateral requirement 50%	<u>2,067,883</u>	<u>45,389</u>	<u>2,113,272</u>
Type of Security			
<u>Security Number</u>	<u>CUSIP Number</u>	<u>Maturity Date</u>	
FHLB	3133MJUQ1		1,000,000
ALAMOGORDO NM	011464FA7		500,000
WAGON MOUND NM	930532AK2		50,000
BERNALILLO	085279M13		300,000
FHLB	3133MTZL5		2,000,000
ALAMOGORDO NM	011540CR2		440,000
FED NATL MTG ASSN POOL #885337	31410CS29	6/1/2036	-
Total pledged securities			<u>4,290,000</u>
Over (under) pledged			<u>\$ 2,222,117</u>
			<u>\$ 56,657</u>
			<u>\$ 2,278,774</u>

STATE OF NEW MEXICO
LUNA COUNTY

SUPPLEMENTAL SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
JUNE 30, 2010

Financial Institution: Account name	Type of Account	Bank Balance	(Checks) Deposits	Book Balance
Cash				
1st New Mexico Bank				
Treasurer	Checking	\$ 3,558,345	\$ (187,896)	\$ 3,370,449
General	Checking	775,356	-	775,356
CDBG Grant	Checking	100	-	100
Detention Center Accounts:				
Inmate Account	Checking	51,249	-	51,249
Inmate Account	Checking	716	-	716
Wells Fargo Bank				
Treasurer	Checking	340,778	-	340,778
Total bank and book balance		<u>4,726,544</u>	<u>(187,896)</u>	<u>4,538,648</u>
Investments				
State of New Mexico				
Local Government Investment Pool	Investment	12,138	-	12,138
LPL Financial				
Money Market Funds	Investment	817,792	-	817,792
Federal Home Loan Mortgage Corp	Investment	751,095	-	751,095
Federal National Mortgage Assn	Investment	838,950	-	838,950
Freddie Mac	Investment	4,547,236	-	4,547,236
US Treasury Note	Investment	3,680,263	-	3,680,263
Total Investments		<u>10,647,474</u>	<u>-</u>	<u>10,647,474</u>
Petty Cash on Hand		375	-	375
Total cash and investments		<u>\$ 15,374,393</u>	<u>\$ (187,896)</u>	<u>\$ 15,186,497</u>

STATE OF NEW MEXICO
LUNA COUNTY

SUPPLEMENTAL SCHEDULE OF TAX ROLL RECONCILIATION - PROPERTY TAXES
RECEIVABLE
JUNE 30, 2010

Property taxes receivable, beginning of year	\$ 2,367,472
Changes to tax roll:	
Net taxes charged to treasurer for fiscal year	11,057,963
Adjustments:	
Additions	<u>96,312</u>
Total taxes charged to Treasurer for fiscal year	<u>11,154,275</u>
Total receivables before collections	13,521,747
Collections for fiscal year June 30, 2010	<u>(9,767,672)</u>
	<u>\$ 3,754,075</u>

Property taxes receivable by years:

2000	9,689
2001	12,470
2002	23,559
2003	48,907
2004	93,465
2005	178,937
2006	621,120
2007	653,295
2008	786,254
2009	<u>1,326,379</u>
	<u>\$ 3,754,075</u>

FOR THE YEAR ENDED JUNE 30, 2010

STATE OF NEW MEXICO
LUNA COUNTY

SUPPLEMENTAL SCHEDULE OF PROPERTY TAX
JUNE 30, 2010

Agency	Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Distributed To-Date	Undistributed at Year End	County Receivable at Year End
General Advalorem							
2000-2008	\$ 29,388,130	\$ 316,323	\$ 28,547,244	\$ 316,323	\$ 28,547,244	\$ -	\$ 840,886
2009	5,123,380	4,716,184	4,669,020	4,716,184	4,669,020	-	454,360
	34,511,510	5,032,507	33,216,264	5,032,507	33,216,264	-	1,295,246
Non-Rendition Fees							
2000-2008	302,462	3,195	234,773	3,195	234,773	-	67,689
2009	29,565	11,827	11,827	11,827	11,827	-	17,738
	332,027	15,022	246,600	15,022	246,600	-	85,427
Re-Appraisal Program							
2000-2008	622,878	19,327	605,447	19,327	605,447	-	17,431
2009	110,146	97,001	94,062	97,001	94,062	-	16,084
	733,024	116,328	699,509	116,328	699,509	-	33,515
Administration Fee							
2000-2008	-	611	-	611	611	-	-
2009	-	-	-	-	-	-	-
	-	611	-	611	611	-	-
Total Luna County	\$ 35,576,561	\$ 5,164,468	\$ 34,162,373	\$ 5,164,468	\$ 34,162,984	\$ -	\$ 1,414,188

STATE OF NEW MEXICO
LUNA COUNTY

SUPPLEMENTAL SCHEDULE OF PROPERTY TAX
JUNE 30, 2010

Agency	Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Distributed To-Date	Undistributed at Year End	County Receivable at Year End
Deming Public Schools							
2000-2008	\$ 22,837,958	\$ 255,281	\$ 21,863,478	\$ 255,281	\$ 21,863,478	\$ -	\$ 974,480
2009	3,853,714	3,246,919	3,327,169	3,246,919	3,327,169	-	526,545
	<u>26,691,672</u>	<u>3,502,200</u>	<u>25,190,647</u>	<u>3,502,200</u>	<u>25,190,647</u>	-	<u>1,501,025</u>
Municipalities:							
City of Deming							
2000-2008	2,304,674	30,272	2,251,401	30,272	2,251,401	-	53,273
2009	524,709	471,245	468,795	471,245	468,795	-	55,914
	<u>2,829,383</u>	<u>501,517</u>	<u>2,720,196</u>	<u>501,517</u>	<u>2,720,196</u>	-	<u>109,187</u>
Village of Columbus							
2000-2008	359,451	7,567	336,255	7,567	336,255	-	23,196
2009	62,557	53,542	52,940	53,542	52,940	-	9,617
	<u>422,008</u>	<u>61,109</u>	<u>389,195</u>	<u>61,109</u>	<u>389,195</u>	-	<u>32,813</u>
Total Municipalities	3,251,391	562,626	3,109,391	562,626	3,109,391	-	142,000
Road Levy							
2000-2008	2,875,949	70,302	2,541,644	70,302	2,541,644	-	334,305
2009	862,438	670,724	668,284	670,724	668,284	-	194,154
	<u>3,738,387</u>	<u>741,026</u>	<u>3,209,928</u>	<u>741,026</u>	<u>3,209,928</u>	-	<u>528,459</u>

Continued

STATE OF NEW MEXICO
LUNA COUNTY

SUPPLEMENTAL SCHEDULE OF PROPERTY TAX
JUNE 30, 2010

Agency	Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Distributed To-Date	Undistributed at Year End	County Receivable at Year End
Livestock							
2000-2008	265,120	1,692	259,730	1,692	259,730	-	5,390
2009	38,264	36,745	33,533	36,745	33,533	-	4,731
	<u>303,384</u>	<u>38,437</u>	<u>293,263</u>	<u>38,437</u>	<u>293,263</u>	<u>-</u>	<u>10,121</u>
State Levy							
2000-2008	3,834,610	38,572	3,723,289	38,572	3,723,289	-	111,097
2009	549,451	504,716	502,266	504,716	502,266	-	47,185
	<u>4,384,061</u>	<u>543,288</u>	<u>4,225,555</u>	<u>543,288</u>	<u>4,225,555</u>	<u>-</u>	<u>158,282</u>
Agency Total	\$ 38,368,895	\$ 5,387,577	\$ 36,028,784	\$ 5,387,577	\$ 36,028,784	\$ -	\$ 2,339,887

Concluded

STATE OF NEW MEXICO
LUNA COUNTY

JOINT POWERS AGREEMENTS
JUNE 30, 2010

<u>Participants</u>	<u>Responsible Party</u>	<u>Description</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>County Portion</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
Village of Columbus	Luna County	Multy Service Agreement	August 12, 2009	August 12, 2010	111,000	111,000	111,000	Luna County
City of Deming	Luna County	Multi Service Agreement	July 1, 2009	June 30, 2010, unless amended	Varies yearly	715,500	717,500	Luna County

COMPLIANCE SECTION



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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
Luna County
Deming, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of Luna County (the "County"), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, described as 07-07.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, described as 07-05, 07-08, 08-02, 09-01, 09-02 and 10-1.

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 noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 07-05, 07-07, 07-08, 08-02, 09-01, 09-02 and 10-1.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 07-05, 07-07, 07-08, 08-02, 09-01, 09-02 and 10-01.

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

This report is intended solely for the information and use of the County Commissioners, the County's management, others within the organization, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Spickler & Rido, LLP

December 29, 2010



Strickler & Prieto, LLP

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

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

Compliance

We have audited the compliance of Luna County (the "County"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. 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's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County'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 of the County's compliance with those requirements.

As described in items 10-02, 10-03 and 10-04 in the accompanying schedule of findings and questioned costs, the County, did not comply with requirements regarding the maintenance of accurate records on all acquisitions and dispositions of property acquired with Federal awards that are applicable to its Operation Stonegarden and Healthy Start programs. In addition, the County did not comply with cash management compliance requirements for the Healthy Start program and did not comply with separate accountability requirements for the Operation Stonegarden program. Compliance with such requirements is necessary, in our opinion, for the County, to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, 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, 2010.

Internal Control Over Compliance

Management of the County, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-02 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-02, 10-03 and 10-4 to be significant deficiencies.

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

This report is intended solely for the information and use of the County Commissioners, the County's management, others within the organization, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Spickard & Pardo, LLP

December 29, 2010

**FOR THE YEAR ENDED JUNE 30, 2010
LUNA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA No.	Contract/Grant Project/State Number	Award Amount	Federal Expenditures
Department of Housing and Urban Development				
Rural Health Center Renovation	14.251	09-C-RS-I-03-G-16	\$ 494,536	\$ 24,200
Sunshine School Renovation	14.251	B-08-SP-NM-0270	49,000	-
Victory Outreach Residential Services	14.251	B-09-SP-NM-0304	118,750	-
				24,200
U.S. Department of Health and Human Services				
Healthy Start Initiative	93.926	5 H67MC00011-08-000	712,500	698,267
				698,267
U.S. National Department of Transportation passed thru New Mexico Department of Transportation				
Selective Traffic Enforcement Program	20.605	09-PT-06-060	10,002	6,053
Selective Traffic Enforcement Program	20.601	10-PT-06-060	7,942	3,970
Operation DWI	20.600	09-AL-K8-060	18,842	7,560
Operation DWI	20.608	10-AL-164-060	20,572	12,673
100 Days/Nights of Summer	20.601	09-PT-DF-060	7,997	6,978
100 Days/Nights of Summer	20.601	10-RF-01-060	7,980	1,461
				38,695
U.S. Department of Justice, Enhanced Border				
Enhanced Border Security Operations	16.580	2008-DD-BX-0334	205,253	65,291
Southwest NM Border Law Enforcement Alliance	16.753	2009-D1-BX-0266	375,000	122,772
ARRA Luna County Law Enforcement Enhancement Project	16.804	2009-SB-B9-1061	27,818	25,710
				213,773
U.S. Department of Homeland Security, passed through Department of Homeland Security and Emergency Management				
Operation Stonegarden	97.067	2008-SG-T8-0003	880,000	387,431
Operation Stonegarden	97.067	2009-SG-T9-0001	1,133,174	289,903
Operation Stonegarden	97.067	2009-SJ-T9-0001	639,077	70,784
				748,118
Total Expenditures of Federal Awards				\$ 1,723,053

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 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.

**FOR THE YEAR ENDED JUNE 30, 2010
LUNA COUNTY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the Luna County (the "County"). The County is defined in Note 1 of the County's financial Statements. All federal awards received, including those received through other agencies are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 of the County's financial statements

**FOR THE YEAR ENDED JUNE 30, 2010
LUNA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None
Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> X </u> Yes	<u> </u> No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.926	Healthy Start Initiative
97.067	Operation Stonegarden

Dollar threshold used to distinguish between type A and type B programs	\$300,000
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Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
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B. FINDINGS - FINANCIAL STATEMENT AUDIT

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)

Effect

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

Cause

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

Recommendation

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

Agency Response

The County will provide training to key employees to enable them to apply GAAP principles when recording transactions.

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 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)

Effect

The asset accountability report was not properly maintained.

Cause

Management is currently in the process of conducting an annual physical inventory, however management could not certify to the auditor that the asset accountability report was correct.

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.

Agency Response

Management has conducted a physical inventory of capital assets but was unable to verify the correctness of the capital asset listing by the end of the year. Certification of the capital asset report will happen in the subsequent fiscal year.

07-08: Audit Report Submission to the New Mexico State Auditor

Condition

The required submission date of the audit report for the fiscal year ended June 30, 2010 to the New Mexico State Auditor was November 15, 2010. The June 30, 2010 audited financial statements were submitted after the State Auditor deadline.

Criteria

New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. NMAC 2-2-2-9 requires that the County submit the audit report by November 15 following the end of each fiscal year at June 30.

Effect

Delays in the submission of the audit reports affecting the reporting of financial information to other state agencies and local governments.

Cause

Additional time was needed by the County to submit required documentation to the Auditors to support the accuracy of the information reported in the financial statements.

Recommendation

The County should ensure that all required documentation provided to the Auditors be submitted on a timely basis.

Agency Response

The County will ensure that all required documentation is provided to the auditors on a timely manner.

08-02: Legal Compliance with Budget

Condition

The County's authorized budget was exceeded by actual expenditures. The County violated state statutes by exceeding the authorized budget within the following fund.

Fund	Budget Amount	Actual Amount	Over Expended
Columbus Stockyards	174,703	180,764	6,061

Criteria

Section 6-6-6 of the New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget. County officials and governing authorities have the obligation to follow applicable state statutes.

Effect

Non-compliance with the New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes.

Cause

Management failed to monitor the expenses and compare them to the budget.

Recommendation

We suggest that management closely monitor expenditures and budget limitations to ensure compliance with budget restrictions.

Agency Response

Management will closely monitor expenses and ensure that expenditures do not exceed budgeted amounts.

09-01: Designated Cash Exceeded Available Balance

Condition

The County budget exceeded the available balance in the following funds:

Farm and Range	7,496
KLCB Aluminum	75
Volunteer Fire	62,804
Law Enforcement Protection	559,494
DWI Grant	6,797
Entertainment Complex	97,319

Criteria

According to 2.2.2.10 NMCA if budgeted expenditures exceed budgeted revenues and the agency budget's cash or fund balance then that amount must not exceed the beginning fiscal year cash or fund balances.

Effect

The County budgeted expenditures that required designated cash that exceeded its beginning fund balance.

Cause

The cause of this condition appears to be inadequate monitoring of the County's budgeting procedures.

Recommendation

Budget for future years should be revised to insure all funds have adequate budget authority for appropriations. Greater attention should be given to the budget monitoring process.

Agency Response

Management will actively monitor budget development to ensure that budgeted expenditures do not exceed the available funds.

09-02: Preparation of Financial Statements

Condition

The financial statements and related disclosures are not being prepared by the County.

Criteria

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Effect

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause

The County's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

Recommendation

We recommend County management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
- Governmental Accounting Standards Board (GASB).
- Generally Accepted Accounting Principles (specifically as applied to governmental units).
- Financial Accounting Standards Board (FASB).
- Understanding the financial reporting entity.
- Government wide financial statements.
- Fund financial statements.
- Notes to the financial statements.
- Required supplementary information.
- Management's discussion and analysis.
- Supplementary information required by the Office of the State Auditor.

In addition, we recommend that the County develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency Response

The County will initiate action to provide training and adopt policies and procedures to prevent and detect possible misstatements in its financial statements.

10-01: Capitalization of assets with a historical cost under \$5,000

Condition

The County is capitalizing assets with a cost of under \$5,000.

Criteria

The New Mexico Audit Act (Section 12-6-10 NMSA 1978) requires agencies to capitalize only chattels and equipment that cost over \$5,000. All agencies are required to update their capitalization policy and implement it in accordance with the law.

Effect

Assets with a cost of under \$5,000 are being capitalized by the County.

Cause

The County has not updated or implemented their capitalization policy to comply with the New Mexico Audit Act.

Recommendation

We recommend County management update and implement a capitalization policy in accordance with the law.

Agency Response

Management implemented a capitalization policy in accordance with State statutes during the fiscal year, but was unable to correct the asset report prior to the end of the fiscal year.

C. FINDINGS - FEDERAL AWARDS

10-02: Accurate records are not maintained on all acquisitions and dispositions of property acquired with Federal awards.

Program name	Program CFDA	Federal award number	Project year	Federal awarding agency	Pass through entity
Healthy Start Initiative	93.926	5 H67MC00011-08-00	2009	Department of Health and Human Services	N/A
Operation Stonegarden	97.067	2008-SG-T8-0003-Luna	2008	U.S. Department of Homeland Security	New Mexico Department of Homeland Security
Operation Stonegarden	97.067	2009-SG-T9-0001	2009	U.S. Department of Homeland Security	New Mexico Department of Homeland Security
Operation Stonegarden	97.067	2009-SJ-T9-001	2009	U.S. Department of Homeland Security	New Mexico Department of Homeland Security

Questioned Costs

None

Condition

Management failed to maintain accurate records to account for all acquisitions and dispositions of property acquired with Federal awards.

Criteria

Employees or management should ensure that a physical inventory of equipment is periodically taken and compared to property records. Management is to maintain accurate records on all acquisitions and dispositions of property acquired with Federal awards. (OMB Circular A-133, Subpart 6, F)

Effect

There is no reasonable assurance that proper records are maintained for equipment acquired with Federal awards, equipment is adequately safeguarded and maintained, disposition or encumbrance of any equipment is in accordance with Federal requirements, and the Federal awarding agency is appropriately compensated for its share of any property sold or converted to non-Federal use.

Cause

Management is currently in the process of conducting a physical inventory of all county assets, however management could not provide the auditor with accurate records on all acquisitions and dispositions of property acquired with Federal awards.

Recommendation

We recommend management ensure that a physical inventory of equipment is periodically taken and compared to property records.

Agency Response

Management has initiated action to correct the asset listing. The work was not complete at fiscal year end. It will be complete during the subsequent fiscal year.

10-03 Failure to Comply with Cash Management Compliance Requirements

Program name	Program CFDA	Federal award number	Project year	Federal awarding agency	Pass through entity
Healthy Start Initiative	93.926	5 H67MC00011-08-00	2009	Department of Health and Human Services	N/A

Questioned Costs

\$6,100.00

Condition

The requested payment on a reimbursement basis, exceeded the program costs paid for by the Luna County Healthy Start Initiative program.

Criteria

Employees or management should ensure that the funds requested on a reimbursement basis are paid for by the entity before reimbursement is requested from the Federal Government. (OMB Circular A-133, Treasury regulations at 31 CFR Part 205)

Effect

The grant reimbursements exceeded the grant expenditures.

Cause

Management did not ensure that the grant reimbursement request matched grant expenditures.

Recommendation

We recommend that management ensure that all grant reimbursements equal grant expenditures.

Agency Response

Corrective action has been taken to ensure that grant reimbursements equal grant expenditures.

10-04 Failure to Comply with Separate Accountability Requirements

<u>Program name</u>	<u>Program CFDA</u>	<u>Federal award number</u>	<u>Project year</u>	<u>Federal awarding agency</u>	<u>Pass through entity</u>
Operation Stonegarden	97.067	2008-SG-T8-0003-Luna	2008	U.S. Department of Homeland Security	New Mexico Department of Homeland Security
Operation Stonegarden	97.067	2009-SG-T9-0001	2009	U.S. Department of Homeland Security	New Mexico Department of Homeland Security
Operation Stonegarden	97.067	2009-SJ-T9-001	2009	U.S. Department of Homeland Security	New Mexico Department of Homeland Security

Questioned Costs

\$57,550.79

Condition

The accounting system used did not allow for the separation of fund sources for the Operation Stonegarden grants.

Criteria

The financial management system must permit the preparation of required reports and tracing of funds adequate to establish that funds were used for authorized purposes and allowable costs. (OMB Circular A-133)

Effect

The grant funds were commingled with funds from other federal, state or local agencies and each award was not accounted for separately.

Cause

Management did not ensure that the financial management system allowed for the separation of fund sources.

Recommendation

We recommend that management ensure that the accounting system allows for separation of fund sources and each award is accounted for separately.

Agency Response

Management will ensure that the accounting system allows for separation of fund sources and each award is accounted for separately.

D. STATUS OF PRIOR YEAR FINDINGS

07-04	Failure to File Related Party Disclosures	Resolved
07-05	Failure to Apply GAAP	Repeat
07-07	Failure to Certify Correctness of Asset Accountability Report	Repeat
07-08	Completion of Audit Report	Repeat
07-09	Failure to Certify Correctness of Asset Accountability Report	Resolved
08-02	Legal Compliance with Budget	Repeat
09-01	Designated Cash Exceeded Available Balance	Repeat
09-02	Preparation of Financial Statements	Repeat

**FOR THE YEAR ENDED JUNE 30, 2010
LUNA COUNTY**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2010**

An exit conference was conducted on December 20, 2010 in a closed meeting of the County Commissioners pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Luna County Officials

R. Javier Diaz
John Sutherland Jr.
Dora Madrid
Gloria Rodriguez
Joanne Hethcox

Chairman
County Manager
County Treasurer
Chief Deputy Treasurer
Budget and Procurement Director

Strickler & Prieto, LLP

Sandra Chiquito

Manager

Financial Statement Preparation

The County's independent public accountants prepared the accompanying financial statements; however, the County is responsible for the financial statement content.