

Luna County

Financial Statements
For the Year Ended June 30, 2017



STATE OF NEW MEXICO
 Luna County
 Annual Financial Report
 June 30, 2017
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Luna County
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STATE OF NEW MEXICO

Luna County

Official Roster

June 30, 2017

**Board of County
Commissioners**

<u>Name</u>	<u>Title</u>
Joe L. "Oleo" Milo, Jr.	Chairman
R. Javier Diaz	Member
Linda M. Smrkovsky	Member

Elected Officials

Andrea Rodriquez	County Clerk
Gloria Rodriguez	County Treasurer
Delilah Rojo	County Assessor
John Mooradian	County Sheriff

**Administrative
Officials**

Ira Pearson	County Manager
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INDEPENDENT AUDITORS' REPORT

County Commission
Luna County
Timothy M. Keller
New Mexico State Auditor
U.S. Office of Management and Budget
Deming, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue funds of Luna County (the County), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue funds of Luna County, as of June 30, 2017, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedules A-1 and A-2 and notes to the Required Supplementary Information on pages 68 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, the combining and individual fund financial statements, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Supporting Schedules I through VII required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and Schedule VII has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, slightly slanted style.

Cordova CPAs LLC
Albuquerque, New Mexico
November 29, 2017

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Luna County

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 14,764,340	\$ 1,183,753	\$ 15,948,093
Investments	21,164,105	-	21,164,105
Receivables:			
Property taxes	2,999,550	-	2,999,550
Due from other governments	1,261,799	420,058	1,681,857
Other receivables	17,336	2,573	19,909
Inventory	196,476	26,599	223,075
Internal balances	11,447	(11,447)	-
<i>Total current assets</i>	<u>40,415,053</u>	<u>1,621,536</u>	<u>42,036,589</u>
Noncurrent assets			
Restricted cash and cash equivalents	509,354	-	509,354
Capital assets	39,737,618	17,507,028	57,244,646
Less: accumulated depreciation	<u>(15,444,215)</u>	<u>(5,730,052)</u>	<u>(21,174,267)</u>
<i>Total noncurrent assets</i>	<u>24,802,757</u>	<u>11,776,976</u>	<u>36,579,733</u>
<i>Total assets</i>	<u>65,217,810</u>	<u>13,398,512</u>	<u>78,616,322</u>
Deferred outflows of resources			
Refunded bonds- interest escrowed	127,551	-	127,551
Deferred outflows- pension	<u>4,153,487</u>	<u>1,814,239</u>	<u>5,967,726</u>
<i>Total deferred outflows of resources</i>	<u>4,281,038</u>	<u>1,814,239</u>	<u>6,095,277</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 69,498,848</u>	<u>\$ 15,212,751</u>	<u>\$ 84,711,599</u>

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

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 932,845	\$ 180,005	\$ 1,112,850
Accrued payroll	279,477	133,162	412,639
Accrued interest	58,811	-	58,811
Current portion of bonds payable	430,578	-	430,578
<i>Total current liabilities</i>	<u>1,701,711</u>	<u>313,167</u>	<u>2,014,878</u>
Noncurrent liabilities			
Accrued compensated absences	536,909	226,062	762,971
Bond premium (net of amortization of \$14,259)	572,022	-	572,022
Bonds payable	20,607,468	-	20,607,468
Net pension liability	12,272,613	5,178,007	17,450,620
<i>Total noncurrent liabilities</i>	<u>33,989,012</u>	<u>5,404,069</u>	<u>39,393,081</u>
<i>Total liabilities</i>	<u>35,690,723</u>	<u>5,717,236</u>	<u>41,407,959</u>
Net position			
Net investment in capital assets	12,655,357	11,776,976	24,432,333
Restricted for:			
Debt service	3,391,353	-	3,391,353
Capital projects	9,857,392	-	9,857,392
Special revenue projects	3,505,344	-	3,505,344
Unrestricted	4,398,679	(2,281,461)	2,117,218
<i>Total net position</i>	<u>33,808,125</u>	<u>9,495,515</u>	<u>43,303,640</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 69,498,848</u>	<u>\$ 15,212,751</u>	<u>\$ 84,711,599</u>

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

STATE OF NEW MEXICO
Luna County
Statement of Activities
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General government	\$ 6,532,466	\$ 469,269	\$ 785,907	\$ -
Public safety	5,627,074	71,701	1,458,390	-
Public works	3,011,039	-	227,287	-
Culture and recreation	461,537	108,340	-	-
Health and welfare	2,173,716	545,996	1,482,417	-
Interest and other charges	1,480,472	-	-	-
<i>Total governmental activities</i>	<u>19,286,304</u>	<u>1,195,306</u>	<u>3,954,001</u>	<u>-</u>
Business-type Activities:				
Detention	6,151,593	4,519,421	-	-
Entertainment Complex	1,826,496	1,541,537	-	-
Commissary	903,750	913,792	-	-
<i>Total business-type activities</i>	<u>8,881,839</u>	<u>6,974,750</u>	<u>-</u>	<u>-</u>
<i>Total</i>	<u>\$ 28,168,143</u>	<u>\$ 8,170,056</u>	<u>\$ 3,954,001</u>	<u>\$ -</u>

General Revenues:

Taxes:

- Gross receipts taxes
- Property taxes, levied for general purposes
- Gasoline and motor vehicle
- Other

Investment income

Miscellaneous revenue

Gain on sale of capital assets

Transfers

Total general revenues

Change in net position

Net position, beginning

Net position, restatement (Note 19)

Net position, reclassification (note 19)

Net position, as restated and reclassified

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (5,277,290)	\$ -	\$ (5,277,290)
(4,096,983)	-	(4,096,983)
(2,783,752)	-	(2,783,752)
(353,197)	-	(353,197)
(145,303)	-	(145,303)
(1,480,472)	-	(1,480,472)
<u>(14,136,997)</u>	<u>-</u>	<u>(14,136,997)</u>
-	(1,632,172)	(1,632,172)
-	(284,959)	(284,959)
-	10,042	10,042
<u>-</u>	<u>(1,907,089)</u>	<u>(1,907,089)</u>
<u>(14,136,997)</u>	<u>(1,907,089)</u>	<u>(16,044,086)</u>
3,369,917	-	3,369,917
10,238,784	-	10,238,784
1,131,405	-	1,131,405
3,053	-	3,053
191,714	-	191,714
409,548	-	409,548
-	10,000	10,000
<u>52,000</u>	<u>(52,000)</u>	<u>-</u>
<u>15,396,421</u>	<u>(42,000)</u>	<u>15,354,421</u>
<u>1,259,424</u>	<u>(1,949,089)</u>	<u>(689,665)</u>
34,175,680	11,484,293	45,659,973
(1,666,668)	-	(1,666,668)
<u>39,689</u>	<u>(39,689)</u>	<u>-</u>
<u>32,548,701</u>	<u>11,444,604</u>	<u>43,993,305</u>
<u>\$ 33,808,125</u>	<u>\$ 9,495,515</u>	<u>\$ 43,303,640</u>

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

STATE OF NEW MEXICO

Luna County
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Road Fund</u>	<u>County Maintenance</u>
Assets			
Cash and cash equivalents	\$ 5,276,809	\$ 962,672	\$ 843,347
Investments	6,189,261	-	5,763,528
Receivables:			
Property taxes	1,198,273	1,754,584	-
Due from other governments	109,505	91,581	63,347
Other	-	-	-
Inventory	-	196,476	-
Due from other funds	114,685	-	-
	<u>114,685</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u><u>\$ 12,888,533</u></u>	<u><u>\$ 3,005,313</u></u>	<u><u>\$ 6,670,222</u></u>
Liabilities, deferred inflows of resources, and fund balances			
<i>Liabilities</i>			
Accounts payable	\$ 143,533	\$ 23,899	\$ -
Accrued payroll expenses	201,421	27,070	-
Due to other funds	51,683	-	-
	<u>51,683</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>396,637</u>	<u>50,969</u>	<u>-</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	1,079,895	1,741,979	-
<i>Total deferred inflows of resources</i>	<u>1,079,895</u>	<u>1,741,979</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable:			
Inventory	-	196,476	-
Spendable:			
Restricted for:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital acquisitions and improvements	-	-	-
Debt service	-	-	-
Minimum fund balance	2,089,200	-	-
Unassigned	9,322,801	1,015,889	6,670,222
	<u>9,322,801</u>	<u>1,015,889</u>	<u>6,670,222</u>
<i>Total fund balances</i>	<u>11,412,001</u>	<u>1,212,365</u>	<u>6,670,222</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u><u>\$ 12,888,533</u></u>	<u><u>\$ 3,005,313</u></u>	<u><u>\$ 6,670,222</u></u>

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

LCDC Addition (2015 Bond)	GRT Revenue Bond Series 2015A	Other Governmental Funds	Total
\$ 342,979	\$ 628,722	\$ 7,219,165	\$ 15,273,694
9,211,316	-	-	21,164,105
-	-	46,693	2,999,550
-	40,025	957,341	1,261,799
-	-	17,336	17,336
-	-	-	196,476
-	-	66,779	181,464
<u>\$ 9,554,295</u>	<u>\$ 668,747</u>	<u>\$ 8,307,314</u>	<u>\$ 41,094,424</u>
\$ 508,492	\$ -	\$ 256,921	\$ 932,845
-	-	50,986	279,477
-	-	118,334	170,017
<u>508,492</u>	<u>-</u>	<u>426,241</u>	<u>1,382,339</u>
-	-	46,693	2,868,567
-	-	46,693	2,868,567
-	-	-	196,476
-	-	1,486,321	1,486,321
-	-	832,767	832,767
-	-	73	73
-	-	641,041	641,041
-	-	1,339,983	1,339,983
9,045,803	-	811,589	9,857,392
-	668,747	2,722,606	3,391,353
-	-	-	2,089,200
-	-	-	17,008,912
<u>9,045,803</u>	<u>668,747</u>	<u>7,834,380</u>	<u>36,843,518</u>
<u>\$ 9,554,295</u>	<u>\$ 668,747</u>	<u>\$ 8,307,314</u>	<u>\$ 41,094,424</u>

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

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STATE OF NEW MEXICO

Luna County

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2017

Exhibit B-1

Page 2 of 2

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances - total governmental funds	\$	36,843,518
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		24,293,403
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities		2,868,567
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds:		
Deferred outflows- pension		4,153,487
Deferred Outflows related to Refunded bonds- interest escrowed		127,551
Certain liabilities, including bonds payable and related components, accrued interest, and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(536,909)
Accrued interest		(58,811)
Bonds payable		(21,038,046)
Bond premium		(572,022)
Net pension liability		<u>(12,272,613)</u>
<i>Net position of governmental activities</i>	\$	<u><u>33,808,125</u></u>

The accompanying notes are an integral part of these 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, 2017

	<u>General Fund</u>	<u>Road Fund</u>	<u>County Maintenance</u>
<i>Revenues</i>			
Taxes:			
Property	\$ 9,329,785	\$ 469,015	\$ -
Gross receipts taxes	471,116	-	-
Gasoline, franchise, and motor vehicle	-	1,131,405	-
Lodgers tax	3,053	-	-
Intergovernmental:			
Federal operating grants	-	-	-
State operating grants	655,153	1,002	226,285
Charges for services	287,154	-	-
Licenses and fees	21,484	-	-
Investment income	86,745	-	95,536
Miscellaneous	364,786	495	-
<i>Total revenues</i>	<u>11,219,276</u>	<u>1,601,917</u>	<u>321,821</u>
<i>Expenditures</i>			
Current:			
General government	4,678,074	-	-
Public safety	3,425,993	-	-
Public works	881,163	1,997,295	-
Culture and recreation	143,511	-	-
Health and welfare	-	-	-
Capital outlay	103,392	-	362,670
Debt service:			
Principal	-	208,394	-
Interest	-	1,396	-
Bond issuance costs	-	-	-
<i>Total expenditures</i>	<u>9,232,133</u>	<u>2,207,085</u>	<u>362,670</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,987,143</u>	<u>(605,168)</u>	<u>(40,849)</u>
<i>Other financing sources (uses)</i>			
Transfers in	660,703	330,000	-
Transfers (out)	(1,061,301)	-	(23,383)
Bond premium	-	-	-
Bond proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>(400,598)</u>	<u>330,000</u>	<u>(23,383)</u>
<i>Net change in fund balance</i>	<u>1,586,545</u>	<u>(275,168)</u>	<u>(64,232)</u>
<i>Fund balances - as originally stated</i>	9,749,426	1,487,533	6,734,454
<i>Fund balances - restatement (note 19)</i>	36,341	-	-
<i>Fund balances - reclassification (note 19)</i>	39,689	-	-
<i>Fund balance - beginning of year as restated</i>	<u>9,825,456</u>	<u>1,487,533</u>	<u>6,734,454</u>
<i>Fund balance - end of year</i>	<u>\$ 11,412,001</u>	<u>\$ 1,212,365</u>	<u>\$ 6,670,222</u>

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

LCDC Addition (2015 Bond)	GRT Revenue Bond Series 2015A	Other Governmental Funds	Total
\$ -	\$ -	\$ 161,793	\$ 9,960,593
-	378,733	2,520,068	3,369,917
-	-	-	1,131,405
-	-	-	3,053
-	-	1,297,061	1,297,061
-	-	1,774,500	2,656,940
-	-	886,668	1,173,822
-	-	-	21,484
9,433	-	-	191,714
-	-	95,456	460,737
<u>9,433</u>	<u>378,733</u>	<u>6,735,546</u>	<u>20,266,726</u>
-	-	211,477	4,889,551
-	-	1,816,766	5,242,759
-	-	-	2,878,458
-	-	266,520	410,031
-	-	2,177,234	2,177,234
3,476,986	-	535,317	4,478,365
-	3,399,532	606,954	4,214,880
-	208,228	450,678	660,302
240,994	72,500	-	313,494
<u>3,717,980</u>	<u>3,680,260</u>	<u>6,064,946</u>	<u>25,265,074</u>
<u>(3,708,547)</u>	<u>(3,301,527)</u>	<u>670,600</u>	<u>(4,998,348)</u>
-	-	145,981	1,136,684
-	-	-	(1,084,684)
586,281	-	-	586,281
<u>11,665,000</u>	<u>3,245,000</u>	<u>-</u>	<u>14,910,000</u>
<u>12,251,281</u>	<u>3,245,000</u>	<u>145,981</u>	<u>15,548,281</u>
<u>8,542,734</u>	<u>(56,527)</u>	<u>816,581</u>	<u>10,549,933</u>
503,069	725,274	7,017,799	26,217,555
-	-	-	36,341
-	-	-	39,689
<u>503,069</u>	<u>725,274</u>	<u>7,017,799</u>	<u>26,293,585</u>
<u>\$ 9,045,803</u>	<u>\$ 668,747</u>	<u>\$ 7,834,380</u>	<u>\$ 36,843,518</u>

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

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STATE OF NEW MEXICO

Luna County

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$ 10,549,933
<p>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:</p>	
Capital outlay additions reported in capital outlay expenditures	4,478,365
Depreciation expense	(1,320,797)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>	
Change in deferred inflows related to the property taxes receivable	(1,476,007)
<p>Governmental funds report County pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>	
County pension contributions	649,883
Pension expense	(229,124)
<p>Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:</p>	
Decrease in accrued compensated absences	(52,617)
Decrease in accrued interest	(58,811)
<p>The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:</p>	
Loan proceeds	(14,910,000)
Principal payments on loans	4,214,880
Bond premiums	(586,281)
<i>Change in net position of governmental activities</i>	<i>\$ 1,259,424</i>

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

STATE OF NEW MEXICO

Exhibit C-1

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, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ 9,086,826	\$ 9,086,826	\$ 9,384,885	\$ 298,059
Gross receipts	470,000	470,000	471,116	1,116
Lodgers tax	2,300	2,300	2,818	518
Intergovernmental:				
Federal operating grants	445,000	445,000	437,500	(7,500)
State operating grants	146,600	146,600	190,153	43,553
Charges for services	248,340	248,340	287,154	38,814
Licenses and fees	22,100	22,100	21,484	(616)
Investment income	75,000	75,000	86,745	11,745
Miscellaneous	402,285	402,285	553,334	151,049
<i>Total revenues</i>	<u>10,898,451</u>	<u>10,898,451</u>	<u>11,435,189</u>	<u>536,738</u>
<i>Expenditures</i>				
Current:				
General government	5,239,306	5,275,038	4,744,473	530,565
Public safety	3,281,416	3,405,764	3,405,474	290
Public works	937,272	937,272	831,835	105,437
Culture and recreation	148,297	148,297	143,276	5,021
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>9,606,291</u>	<u>9,766,371</u>	<u>9,125,058</u>	<u>641,313</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,292,160</u>	<u>1,132,080</u>	<u>2,310,131</u>	<u>1,178,051</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(1,292,160)	(1,132,080)	-	1,132,080
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	660,703	660,703
Transfers (out)	-	-	(1,061,301)	(1,061,301)
<i>Total other financing sources (uses)</i>	<u>(1,292,160)</u>	<u>(1,132,080)</u>	<u>(400,598)</u>	<u>731,482</u>
<i>Net change in fund balance</i>	-	-	1,909,533	1,909,533
<i>Fund balances - as originally stated</i>	-	-	9,543,509	9,543,509
<i>Fund balances - restatement (note 19)</i>	-	-	36,341	
<i>Fund balances - reclassification (note 19)</i>	-	-	39,689	
<i>Fund balance - beginning of year</i>	-	-	9,619,539	
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>11,529,072</u>	<u>\$ 11,453,042</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 1,909,533	
Adjustments to revenues for gross receipt taxes, other taxes and federal grants.			(215,913)	
Adjustments to expenditures for salaries and operating expenses.			(107,075)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 1,586,545</u>	

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

STATE OF NEW MEXICO

Exhibit C-2

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<i>Revenues</i>				
Taxes:				
Property	\$ 862,047	\$ 862,047	\$ 609,303	\$ (252,744)
Gross receipts	980,000	980,000	1,039,824	59,824
Lodgers tax	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
State operating grants	555,057	555,057	552,559	(2,498)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	1,039,824
Investment income	-	-	-	-
Miscellaneous	225	225	495	270
<i>Total revenues</i>	<u>2,397,329</u>	<u>2,397,329</u>	<u>2,202,181</u>	<u>844,676</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	2,968,774	2,968,773	1,952,311	1,016,462
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	208,394	(208,394)
Interest	-	-	1,396	(1,396)
<i>Total expenditures</i>	<u>2,968,774</u>	<u>2,968,773</u>	<u>2,162,101</u>	<u>806,672</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(571,445)</u>	<u>(571,444)</u>	<u>40,080</u>	<u>1,651,348</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	571,445	571,444	-	(571,444)
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	330,000	330,000
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>571,445</u>	<u>571,444</u>	<u>330,000</u>	<u>(241,444)</u>
<i>Net change in fund balance</i>	-	-	370,080	1,409,904
<i>Fund balance - beginning of year</i>	-	-	592,592	592,592
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>962,672</u>	<u>\$ 2,002,496</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 370,080	
Adjustments to revenues for state grants.			(600,264)	
Adjustments to expenditures for salaries and operating expenses.			(44,984)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (275,168)</u>	

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

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STATE OF NEW MEXICO

Exhibit C-3

Luna County

County Maintenance

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Lodgers tax	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
State operating grants	1,047,857	1,047,857	162,938	(884,919)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	100,000	100,000	95,536	(4,464)
Miscellaneous	20,000	20,000	20,000	-
<i>Total revenues</i>	<u>1,167,857</u>	<u>1,167,857</u>	<u>278,474</u>	<u>(889,383)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	1,107,992	1,332,441	374,734	957,707
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,107,992</u>	<u>1,332,441</u>	<u>374,734</u>	<u>957,707</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>59,865</u>	<u>(164,584)</u>	<u>(96,260)</u>	<u>68,324</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(59,865)	164,584	-	(164,584)
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	(23,383)	(23,383)
<i>Total other financing sources (uses)</i>	<u>(59,865)</u>	<u>164,584</u>	<u>(23,383)</u>	<u>(187,967)</u>
<i>Net change in fund balance</i>	-	-	(119,643)	(119,643)
<i>Fund balance - beginning of year</i>	-	-	6,726,518	6,726,518
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>6,606,875</u>	<u>\$ 6,606,875</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (119,643)	
Adjustments to revenues for state grants.			43,347	
Adjustments to expenditures for salaries and operating expenses.			12,064	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (64,232)</u>	

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

STATE OF NEW MEXICO
Luna County
Statement of Net Position
Proprietary Funds
June 30, 2017

	LCDC Commissary	Detention Center	Entertainment Complex Operations	Total
Assets				
<i>Current assets</i>				
Cash and cash equivalents	\$ 115,704	\$ 261,107	\$ 806,942	\$ 1,183,753
Due from other governments	-	420,058	-	420,058
Other receivables	2,573			2,573
Inventory	-	-	26,599	26,599
<i>Total current assets</i>	<u>118,277</u>	<u>681,165</u>	<u>833,541</u>	<u>1,632,983</u>
<i>Noncurrent assets</i>				
Capital assets	-	7,637,652	9,869,376	17,507,028
Less: accumulated depreciation	-	(3,578,115)	(2,151,937)	(5,730,052)
<i>Total noncurrent assets</i>	<u>-</u>	<u>4,059,537</u>	<u>7,717,439</u>	<u>11,776,976</u>
<i>Total assets</i>	<u>118,277</u>	<u>4,740,702</u>	<u>8,550,980</u>	<u>13,409,959</u>
Deferred outflows of resources				
Deferred outflows- pension	-	1,740,560	73,679	1,814,239
<i>Total deferred outflows of resources</i>	<u>-</u>	<u>1,740,560</u>	<u>73,679</u>	<u>1,814,239</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 118,277</u>	<u>\$ 6,481,262</u>	<u>\$ 8,624,659</u>	<u>\$ 15,224,198</u>

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

	LCDC Commissary	Detention Center	Entertainment Complex Operations	Total
Liabilities				
<i>Current liabilities</i>				
Accounts payable	\$ -	\$ 132,852	\$ 47,153	\$ 180,005
Accrued payroll expenses	-	117,834	15,328	133,162
Due to other funds	-	11,447	-	11,447
<i>Total current liabilities</i>	-	262,133	62,481	324,614
<i>Noncurrent liabilities</i>				
Accrued compensated absences	-	212,092	13,970	226,062
Net pension liability	-	4,876,631	301,376	5,178,007
<i>Total noncurrent liabilities</i>	-	5,088,723	315,346	5,404,069
<i>Total liabilities</i>	-	5,350,856	377,827	5,728,683
Net position				
Net investment in capital assets	-	4,059,537	7,717,439	11,776,976
Unrestricted	118,277	(2,929,131)	529,393	(2,281,461)
<i>Total net position</i>	118,277	1,130,406	8,246,832	9,495,515
<i>Total liabilities and net position</i>	\$ 118,277	\$ 6,481,262	\$ 8,624,659	\$ 15,224,198

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

STATE OF NEW MEXICO

Exhibit D-2

Luna County

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2017

	LCDC Commissary	Detention Center	Entertainment Complex Operations	Total
<i>Operating revenues</i>				
Charges for services	\$ 913,792	\$ 4,519,421	\$ 1,541,537	\$ 6,974,750
<i>Total operating revenues</i>	<u>913,792</u>	<u>4,519,421</u>	<u>1,541,537</u>	<u>6,974,750</u>
<i>Operating expenses</i>				
Depreciation	-	229,430	284,557	513,987
Personnel services	-	4,612,276	659,439	5,271,715
Contractual services	903,750	-	-	903,750
Maintenance and materials	-	-	882,500	882,500
Administrative fees	-	1,309,887	-	1,309,887
<i>Total operating expenses</i>	<u>903,750</u>	<u>6,151,593</u>	<u>1,826,496</u>	<u>8,881,839</u>
<i>Operating income (loss)</i>	<u>10,042</u>	<u>(1,632,172)</u>	<u>(284,959)</u>	<u>(1,907,089)</u>
<i>Non-operating revenues (expenses)</i>				
Gain on sale of capital assets	-	10,000	-	10,000
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
<i>Income (loss) before contributions and transfers</i>	<u>10,042</u>	<u>(1,622,172)</u>	<u>(284,959)</u>	<u>(1,897,089)</u>
Transfers in	-	-	-	-
Transfers (out)	-	(52,000)	-	(52,000)
<i>Change in net position</i>	<u>10,042</u>	<u>(1,674,172)</u>	<u>(284,959)</u>	<u>(1,949,089)</u>
<i>Net position- as originally stated</i>	108,235	2,804,578	8,571,480	11,484,293
<i>Net position- reclassification (note 19)</i>	-	-	(39,689)	(39,689)
<i>Net position, beginning of year</i>	<u>108,235</u>	<u>2,804,578</u>	<u>8,531,791</u>	<u>11,444,604</u>
<i>Net position, end of year</i>	<u>\$ 118,277</u>	<u>\$ 1,130,406</u>	<u>\$ 8,246,832</u>	<u>\$ 9,495,515</u>

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

STATE OF NEW MEXICO
Luna County
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

Exhibit D-3

	LCDC Commissary	Detention Center	Entertainment Complex Operations	Total
<i>Cash flows from operating activities:</i>				
Cash received from user charges	\$ 915,297	\$ 4,717,318	\$ 1,544,420	\$ 7,177,035
Cash payments to employees for services	-	(4,320,582)	(656,870)	(4,977,452)
Cash payments to suppliers for goods and services	(903,750)	(1,249,783)	(847,773)	(3,001,306)
<i>Net cash provided (used) by operating activities</i>	<u>11,547</u>	<u>(853,047)</u>	<u>39,777</u>	<u>(801,723)</u>
<i>Cash flows from noncapital financing activities:</i>				
Transfers (net)	-	52,000	-	52,000
<i>Net cash provided (used) by noncapital financing activities</i>	<u>-</u>	<u>52,000</u>	<u>-</u>	<u>52,000</u>
<i>Cash flows from investing activities:</i>				
Proceeds from sale of capital assets	-	10,000	-	10,000
Interest on investments	-	-	-	-
<i>Net cash provided by investing activities</i>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
<i>Cash flows from capital and related financing activities:</i>				
Acquisition of capital assets	-	(395,628)	-	(395,628)
<i>Net cash (used) by capital and related financing activities</i>	<u>-</u>	<u>(395,628)</u>	<u>-</u>	<u>(395,628)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	<u>11,547</u>	<u>(1,186,675)</u>	<u>39,777</u>	<u>(1,135,351)</u>
<i>Cash and cash equivalents - as originally stated</i>	104,157	1,447,782	806,854	2,358,793
<i>Cash and cash equivalents - reclassification (note 19)</i>	<u>-</u>	<u>-</u>	<u>(39,689)</u>	<u>(39,689)</u>
<i>Cash and cash equivalents -beginning of year</i>	<u>104,157</u>	<u>1,447,782</u>	<u>767,165</u>	<u>2,319,104</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 115,704</u>	<u>\$ 261,107</u>	<u>\$ 806,942</u>	<u>\$ 1,183,753</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ 10,042	\$ (1,632,172)	\$ (284,959)	\$(1,907,089)
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>				
Depreciation	-	229,430	284,557	513,987
<i>Changes in assets and liabilities:</i>				
Receivables	1,505	197,897	2,883	202,285
Inventory	-	-	(8,820)	(8,820)
Accounts payable	-	60,104	28,276	88,380
Accrued payroll expenses	-	8,218	(1,862)	6,356
Accrued compensated absences	-	545	19,702	20,247
<i>Net cash provided (used) by operating activities</i>	<u>\$ 11,547</u>	<u>\$ (853,047)</u>	<u>\$ 39,777</u>	<u>\$ (801,723)</u>

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

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STATE OF NEW MEXICO
Luna County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

Exhibit E-1

Assets	
Cash and cash equivalents	\$ 308,590
Receivables:	
Property Taxes	<u>1,231,292</u>
<i>Total assets</i>	<u><u>\$ 1,539,882</u></u>
Liabilities	
Due to other entities	<u>\$ 1,539,882</u>
<i>Total liabilities</i>	<u><u>\$ 1,539,882</u></u>

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

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

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

Luna County is a body politic and corporate under the name and form of government selected by its qualified electors. The County may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico.
6. Protect generally the property of its County and its inhabitants; and
7. Preserve peace and order within the County

The summary of significant accounting policies of the County is presented to assist in the understanding of the County's financial statements. The financial statements and notes are the representation of County's management, who is responsible for their integrity and objectivity. The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard 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.

During the year ended June 30, 2017, the County adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, No. 79, *Certain External Investment Pools and Pool Participants*, No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, are required to be implemented for the fiscal year ending June 30, 2017.

The pronouncement adopted that materially affects the financial statements and disclosures of the County for the year ended June 30, 2017 is GASB Statement No. 77 *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

In addition, effective for June 30, 2017 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets.

It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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 Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the County has no component units, and is not a component unit of another governmental agency.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements

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

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

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The County's net position is reported in three parts – net investments in capital assets; restricted net position; and unrestricted net position.

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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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 the latter 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, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are met.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the County.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the County's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the County's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of County facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue for the County's enterprise funds is charges for services for the County's utilities. Operating expenses for enterprise 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 use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Under the requirements of GASB Statement 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, which includes funds that were not required to be presented as major but were at the discretion of management:

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 *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 public roads as authorized by NMSA 1978 Section 7-24A-5.

The *County Maintenance fund* is used for monies to maintain Luna County buildings

The *LCDC Addition (2015 Bond)* fund is to account for 2015 bond proceeds to be used for capital improvements to the Luna County Detention Center. The authority to create this fund is by County ordinance.

The *GRT Revenue Bond Series 2015A* fund is 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 an addition to the Luna County Detention Center. The fund's source of revenue is bond proceeds and subsequently gross receipts tax revenue for the payment of bond principal and interest. The authority to create this fund is by County ordinance.

The County reports its proprietary funds as major funds. Proprietary funds include:

The *Detention Center Fund* accounts for the operation and maintenance of the Detention Facility for the County.

The *Entertainment Complex Operations Fund* to account for the operating activity of the Complex.

The *Commissary Fund* accounts for the operations of the detention centers commissary activities.

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity

A “Pooled Cash” concept is used in maintaining the cash in the accounting records. Under this method, all cash is pooled and each fund has equity in the pooled amount. All amounts included in pool cash are considered to be cash equivalents for the purposes of the statement of cash flows. Negative cash balances in certain funds have been reclassified as due to other funds at year end.

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

State statutes authorize the County to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer’s Investment Pool.

Investments for the County are reported at fair value. The State Treasurer’s Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

During the 2017 fiscal year end, various items previously classified as investments were reclassified into cash and cash equivalents. The beginning balances of cash on the Statement of Cash Flows for the Proprietary Funds were adjusted to reflect this reclassification.

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.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied on November 1, unless a formal extension of time is obtained from the Property Tax Division of the New Mexico Department of Finance and Administration. Taxes are due in total on November 10, or optionally in two equal installments on November 10 and April 10 of the next tax year. Although due on November 10 and April 10, the taxes are not delinquent until December 10 and May 10, respectively. In the event the original levy date is formally extended, the respective due dates and delinquency dates are correspondingly extended.

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

STATE OF NEW MEXICO
 Luna County
 Notes to the Financial Statements
 June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)

Inventory: The County’s method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes, but restricted by donors or other outside agencies as to the specific purpose for which they may be expended. Restricted cash in the amount of \$509,354 at June 30, 2017 is reported in the statement of net position.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Luna County was a phase II government for purposes of implementing GASB 34. Therefore, the County was required to report its major general infrastructure assets retroactively to June 30, 1980. The County has made the required restatement for infrastructure assets retroactive to June 30, 1980, in order to properly implement GASB 34. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized by the County during fiscal year 2017. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	20-40
Infrastructure	20-40
Equipment and furnishings	5-10

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2017, along with applicable PERA, FICA, RHC and Medicare accruals.

Deferred Outflow of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The County has four items that qualify for reporting in this category in the governmental and business-type activities, which arise due to the implementation of GASB 68 and the related net pension liability.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)

Deferred Inflow of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The County has one type of deferred inflow which arises under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable revenue - property taxes is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resource in the period that the amount becomes available. The County has recorded \$377,555 related to property taxes considered "unavailable". In addition, the County has four items present on the Statement of Net Position for both the governmental and business-type activities, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, all deferred inflows and outflows affected by the net pension liability are discussed further in the pension disclosure.

Compensated Absences: Paid time off is the component of accrued compensated absences. The County accumulates paid time off per employee, per year, and per years of service. Currently, employees with one or more but less than five years of service accumulate 15 days of paid time off per year. Employees with more than five years but less than fifteen years of service accumulate 20 days of paid time off per year. In addition, employees with an excess of fifteen years of service accumulate 25 days of paid time off per year. There is no separate accumulation of sick leave.

An employee may accumulate no more than 45 days (360 hours) of paid time off.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference is minimal. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)

Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance Classification Policies and Procedures: In the governmental fund financial statements, fund balance is reported in five classifications:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, for example, inventories, prepaid amounts, long term amount of loans and note receivable; or (b) legally or contractually required to be maintained intact, for example, debt service reserves. The County has nonspendable fund balance of \$196,476 at June 30, 2017.

Restricted – This classification includes amounts that are restricted to a specific purpose. Fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as debt covenants) grantors, contributors, or laws or regulations of other governments; (b) enabling legislation, as the term is used authorizes the County to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The County has \$19,638,130 in restricted fund balances at June 30, 2017.

Committed – This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the highest level of Authority, the County Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specific use by taking the same type of action (for example, resolution or ordinance) it employed to previously commit those amounts. The County does not have any committed fund balance at year end June 30, 2017.

Assigned – This classification includes amounts that are constrained by the County's *intent* to be used for specific purposes, but are neither restricted nor committed and should be reported as assigned fund balance. The County Council has delegated the authority to assign amounts to be used for specific purposes to the Finance Director/Treasurer. The County does not have assigned fund balances at June 30, 2017.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)

Minimum Fund Balance Policy: The County's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the County holds cash reserves of 1/12th the General Fund expenditures. The County has also presented committed fund balance on the governmental funds balance sheet including \$2,089,200 for minimum fund balance for the year ended June 30, 2017. As these amounts are an accumulation of resources and not a true restriction or commitment of expenditures, they are reflected within the unassigned fund balance of the general fund.

Net Position: Equity is classified as net position and displayed in three components:

- a. **Net Investment in Capital Assets:** Net investment in capital assets consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted Net Position:** Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, and capital projects" are described on pages 36 and 74-75
- c. **Unrestricted Net Position:** All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Interfund 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 interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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.

STATE OF NEW MEXICO
 Luna County
 Notes to the Financial Statements
 June 30, 2017

NOTE 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 at the fund level.

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

The budget 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 Fund, Capital Projects Funds, and Proprietary 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.

The budgetary information presented in these financial statements has been properly amended by County Councilors in accordance with the above procedures. These amendments resulted in the following changes:

	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ 1,292,160	\$ 1,132,080
Road Fund	\$ (571,445)	\$ (571,444)
County Maintenance	\$ 59,865	\$ (164,584)

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits 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, 2017. There are no specific state laws governing the ability to spend net appreciation and investment income.

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 collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

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

All of the County's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

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, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation requires that all depositories provide collateral equal to at least one-half of the amount of public monies on deposit that are uninsured by FDIC limits. All depositories, had collateral exceeding the amount required by law. As of June 30, 2017, \$16,011,726 of the County's bank balance of \$16,511,726 was exposed to custodial credit risk. Although the \$16,011,726 was uninsured, \$10,644,406 of this amount was collateralized by collateral held by the pledging bank's trust department, not in the County's name. The remaining \$5,367,320 of the County's deposits were uninsured and uncollateralized at June 30, 2017.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

	<u>First New Mexico Bank</u>	<u>Wells Fargo Bank</u>	<u>Total</u>
Amount of deposits	\$ 15,911,237	\$ 600,489	\$ 16,511,726
FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>15,661,237</u>	<u>350,489</u>	<u>16,011,726</u>
Collateralized by securities held by pledging institution or by its trust department or agent in other than the County's name	10,293,917	350,489	10,644,406
Uninsured and uncollateralized	<u>\$ 5,367,320</u>	<u>\$ -</u>	<u>\$ 5,367,320</u>
Collateral requirement (50% of uninsured funds)	\$ 7,830,619	\$ 175,245	\$ 8,005,864
Pledged Collateral	<u>10,293,917</u>	<u>368,026</u>	<u>10,661,943</u>
Over (Under) collateralized	<u>\$ 2,463,298</u>	<u>\$ 192,781</u>	<u>\$ 2,656,079</u>

The collateral pledged is listed on Schedule II of this report. The types of collateral are limited to direct obligations of the United States Government and all bonds issued by any agency, County, or political subdivision of the State of New Mexico.

Investments

The County has investments held in U.S. Treasury Money Market Mutual Funds, as well as U.S. Fixed Income Securities as of June 30, 2017. Also, the County has investments which are managed by NMFA, on deposit with the State Treasurer's office, in NMFA's name for the benefit of the County.

As of June 30, 2017, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating**</u>
Money Market Accounts	NA	\$ 4,457,291	NA
U.S. Government Securities	NA	17,404,931	NA
		<u>\$ 21,862,222</u>	

**Based of Standard & Poor's rating

The County has presented money market accounts of \$4,457,291 as investments in the Statement of Net Position. As of June 30, 2017, the County also had \$17,404,930 in U.S. Governmental Securities, with outstanding transactions related to these securities of \$698,117. The County has funds which are managed by NMFA which are considered restricted cash and cash equivalents totaling \$438,308 and other restricted cash in the amount of \$71,046 not managed by NMFA

Interest Rate Risk – Investments. The County does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

STATE OF NEW MEXICO
 Luna County
 Notes to the Financial Statements
 June 30, 2017

NOTE 3. Deposits and Investments (continued)

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the County. All investments listed above, are above the 5% threshold. Since the County only purchases investments with the highest credit rating, the concentration is not viewed to be an additional risk by the County. The County’s policy related to concentration of credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

The County utilizes pooled accounts for their funds. The General, Special Revenue, Capital Projects, and Agency Funds are all in multiple accounts.

Fair Value Measurement

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the County believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the County’s assets at fair value as of June 30, 2017:

Total	Level 1	Level 2	Level 3
\$ 21,862,222	\$ 21,862,222	\$ -	\$ -

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position

Cash and cash equivalents per Exhibit A-1	\$ 15,948,093
Restricted cash and cash equivalents per Exhibit A-1	509,354
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit E-1	308,590
Investments per Exhibit A-1	<u>21,164,105</u>
 Total cash, investments, and cash equivalents	 <u>37,930,142</u>
 Add: outstanding checks	 910,434
Less: NMFA restricted accounts	(438,310)
Less: Money Market Accounts	(4,457,291)
Less: U.S. Government Securities	(17,404,931)
Less: Unreconciled Difference	(20,459)
Less: petty cash	<u>(7,858)</u>
 Bank balance of deposits	 <u><u>\$ 16,511,726</u></u>

NOTE 4. Receivables

Governmental receivables as of June 30, 2017 are comprised of the following:

	General	Road Fund	LCDC Addition (2015 Bond)	GRT Revenue Bond Series 2015A	Other Governmental Funds	Total
Taxes receivable:						
Property taxes	\$ 1,198,273	\$1,754,584	\$ -	\$ -	\$ 46,693	\$2,999,550
Total taxes receivable	<u>1,198,273</u>	<u>1,754,584</u>	<u>-</u>	<u>-</u>	<u>46,693</u>	<u>2,999,550</u>
Due from other governments:						
State grants	\$ -	\$ 91,581	\$ 63,347	\$ 40,025	\$ 718,006	\$ 912,959
Federal grants	109,505	-	-	-	239,335	348,840
Total	<u>109,505</u>	<u>91,581</u>	<u>63,347</u>	<u>40,025</u>	<u>957,341</u>	<u>1,261,799</u>
Miscellaneous:						
Other	\$ -	\$ -	\$ -	\$ -	\$ 17,336	\$ 17,336
Total Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,336</u>	<u>17,336</u>
Accounts receivable	<u>\$ 1,307,778</u>	<u>\$1,846,165</u>	<u>\$ 63,347</u>	<u>\$ 40,025</u>	<u>\$ 1,021,370</u>	<u>\$4,278,685</u>

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 4. Receivables (continued)

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$2,868,567 that were not collected within the period of availability have been reclassified as unearned revenue in the governmental fund financial statements as of June 30, 2017.

Business-type activity receivables as of June 30, 2017 are comprised of the following:

	<u>LCDC Commissary</u>	<u>Detention Center</u>	<u>Total</u>
Due from other governments	\$ -	\$ 420,058	\$ 420,058
Miscellaneous:			
Other	<u>2,573</u>	<u>-</u>	<u>2,573</u>
Total Other	<u>2,573</u>	<u>-</u>	<u>2,573</u>
Accounts receivable	<u>\$ 2,573</u>	<u>\$ 420,058</u>	<u>\$ 422,631</u>

NOTE 5. Interfund Receivables, Payables, and Transfers

The County records temporary interfund receivables and payables to cover cash deficits related to accounts payable. All interfund balances are to be repaid within one year.

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>	
	<u>General Fund</u>	<u>Detention Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 11,447	\$ -	\$ 11,447
Nonmajor Governmental Funds	51,683	-	118,334	170,017
	<u>\$ 51,683</u>	<u>\$ 11,447</u>	<u>\$ 118,334</u>	<u>\$ 181,464</u>

Net operating transfers, made to supplement other funding sources, and capital asset transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 660,703	\$ 1,061,301
Road Fund	330,000	-
Community Services	52,000	-
Domestic Violence Shelter	35,000	-
Farm and Range Fund	10,000	-
KLCB Aluminum	17,200	-
Law Enforcement Protection Fund	29,244	-
Reappraisal Program	2,537	-
County Maintenance	-	23,383
Detention Center	-	52,000
	<u>\$ 1,136,684</u>	<u>\$ 1,136,684</u>

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 6. Capital Assets

The following is a summary of capital assets and changes occurring during the year ended June 30, 2017. Land and construction in progress are not subject to depreciation.

Governmental activities:	Balance June 30, 2016	Adjustments	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 1,684,981	\$ -	\$ -	\$ -	\$ 1,684,981
Construction in progress	4,546,007	-	3,958,818	43,151	8,461,674
				-	
Total capital assets not being depreciated	<u>6,230,988</u>	<u>-</u>	<u>3,958,818</u>	<u>43,151</u>	<u>10,146,655</u>
Capital assets being depreciated:					
Buildings and improvements	17,963,703	-	-	-	17,963,703
Infrastructure	169,577	-	-	-	169,577
Equipment and furnishings	11,101,583	(138,782)	519,547	24,665	11,457,683
Total capital assets being depreciated	<u>29,234,863</u>	<u>(138,782)</u>	<u>519,547</u>	<u>24,665</u>	<u>29,590,963</u>
Total capital assets	<u>35,465,851</u>	<u>(138,782)</u>	<u>4,478,365</u>	<u>67,816</u>	<u>39,737,618</u>
Less accumulated depreciation:					
Buildings and improvements	4,402,543	-	442,080	-	4,844,623
Infrastructure	-	-	8,479	-	8,479
Equipment and furnishings	9,884,322	(138,782)	870,238	24,665	10,591,113
Total accumulated depreciation	<u>14,286,865</u>	<u>(138,782)</u>	<u>1,320,797</u>	<u>24,665</u>	<u>15,444,215</u>
Total capital assets, net of depreciation	<u>\$ 21,178,986</u>	<u>\$ -</u>	<u>\$ 3,157,568</u>	<u>\$ 43,151</u>	<u>\$ 24,293,403</u>

Depreciation expense for the year ended June 30, 2017 was charged to the functions of the governmental activities as follows:

Governmental Funds	
General Government	\$ 289,111
Public Safety	536,224
Public Works	277,910
Health and Welfare	217,056
Culture and recreation	496
Total	<u>\$ 1,320,797</u>

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 6. Capital Assets (continued)

Enterprise activities:	Balance June 30, 2016	Adjustments	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 719,714	\$ -	\$ -	\$ -	\$ 719,714
				-	
Total capital assets not being depreciated	<u>719,714</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>719,714</u>
Capital assets being depreciated:					
Buildings	15,185,704	-		-	15,185,704
Leasehold improvements	33,252	-		-	33,252
Equipment and furnishings	<u>1,089,604</u>	<u>83,126</u>	<u>395,628</u>	<u>-</u>	<u>1,568,358</u>
Total capital assets being depreciated	<u>16,308,560</u>	<u>83,126</u>	<u>395,628</u>	<u>-</u>	<u>16,787,314</u>
Total capital assets	<u>17,028,274</u>	<u>83,126</u>	<u>395,628</u>	<u>-</u>	<u>17,507,028</u>
Less accumulated depreciation:					
Buildings	4,166,844	-	367,639	-	4,534,483
Leasehold improvements	18,239	-	2,217	-	20,456
Equipment and furnishings	<u>947,855</u>	<u>83,126</u>	<u>144,131</u>	<u>-</u>	<u>1,175,112</u>
Total accumulated depreciation	<u>5,132,938</u>	<u>83,126</u>	<u>513,987</u>	<u>-</u>	<u>5,730,051</u>
Total capital assets, net of depreciation	<u>\$ 11,895,336</u>	<u>\$ -</u>	<u>\$ (118,359)</u>	<u>\$ -</u>	<u>\$ 11,776,976</u>

Depreciation expense for the year ended June 30, 2017 was charged to the proprietary funds as follows:

Enterprise Funds	
Detention	\$ 229,430
Entertainment Comple:	284,557
Total	<u>\$ 513,987</u>

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 7. Long-term Debt

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities:	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Judicial Bond 2007A	\$ 3,399,532	\$ -	\$ 3,399,532	\$ -	\$ -
GRT Revenue Bonds, Series 2016	-	11,665,000	-	11,665,000	160,000
GRT Refunding Revenue Bonds, Series 2017	-	3,245,000	-	3,245,000	-
Entertainment Complex 2015	5,735,000	-	525,000	5,210,000	180,000
GRT Improvement Bonds 2015A	1,000,000	-	81,954	918,046	90,578
NMFA Loan	208,394	-	208,394	-	-
Compensated Absences	589,526	403,706	456,323	536,909	-
Total long-term debt	\$ 10,932,452	\$ 15,313,706	\$ 4,671,203	\$ 21,574,955	\$ 430,578

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the business-type activities:

Business-type Activities:	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Compensated Absences	\$ 221,086	\$ 174,490	\$ 169,514	\$ 226,062	\$ -
Total long-term debt	\$ 221,086	\$ 174,490	\$ 169,514	\$ 226,062	\$ -

Bonds

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. This bond was refunded during 2017.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 7. Long-term Debt (continued)

Bond – Entertainment Complex 2015

On February 4, 2015, the County issued \$6,185,000 in capital outlay gross receipts tax refunding revenue bonds with an interest rate of 3.05%. The County issued the bonds to advance refund \$5,930,000 of outstanding Entertainment Complex 2007 B series gross receipts tax revenue bonds with interest rates ranging from 5.10% to 6.00%. The County used the net proceeds along with an additional \$650,000 of County money to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2006 series bond. As a result, that portion of the 2006 series bonds is considered defeased and the County has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$5,735,000 at June 30, 2016. The advance refunding reduced total debt service payments over the next 17 years by \$2,009,442. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,271,782. The net present value savings is \$621,782 after consideration of the County equity contribution to escrow of \$650,000.

Interest and principal are payable semi-annually on January 1 and July 1 of each year beginning July 1, 2015. The final maturity of the bond is July 1, 2029.

Bond – Gross Receipts Tax Improvement Revenue Bonds 2015A

On March 12, 2015, the County entered into a \$1,000,000 bond agreement for capital improvements at the Luna County Detention Center. The gross receipts tax improvement revenue bonds bear interest 2.90% and are to be repaid with gross receipts tax improvement revenue. Interest is payable semi-annually on December 1 and June 1 and commenced on December 1, 2015. Principal payments are due annually on December 1 and commenced on December 1, 2016.

GRT Revenue Bonds, Series 2016

On October 14, 2016, the County entered into a \$11,665,000 bond agreement for capital expansions at the Luna County Detention Center. The gross receipts tax improvement revenue bonds bear interest of 2.0%-5.0% and are to be repaid with gross receipts tax improvement revenue. Interest is payable semi-annually on December 1 and June 1 and commenced on December 1, 2016. Principal payments are due annually on December 1 and commenced on December 1, 2017.

GRT Refunding Revenue Bonds, Series 2017

On March 29, 2017, the County entered into a \$3,245,000 bond agreement for the Judicial complex. The gross receipts tax improvement revenue bonds bear interest 3.12% and are to be repaid with gross receipts tax improvement revenue. Interest is payable semi-annually on January 1 and July 1 and will commence on January 1, 2018. Principal payments are due annually on July 1 and will commence on July 1, 2018.

NMFA Loan – Motor Graders #402

On December 14, 2012, the County entered into a loan and incept agreement with New Mexico Finance Authority for the purchase of four motor graders in the amount of \$875,691. Pledged gas tax monthly revenues of \$17,482 are intercepted and deposited into a debt service account with the State Treasurer on behalf of Luna County. Annual principal payments are paid from the debt service account on November 1st. The interest rate ranges from .38% to .78% with an additional maintenance fee of .100%. Interest is paid from the debt service account semi-annually on May 1st and November 1st. The loan term is 5.5 years and matured with the final payment on May 1, 2017.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the governmental activity bonds as of June 30, 2017, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 430,578	\$ 577,252	\$ 1,007,830
2019	778,244	672,215	1,450,459
2020	820,987	648,008	1,468,995
2021	848,812	621,948	1,470,760
2022	876,720	594,067	1,470,787
2023-2027	4,867,705	2,490,633	7,358,338
2028-2032	4,450,000	1,569,637	6,019,637
2033-2037	2,660,000	983,261	3,643,261
2038-2042	2,775,000	592,725	3,367,725
2043-2046	2,530,000	154,500	2,684,500
	<u>\$ 21,038,046</u>	<u>\$ 8,904,246</u>	<u>\$ 29,942,292</u>

Compensated Absences – Employees of the County are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences for governmental activities decreased \$52,617 from the prior year accrual. For business-type activities compensated absences increased by \$4976.

NOTE 8. Risk Management

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

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.

NOTE 9. 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. There were no funds with a deficit fund balance for the year ended June 30, 2017.
- B. Excess of expenditures over appropriations. There were no funds expenditures were in excess of the budgeted appropriations for the year ended June 30, 2017.
- C. Designated cash appropriations in excess of available balances. There were no funds with designated cash appropriation in excess of available balances for the year ended June 30, 2017.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Public Employee Retirement Association of NM

Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits Provided – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members.

Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%.

All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

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

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –

At June 30, 2017, the County reported a liability of \$17,450,620 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)

The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the County’s proportion was 1.4572%, which was an increase of 0.0575% from its proportion measured as of June 30, 2015.

For PERA Fund Municipal General Division, at June 30, 2016, Luna County reported a liability of \$12,447,396 for its proportionate share of the net pension liability. At June 30, 2016, Luna County’s proportion was 0.7791 percent, which was an increase of 0.0207 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, Luna County recognized PERA Fund Municipal General Division pension expense of \$1,469,715. At June 30, 2017, Luna County reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of assumptions	\$ 727,824	\$ -
Changes in proportion	127,486	-
Difference between expected and actual experience	500,444	-
Net difference between projected and actual earnings on pension plan investments	2,290,297	-
County's contributions subsequent to the measurement date	649,883	-
Total	\$ 4,295,934	\$ -

\$649,883 reported as deferred outflows of resources related to pensions resulting from the County’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 803,977
2018	803,977
2019	1,453,829
2020	584,268
Thereafter	-
Total	\$ 3,646,051

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)

For PERA Fund Municipal Police Division, at June 30, 2016, Luna County reported a liability of \$5,003,224 for its proportionate share of the net pension liability. At June 30, 2016, Luna County's proportion was 0.6781 percent, which was an increase of 0.0368 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, Luna County recognized PERA Fund Municipal Police Division pension expense of \$724,060. At June 30, 2016, Luna County reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of assumptions	\$ 241,154	\$ -
Changes in proportion	25,867	-
Difference between expected and actual experience	367,309	-
Net difference between projected and actual earnings on pension plan investments	791,289	-
County's contributions subsequent to the measurement date	246,173	-
Total	\$ 1,671,792	\$ -

\$246,173 reported as deferred outflows of resources related to pensions resulting from Luna County's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 329,461
2018	329,461
2019	560,459
2020	206,238
Thereafter	-
Total	\$ 1,425,619

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND

PERA	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years
	2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00%	

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)

Discount rate. A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present Luna County’s net pension liability in each PERA Fund Division that Luna County participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
County's proportionate share of the net pension liability	\$ 18,557,961	\$ 12,447,396	\$ 7,378,987
PERA Fund Municipal Police Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
County's proportionate share of the net pension liability	\$ 7,360,984	\$ 5,003,224	\$ 3,074,852

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

Payables to the pension plan. Luna County remits the legally required employer and employee contributions on a monthly basis to PERA. The PERA requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2017, the County owed the PERA \$70,715 for the contributions withheld in the month of June 2017.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. Luna County contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA 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; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Luna County's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$169,398, \$126,666, and \$122,791, respectively, which equal the required contributions for each year.

NOTE 12. Contingent Liabilities

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

NOTE 13. Federal and State Grants

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

NOTE 14. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 29, 2017 which is the date on which the financial statements were issued. No issues were noted for disclosure at November 29, 2017

NOTE 15. Concentrations

The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations.

NOTE 16. Restricted Net Position

The government-wide statement of net position reports \$16,754,089 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue and capital projects funds see pages 36 and 74-75.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 17. Subsequent Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The County expects this pronouncement to have a material effect on the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The standard will be implemented during the fiscal year ended June 30, 2020. The County is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. Effective Date: The provisions of this Statement are effective for periods beginning after June 15, 2017. The County is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The County does not expect this pronouncement to have a material effect on the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: For reporting periods beginning after December 15, 2019. The County does not expect this pronouncement to have a material effect on the financial statements.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 18. Tax Abatements

In accordance with GASB Statement No. 77, the County provides the following disclosures regarding foregone tax revenue due to various agreements.

Agency Number	5016
Agency Name	Luna County
Agency Type	LPB - County
Tax Abatement Agreement Name	Taxable Industrial Revenue Bonds (Macho Springs Wind Project) Series 2010.
Recipient(s) of tax abatement	Macho Springs I Bondholder LLC
Parent company(ies) of recipient(s) of tax abatement	NA
Tax abatement program (name and brief description)	Industrial Revenue Bonds
Specific Tax(es) Being Abated	Property Tax
Legal authority under which tax abatement agreement was entered into	§7-36-3 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	Installation and Operation of Wind Energy Project within Luna County.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Exempt from Property Tax
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	Specific Dollar Amount
Are there provisions for recapturing abated taxes? (Yes or No)	Yes
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	If project ceases or bonds are redeemed prior to 30-year maturity the Company shall pay an amount equal to present value of the difference between remaining scheduled payments in lieu of taxes and property taxes expected at maturity per bond documents.
List each specific commitment made by the recipient of the abatement.	Installation and Operation of Wind Energy Project within Luna County approximately 24 miles NE of Deming, NM
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	Property Tax - \$92,550.00
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	Payments in lieu of property tax during project life.
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$92,550.00
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	Deming Public Schools - \$57,450.00
List each specific commitment made by your agency or any other government, other than the tax abatement.	None
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	None

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 18. Tax Abatements (continued)

In accordance with GASB Statement No. 77, the County provides the following disclosures regarding foregone tax revenue due to various agreements.

Agency Number	5016
Agency Name	Luna County
Agency Type	LPB - County
Tax Abatement Agreement Name	Taxable Industrial Revenue Bonds (Macho Springs Solar Project) Series 2012.
Recipient(s) of tax abatement	Macho Springs Solar LLC
Parent company(ies) of recipient(s) of tax abatement	NA
Tax abatement program (name and brief description)	Industrial Revenue Bonds
Specific Tax(es) Being Abated	Compensating Tax
Legal authority under which tax abatement agreement was entered into	Industrial Revenue Bond Act §4-59-1 to §4-59-16 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	Installation and Operation of Solar Development Project within Luna County.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	In lieu of compensating tax
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	Specific Dollar Amount
Are there provisions for recapturing abated taxes? (Yes or No)	Yes
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	If project ceases or bonds are redeemed prior to 30-year maturity the Company shall pay an amount equal to present value of the difference between remaining scheduled payments in lieu of taxes and compensating taxes at maturity per bond documents.
List each specific commitment made by the recipient of the abatement.	Installation and Operation of Solar Development Project within Luna County approximately 24 miles NE of Deming, NM
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	Compensating Tax - \$175,000.00
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	Payments in lieu of compensating tax during project life.
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$175,000.00
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	Deming Public Schools - \$175,000.00
List each specific commitment made by your agency or any other government, other than the tax abatement.	None
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	None

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 18. Tax Abatements (continued)

In accordance with GASB Statement No. 77, the County provides the following disclosures regarding foregone tax revenue due to various agreements.

Agency Number	5016
Agency Name	Luna County
Agency Type	LPB - County
Tax Abatement Agreement Name	Taxable Industrial Revenue Bonds (TPE Alta Luna, LLC Project) Series 2015.
Recipient(s) of tax abatement	TPE Alta Luna LLC
Parent company(ies) of recipient(s) of tax abatement	NA
Tax abatement program (name and brief description)	Industrial Revenue Bonds
Specific Tax(es) Being Abated	Ad valorem taxes on personal property
Legal authority under which tax abatement agreement was entered into	Industrial Revenue Bond Act §4-59-1 to §4-59-16 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	Installation and Operation of Solar Development Project within Luna County.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Ad valorem taxes on personal property
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	Specific Dollar Amount
Are there provisions for recapturing abated taxes? (Yes or No)	Yes
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	Exercise legal action for any unpaid amount due/terminate agreement.
List each specific commitment made by the recipient of the abatement.	Installation and Operation of Solar Development Project within Luna County approximately 24 miles NE of Deming, NM
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	Ad Valorem Taxes - \$22,114.67
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	Payments in lieu of advolem taxes on personal property of the project.
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$22,114.67
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	Deming Public Schools - \$14,138.89
List each specific commitment made by your agency or any other government, other than the tax abatement.	None
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	None

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2017

NOTE 19. Restatements and Reclassifications

Governmental Fund Restatements:

The County restated cash in the amount of \$36,341 in the general fund to correct errors in beginning cash from prior year.

Government Wide Restatements:

The County restated property tax receivables in the amount of \$1,703,009 on the government wide financial statements to property state beginning balances of property tax receivables.

Governmental and Business-type Reclassifications:

The County also reclassified cash in the amount of \$39,689 from the Entertainment Complex Operations Fund to the General Fund to correct beginning balances of cash.

NOTE 20. Commitments

At year end the County had various projects outstanding. Significant commitments exist to complete these projects.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 Luna County
 Schedule of the County's Proportionate Share of the Net Pension Liability
 of PERA Fund Municipal General Division
 Public Employees Retirement Association (PERA) Plan
 Last 10 Fiscal Years*

	2017	2016	2015
	Measurement	Measurement	Measurement
	Date (As of	Date (As of	Date (As of
	and for the	and for the	and for the
	year ended	year ended	year ended
	<u>June 30, 2016)</u>	<u>June 30, 2015)</u>	<u>June 30, 2014)</u>
Luna County's proportion of the net pension liability	0.7791%	0.7584%	0.7647%
Luna County's proportionate share of the net pension liability	\$ 12,447,396	\$ 7,732,545	\$ 5,965,481
Luna County's covered-employee payroll	\$ 6,678,352	\$ 6,287,461	\$ 6,211,087
Luna County's proportionate share of the net pension liability as a percentage	186.38%	122.98%	96.05%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	76.99%	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Luna County will present information for those years for which information is available.

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
 Luna County
 Schedule of the County's Proportionate Share of the Net Pension Liability
 of PERA Fund Municipal Police Division
 Public Employees Retirement Association (PERA) Plan
 Last 10 Fiscal Years*

	2017	2016	2015
	Measurement	Measurement	Measurement
	Date (As of	Date (As of	Date (As of
	and for the	and for the	and for the
	year ended	year ended	year ended
	<u>June 30, 2016)</u>	<u>June 30, 2015)</u>	<u>June 30, 2014)</u>
Luna County's proportion of the net pension liability	0.7341%	0.6413%	0.6831%
Luna County's proportionate share of the net pension liability	\$ 5,003,224	\$ 3,083,730	\$ 2,226,832
Luna County's covered-employee payroll	\$ 1,349,622	\$ 1,258,949	\$ 1,317,273
Luna County's proportionate share of the net pension liability as a percentage	370.71%	244.94%	169.05%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	76.99%	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Luna County will present information for those years for which information is available.

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
 Luna County
 Schedule of the County's Contributions
 Public Employees Retirement Association (PERA) Plan
 PERA Fund Municipal General Division
 Last 10 Fiscal Years*

	As of and for the year ended <u>June 30, 2017</u>	As of and for the year ended <u>June 30, 2016</u>	As of and for the year ended <u>June 30, 2015</u>
Contractually required contribution	\$ 649,883	\$ 637,783	\$ 607,351
Contributions in relation to the contractually required contribution	<u>(649,883)</u>	<u>(637,783)</u>	<u>(607,351)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Luna County's covered-employee payroll	\$ 6,805,057	\$ 6,678,352	\$ 6,287,461
Contributions as a percentage of covered-employee payroll	9.55%	9.55%	9.66%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Luna County will present information for those years for which information is available.

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
 Luna County
 Schedule of the County's Contributions
 Public Employees Retirement Association (PERA) Plan
 PERA Fund Municipal Police Division
 Last 10 Fiscal Years*

	As of and for the year ended <u>June 30, 2017</u>	As of and for the year ended <u>June 30, 2016</u>	As of and for the year ended <u>June 30, 2015</u>
Contractually required contribution	\$ 246,174	\$ 255,079	\$ 239,409
Contributions in relation to the contractually required contribution	<u>(246,174)</u>	<u>(255,079)</u>	<u>(239,409)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Luna County's covered-employee payroll	\$ 1,302,505	\$ 1,349,622	\$ 1,258,949
Contributions as a percentage of covered-employee payroll	18.90%	18.90%	19.02%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Luna County will present information for those years for which information is available.

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
Luna County
Notes to Required Supplementary Information
June 30, 2017

PERA

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

See independent auditors' report.
See notes to required supplementary information.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Luna County
Nonmajor Fund Descriptions
June 30, 2017

Special Revenue Funds

Ambulance County – To account for 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.

Assessor’s Non-rendition – To account for non-rendition fees collected and set aside by the County Commission to be expended for the Assessor’s Office capital needs. The authority to create this fund is by County ordinance.

CASA Program – To account for the funds received through the Administrative Office of the Courts to provide for Court Appointed Special Advocates. The authority to create this fund is by County ordinance.

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

Community Services – To account for the funds received to aid the lower income residents in Luna County.

Domestic Violence Shelter – Domestic Violence Shelter. Separated so that the Healing House could become self-sustaining. The authority to create this fund is by County ordinance.

DWI Compliance Monitoring – To account for fees to monitor DWI offenders. The authority to create this fund is 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.

DWI Screening Fees – To account for fees collected from DWI offenders. The authority to create this fund is by County ordinance.

DWI Treatment Fees – To account for fees DWI offenders who receive treatment. The authority to create this fund is by County ordinance.

Farm and Range Fund – To account for the operations and maintenance of County roads and predatory animal control. Financing is provided by the County’s share of grazing fees. Such fees provide for payment of all current operating costs and may be used only for that purpose. The authority was provided by the Taylor Grazing Act. (6-11-6 NMSA 1978).

Fire Protection Fund – To account for the 1/4% gross receipts tax for fire protection services to Luna County residents by financing the operational expenses and capital outlay costs of independent fire districts.. The authority was given by Section 7-20E-15, NMSA 1978.

Indigent Hospital 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.

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.

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.

STATE OF NEW MEXICO
Luna County
Nonmajor Fund Descriptions
June 30, 2017

Special Revenue Funds (continued)

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.

Recreation – To account for the monies specifically set aside by County ordinance for maintenance and creation of recreation facilities. There have been no transactions in this fund for several years. The fund was established by County ordinance. The authority was given by 5-4-3, NMSA 1978.

Reappraisal Program – To account for proceeds from property taxes and the one-percent administrative fees assessed by county treasurers to revenue recipients. The authority was given by 72-2-21.1, NMSA 1978.

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.

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.

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

Volunteer Fire Departments – 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.

Capital Projects Funds

Local Infrastructure Capital Improvements – To account for funds set aside by the County Commission to make capital improvements to local infrastructure.

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, 2017

Statement A-1

	Special Revenue	Capital Projects	Debt Service	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 3,895,992	\$ 800,833	\$ 2,522,340	\$ 7,219,165
Receivables:				
Property taxes	46,693	-	-	46,693
Due from other governments	757,075	-	200,266	957,341
Other	-	17,336	-	17,336
Due from other funds	66,779	-	-	66,779
<i>Total assets</i>	\$ 4,766,539	\$ 818,169	\$ 2,722,606	\$ 8,307,314
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 250,341	\$ 6,580	\$ -	\$ 256,921
Accrued payroll	50,986	-	-	50,986
Due to other funds	118,334	-	-	118,334
<i>Total liabilities</i>	419,661	6,580	-	426,241
 <i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	46,693	-	-	46,693
<i>Total deferred inflows of resources</i>	46,693	-	-	46,693
 <i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
General government	1,486,321	-	-	1,486,321
Public safety	832,767	-	-	832,767
Public works	73	-	-	73
Culture and recreation	641,041	-	-	641,041
Health and welfare	1,339,983	-	-	1,339,983
Capital acquisitions and improvements	-	811,589	-	811,589
Debt service	-	-	2,722,606	2,722,606
Unassigned	-	-	-	-
<i>Total fund balances</i>	4,300,185	811,589	2,722,606	7,834,380
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 4,766,539	\$ 818,169	\$ 2,722,606	\$ 8,307,314

See independent auditors' report.

STATE OF NEW MEXICO

Statement A-2

Luna County

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
<i>Revenues</i>				
Property taxes	\$ 161,793	\$ -	\$ -	\$ 161,793
Gross receipts taxes	548,912	43,111	1,928,045	2,520,068
Intergovernmental revenue:				
Federal operating grants	1,297,061	-	-	1,297,061
State operating grants	1,774,500	-	-	1,774,500
Charges for services	810,454	76,214	-	886,668
Miscellaneous	95,456	-	-	95,456
<i>Total revenues</i>	<u>4,688,176</u>	<u>119,325</u>	<u>1,928,045</u>	<u>6,735,546</u>
<i>Expenditures</i>				
Current:				
General government	204,897	6,580	-	211,477
Public safety	1,815,908	-	858	1,816,766
Culture and recreation	266,520	-	-	266,520
Health and welfare	2,177,234	-	-	2,177,234
Capital outlay	535,317	-	-	535,317
Debt Service:				
Principal	-	-	606,954	606,954
Interest	-	-	450,678	450,678
<i>Total expenditures</i>	<u>4,999,876</u>	<u>6,580</u>	<u>1,058,490</u>	<u>6,064,946</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(311,700)</u>	<u>112,745</u>	<u>869,555</u>	<u>670,600</u>
<i>Other financing sources (uses)</i>				
Transfers in	145,981	-	-	145,981
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>145,981</u>	<u>-</u>	<u>-</u>	<u>145,981</u>
<i>Net change in fund balances</i>	(165,719)	112,745	869,555	816,581
<i>Fund balances - beginning</i>	<u>4,465,904</u>	<u>698,844</u>	<u>1,853,051</u>	<u>7,017,799</u>
<i>Fund balances - end of year</i>	<u>\$ 4,300,185</u>	<u>\$ 811,589</u>	<u>\$ 2,722,606</u>	<u>\$ 7,834,380</u>

See independent auditors' report.

STATE OF NEW MEXICO
Luna County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	<u>Ambulance County</u>	<u>Assessor's Non- rendition</u>	<u>CASA Program</u>	<u>Community Health and Social Services</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 234,932	\$ 148,100	\$ 47,212	\$ 1,770
Receivables:				
Property taxes	-	14,938	-	-
Due from other governments	40,025	-	6,115	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 274,957</u>	<u>\$ 163,038</u>	<u>\$ 53,327</u>	<u>\$ 1,770</u>
<i>Liabilities</i>				
Accounts payable	\$ 5,833	\$ -	\$ 7,155	\$ -
Accrued payroll expenses	-	-	3,079	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>5,833</u>	<u>-</u>	<u>10,234</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	14,938	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>14,938</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	-	148,100	-	-
Public safety	269,124	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	43,093	1,770
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>269,124</u>	<u>148,100</u>	<u>43,093</u>	<u>1,770</u>
<i>Total liabilities and fund balances</i>	<u>\$ 274,957</u>	<u>\$ 163,038</u>	<u>\$ 53,327</u>	<u>\$ 1,770</u>

See independent auditors' report

<u>Community Services</u>	<u>Domestic Violence Shelter</u>	<u>DWI Compliance Monitoring</u>	<u>DWI Grants</u>	<u>DWI Screening Fees</u>	<u>DWI Treatment Fees</u>
\$ 193,280	\$ 77,333	\$ 34,213	\$ 50,042	\$ 17,977	\$ 2,696
-	-	-	-	-	-
250,047	50,063	-	5,883	-	-
-	8,730	-	51,683	-	-
<u>\$ 443,327</u>	<u>\$ 136,126</u>	<u>\$ 34,213</u>	<u>\$ 107,608</u>	<u>\$ 17,977</u>	<u>\$ 2,696</u>
\$ 25,475	\$ 3,773	\$ -	\$ 2,066	\$ -	\$ -
22,849	7,343	2,945	2,717	-	-
-	6,366	-	-	-	-
<u>48,324</u>	<u>17,482</u>	<u>2,945</u>	<u>4,783</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	31,268	102,825	17,977	2,696
-	-	-	-	-	-
-	-	-	-	-	-
395,003	118,644	-	-	-	-
-	-	-	-	-	-
<u>395,003</u>	<u>118,644</u>	<u>31,268</u>	<u>102,825</u>	<u>17,977</u>	<u>2,696</u>
<u>\$ 443,327</u>	<u>\$ 136,126</u>	<u>\$ 34,213</u>	<u>\$ 107,608</u>	<u>\$ 17,977</u>	<u>\$ 2,696</u>

See independent auditors' report

STATE OF NEW MEXICO
Luna County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	Farm and Range Fund	Fire Protection Fund	Indigent Hospital Claims	KLCB Aluminum
<i>Assets</i>				
Cash and cash equivalents	\$ 59,028	\$ 134,676	\$ 735,150	\$ 71,046
Receivables:				
Property taxes	957	-	-	-
Due from other governments	-	-	60,037	11,630
Due from other funds	-	-	-	-
	<u>\$ 59,985</u>	<u>\$ 134,676</u>	<u>\$ 795,187</u>	<u>\$ 82,676</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 5,000	\$ 13,714	\$ 3,770
Accrued payroll expenses	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>5,000</u>	<u>13,714</u>	<u>3,770</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	957	-	-	-
<i>Total deferred inflows of resources</i>	<u>957</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	59,028	-	-	78,906
Public safety	-	129,676	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	781,473	-
Unassigned	-	-	-	-
	<u>59,028</u>	<u>129,676</u>	<u>781,473</u>	<u>78,906</u>
<i>Total fund balances</i>	<u>59,028</u>	<u>129,676</u>	<u>781,473</u>	<u>78,906</u>
<i>Total liabilities and fund balances</i>	<u>\$ 59,985</u>	<u>\$ 134,676</u>	<u>\$ 795,187</u>	<u>\$ 82,676</u>

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<u>Law Enforcement Protection Fund</u>	<u>Mimbres Valley Learning Center</u>	<u>Recreation</u>	<u>Reappraisal Program</u>	<u>Recording Fees</u>	<u>Solid Waste Grant</u>
\$ -	\$ 629,432	\$ 143	\$ 651,473	\$ 131,404	\$ 73
-	-	-	30,798	-	-
313,240	20,035	-	-	-	-
6,366	-	-	-	-	-
<u>\$ 319,606</u>	<u>\$ 649,467</u>	<u>\$ 143</u>	<u>\$ 682,271</u>	<u>\$ 131,404</u>	<u>\$ 73</u>
\$ 166,406	\$ 8,569	\$ -	\$ 834	\$ -	\$ -
8,282	-	-	3,184	-	-
111,968	-	-	-	-	-
<u>286,656</u>	<u>8,569</u>	<u>-</u>	<u>4,018</u>	<u>-</u>	<u>-</u>
-	-	-	30,798	-	-
-	-	-	30,798	-	-
-	-	-	647,455	131,404	-
32,950	-	-	-	-	-
-	-	-	-	-	73
-	640,898	143	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>32,950</u>	<u>640,898</u>	<u>143</u>	<u>647,455</u>	<u>131,404</u>	<u>73</u>
<u>\$ 319,606</u>	<u>\$ 649,467</u>	<u>\$ 143</u>	<u>\$ 682,271</u>	<u>\$ 131,404</u>	<u>\$ 73</u>

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STATE OF NEW MEXICO
 Luna County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2017

Statement B-1
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	Treasurer's Mobile Home Sales	Volunteer Fire Departments	Total Nonmajor Governmental Funds
<i>Assets</i>			
Cash and cash equivalents	\$ 422,015	\$ 253,997	\$ 3,895,992
Receivables:			
Property taxes	-	-	46,693
Due from other governments	-	-	757,075
Due from other funds	-	-	66,779
	<u>\$ 422,015</u>	<u>\$ 253,997</u>	<u>\$ 4,766,539</u>
<i>Total assets</i>			
	<u>\$ 422,015</u>	<u>\$ 253,997</u>	<u>\$ 4,766,539</u>
<i>Liabilities</i>			
Accounts payable	\$ -	\$ 7,746	\$ 250,341
Accrued payroll expenses	587	-	50,986
Due to other funds	-	-	118,334
	<u>587</u>	<u>7,746</u>	<u>419,661</u>
<i>Total liabilities</i>			
	<u>587</u>	<u>7,746</u>	<u>419,661</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	-	-	46,693
	<u>-</u>	<u>-</u>	<u>46,693</u>
<i>Total deferred inflows of resources</i>			
	<u>-</u>	<u>-</u>	<u>46,693</u>
<i>Fund balances</i>			
<i>Spendable</i>			
<i>Restricted for:</i>			
General government	421,428	-	1,486,321
Public safety	-	246,251	832,767
Public works	-	-	73
Culture and recreation	-	-	641,041
Health and welfare	-	-	1,339,983
Unassigned	-	-	-
	<u>421,428</u>	<u>246,251</u>	<u>4,300,185</u>
<i>Total fund balances</i>			
	<u>421,428</u>	<u>246,251</u>	<u>4,300,185</u>
<i>Total liabilities and fund balances</i>			
	<u>\$ 422,015</u>	<u>\$ 253,997</u>	<u>\$ 4,766,539</u>

See independent auditors' report

STATE OF NEW MEXICO
 Luna County
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2017

	<u>Ambulance County</u>	<u>Assessor's Non- rendition</u>	<u>CASA Program</u>	<u>Community Health and Social Services</u>
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ 32,548	\$ -	\$ -
Gross receipts taxes	174,478	-	-	-
Intergovernmental:				
Federal operating grants	-	-	134,473	-
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>174,478</u>	<u>32,548</u>	<u>134,473</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	345,000	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	129,165	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>345,000</u>	<u>-</u>	<u>129,165</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(170,522)</u>	<u>32,548</u>	<u>5,308</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(170,522)	32,548	5,308	-
<i>Fund balances - beginning of year</i>	<u>439,646</u>	<u>115,552</u>	<u>37,785</u>	<u>1,770</u>
<i>Fund balances - end of year</i>	<u>\$ 269,124</u>	<u>\$ 148,100</u>	<u>\$ 43,093</u>	<u>\$ 1,770</u>

See independent auditors' report

<u>Community Services</u>	<u>Domestic Violence Shelter</u>	<u>DWI Compliance Monitoring</u>	<u>DWI Grants</u>	<u>DWI Screening Fees</u>	<u>DWI Treatment Fees</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,098,957	7,000	-	-	-	-
-	241,987	-	139,897	-	-
-	-	24,509	-	6,057	1,040
-	-	-	29,048	-	-
<u>1,098,957</u>	<u>248,987</u>	<u>24,509</u>	<u>168,945</u>	<u>6,057</u>	<u>1,040</u>
-	-	-	-	-	-
-	-	37,968	186,255	8,368	-
-	-	-	-	-	-
1,162,777	258,225	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,162,777</u>	<u>258,225</u>	<u>37,968</u>	<u>186,255</u>	<u>8,368</u>	<u>-</u>
<u>(63,820)</u>	<u>(9,238)</u>	<u>(13,459)</u>	<u>(17,310)</u>	<u>(2,311)</u>	<u>1,040</u>
52,000	35,000	-	-	-	-
-	-	-	-	-	-
<u>52,000</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(11,820)	25,762	(13,459)	(17,310)	(2,311)	1,040
<u>406,823</u>	<u>92,882</u>	<u>44,727</u>	<u>120,135</u>	<u>20,288</u>	<u>1,656</u>
<u>\$ 395,003</u>	<u>\$ 118,644</u>	<u>\$ 31,268</u>	<u>\$ 102,825</u>	<u>\$ 17,977</u>	<u>\$ 2,696</u>

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STATE OF NEW MEXICO
Luna County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	<u>Farm and Range Fund</u>	<u>Fire Protection Fund</u>	<u>Indigent Hospital Claims</u>	<u>KLCB Aluminum</u>
<i>Revenues</i>				
Taxes:				
Property	\$ 284	\$ -	\$ -	\$ -
Gross receipts taxes	-	122,282	-	-
Intergovernmental:				
Federal operating grants	-	-	-	56,631
State operating grants	41,770	-	-	32,353
Charges for services	-	-	545,996	1,183
Miscellaneous	-	-	64,193	-
<i>Total revenues</i>	<u>42,054</u>	<u>122,282</u>	<u>610,189</u>	<u>90,167</u>
<i>Expenditures</i>				
Current:				
General government	42,000	-	-	65,832
Public safety	-	95,000	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	627,067	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>42,000</u>	<u>95,000</u>	<u>627,067</u>	<u>65,832</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>54</u>	<u>27,282</u>	<u>(16,878)</u>	<u>24,335</u>
<i>Other financing sources (uses)</i>				
Transfers in	10,000	-	-	17,200
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>17,200</u>
<i>Net change in fund balances</i>	10,054	27,282	(16,878)	41,535
<i>Fund balances - beginning of year</i>	<u>48,974</u>	<u>102,394</u>	<u>798,351</u>	<u>37,371</u>
<i>Fund balances - end of year</i>	<u>\$ 59,028</u>	<u>\$ 129,676</u>	<u>\$ 781,473</u>	<u>\$ 78,906</u>

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<u>Law Enforcement Protection Fund</u>	<u>Mimbres Valley Learning Center</u>	<u>Recreation</u>	<u>Reappraisal Program</u>	<u>Recording Fees</u>	<u>Solid Waste Grant</u>
\$ -	\$ -	\$ -	\$ 128,961	\$ -	\$ -
37,987	214,165	-	-	-	-
-	-	-	-	-	-
1,197,675	-	-	-	-	-
40,095	108,340	-	-	32,410	-
515	-	-	-	-	-
<u>1,276,272</u>	<u>322,505</u>	<u>-</u>	<u>128,961</u>	<u>32,410</u>	<u>-</u>
-	-	-	70,671	-	-
1,063,790	-	-	-	-	-
-	266,520	-	-	-	-
-	-	-	-	-	-
250,514	-	-	-	30,992	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,314,304</u>	<u>266,520</u>	<u>-</u>	<u>70,671</u>	<u>30,992</u>	<u>-</u>
<u>(38,032)</u>	<u>55,985</u>	<u>-</u>	<u>58,290</u>	<u>1,418</u>	<u>-</u>
29,244	-	-	2,537	-	-
-	-	-	-	-	-
<u>29,244</u>	<u>-</u>	<u>-</u>	<u>2,537</u>	<u>-</u>	<u>-</u>
(8,788)	55,985	-	60,827	1,418	-
<u>41,738</u>	<u>584,913</u>	<u>143</u>	<u>586,628</u>	<u>129,986</u>	<u>73</u>
<u>\$ 32,950</u>	<u>\$ 640,898</u>	<u>\$ 143</u>	<u>\$ 647,455</u>	<u>\$ 131,404</u>	<u>\$ 73</u>

See independent auditors' report

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STATE OF NEW MEXICO

Luna County

Statement B-2

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Treasurer's Mobile Home Sales	Volunteer Fire Departments	Total Nonmajor Governmental Funds
<i>Revenues</i>			
Taxes:			
Property	\$ -	\$ -	\$ 161,793
Gross receipts taxes	-	-	548,912
Intergovernmental:			
Federal operating grants	-	-	1,297,061
State operating grants	-	120,818	1,774,500
Charges for services	50,824	-	810,454
Miscellaneous	1,700	-	95,456
<i>Total revenues</i>	<u>52,524</u>	<u>120,818</u>	<u>4,688,176</u>
<i>Expenditures</i>			
Current:			
General government	26,394	-	204,897
Public safety	-	79,527	1,815,908
Culture and recreation	-	-	266,520
Health and welfare	-	-	2,177,234
Capital outlay	-	253,811	535,317
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>26,394</u>	<u>333,338</u>	<u>4,999,876</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>26,130</u>	<u>(212,520)</u>	<u>(311,700)</u>
<i>Other financing sources (uses)</i>			
Transfers in	-	-	145,981
Transfers (out)	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>145,981</u>
<i>Net change in fund balances</i>	26,130	(212,520)	(165,719)
<i>Fund balances - beginning of year</i>	<u>395,298</u>	<u>458,771</u>	<u>4,465,904</u>
<i>Fund balances - end of year</i>	<u>\$ 421,428</u>	<u>\$ 246,251</u>	<u>\$ 4,300,185</u>

See independent auditors' report

STATE OF NEW MEXICO
 Luna County
 Combining Balance Sheet
 Nonmajor Capital Project Funds
 June 30, 2017

Statement C-1

	<u>Local Infrastructure Capital Improvements</u>
<i>Assets</i>	
Cash and cash equivalents	\$ 800,833
Receivables:	
Other	<u>17,336</u>
<i>Total assets</i>	<u><u>\$ 818,169</u></u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>	
<i>Liabilities</i>	
Accounts payable	<u>\$ 6,580</u>
<i>Total liabilities</i>	<u>6,580</u>
 <i>Fund balances</i>	
Spendable:	
Restricted for:	
Capital acquisitions and improvements	<u>811,589</u>
<i>Total fund balances</i>	<u><u>811,589</u></u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u><u>\$ 818,169</u></u>

See independent auditors' report.

STATE OF NEW MEXICO

Statement C-2

Luna County

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Capital Project Funds

For the Year Ended June 30, 2017

	Local Infrastructure Capital Improvements
<i>Revenues</i>	
Gross Receipts taxes	\$ 43,111
Intergovernmental revenue:	
Federal operating grants	-
Federal capital grants	-
State operating grants	-
State capital grants	-
Charges for services	76,214
Investment income	-
Miscellaneous	-
<i>Total revenues</i>	<u>119,325</u>
<i>Expenditures</i>	
Current:	
General government	6,580
Public works	-
Culture and recreation	-
Health and welfare	-
Capital outlay	-
Debt Service:	
Principal	-
Interest	-
Bond issuance costs	-
<i>Total expenditures</i>	<u>6,580</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>112,745</u>
<i>Other financing sources (uses)</i>	
Bond premium	-
Bond proceeds	-
<i>Total other financing sources (uses)</i>	<u>-</u>
<i>Net change in fund balances</i>	112,745
<i>Fund balances - beginning</i>	<u>698,844</u>
<i>Fund balances - end of year</i>	<u>\$ 811,589</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Luna County
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 June 30, 2017

Statement D-1

	<u>Entertainment Complex Bond</u>	<u>Judicial Bond</u>	<u>Total</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 703,481	\$ 1,818,859	\$ 2,522,340
Receivables:			
Due from other governments	80,049	120,217	200,266
<i>Total assets</i>	<u>\$ 783,530</u>	<u>\$ 1,939,076</u>	<u>\$ 2,722,606</u>
 <i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Accrued compensated absences	-	-	-
Due to other funds	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
 <i>Fund balances</i>			
Restricted for:			
Debt service	783,530	1,939,076	2,722,606
<i>Total fund balances</i>	<u>783,530</u>	<u>1,939,076</u>	<u>2,722,606</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 <u>\$ 783,530</u>	 <u>\$ 1,939,076</u>	 <u>\$ 2,722,606</u>

See independent auditors' report.

STATE OF NEW MEXICO

Statement D-2

Luna County

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended June 30, 2017

	Entertainment Complex Bond	Judicial Bond	Total
<i>Revenues</i>			
Gross receipts taxes	\$ 523,194	\$ 1,404,851	\$ 1,928,045
Intergovernmental revenue:			
Federal operating grants	-	-	-
Federal capital grants	-	-	-
State operating grants	-	-	-
State capital grants	-	-	-
Charges for services	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>523,194</u>	<u>1,404,851</u>	<u>1,928,045</u>
<i>Expenditures</i>			
Current:			
Public safety	858	-	858
Public works	-	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital outlay	-	-	-
Debt Service:			
Principal	525,000	81,954	606,954
Interest	167,018	283,660	450,678
Bond issuance costs	-	-	-
<i>Total expenditures</i>	<u>692,876</u>	<u>365,614</u>	<u>1,058,490</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(169,682)</u>	<u>1,039,237</u>	<u>869,555</u>
<i>Net change in fund balances</i>	(169,682)	1,039,237	869,555
<i>Fund balances - beginning</i>	<u>953,212</u>	<u>899,839</u>	<u>1,853,051</u>
<i>Fund balances - end of year</i>	<u>\$ 783,530</u>	<u>\$ 1,939,076</u>	<u>\$ 2,722,606</u>

See independent auditors' report.

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Luna County
Schedule of Deposit and Investment Accounts
June 30, 2017

Schedule I

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
First New Mexico Bank-cash accounts					
Treasurer Hold Statement	Checking	\$ 2,594,649	\$ 174,613	\$ 372,805	\$ 2,396,457
Treasurer Hold Statement MMI	Checking	13,170,913	-	-	13,170,913
CDBG	Checking	100	-	-	100
Detention Center	Checking	1,143	-	-	1,143
Detention Center	Checking	13,376	-	-	13,376
Detention Center	Checking	394	-	-	394
Detention Center	Checking	124,596	49,190	63,315	110,471
Starmax	Checking	3,800	-	-	3,800
Flex	Checking	2,266	-	-	2,266
<i>Total First New Mexico Bank</i>		<u>15,911,237</u>	<u>223,803</u>	<u>436,120</u>	<u>15,698,920</u>
Wells Fargo Bank					
General Fund - Payroll	Checking	\$ 600,489	\$ -	\$ -	\$ 600,489
<i>Total Wells Fargo Bank</i>		<u>600,489</u>	<u>-</u>	<u>-</u>	<u>600,489</u>
New Mexico Finance Authority-Investment					
D/S NMFA		\$ 2,908	\$ -	\$ -	\$ 2,908
Reserve NMFA		88,594	-	-	88,594
Program NMFA		346,808	-	-	346,808
<i>Total New Mexico Finance Authority</i>		<u>438,310</u>	<u>-</u>	<u>-</u>	<u>438,310</u>
Wells Fargo- Investments					
Money Market Funds	Investment	\$ 2,137,399	\$ -	\$ -	\$ 2,137,399
Money Market Funds	Investment	2,289,828	-	-	2,289,828
Money Market Funds	Investment	30,064	-	-	30,064
U.S. Governmental Securities	Investment	5,390,553	-	-	5,390,553
U.S. Governmental Securities	Investment	4,051,861	-	-	4,051,861
U.S. Governmental Securities	Investment	342,911	-	-	342,911
U.S. Governmental Securities	Investment	7,619,606	-	698,117	6,921,489
<i>Total Wells Fargo investments</i>		<u>21,862,222</u>	<u>-</u>	<u>698,117</u>	<u>21,164,105</u>
<i>Total</i>		<u>\$ 38,812,258</u>	<u>\$ 223,803</u>	<u>\$ 1,134,237</u>	<u>37,901,824</u>
Add: petty cash					<u>7,858</u>
<i>Total deposits and investments</i>					<u>\$37,909,682</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$15,948,093
Investments - Exhibit A-1					21,164,105
Restricted cash and cash equivalents - Exhibit A-1					509,354
Fiduciary funds cash - Exhibit E-1					308,590
Add: Unreconciled Difference					<u>(20,461)</u>
<i>Total cash, cash equivalents, and investments</i>					<u>\$37,909,682</u>

See independent auditors' report.

STATE OF NEW MEXICO
Luna County
Schedule of Collateral Pledged by Depository
For Public Funds
June 30, 2017

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2017
First New Mexico Bank				
	ALAM	8/1/2029	011446GC9	\$ 524,405
	FHLB	6/14/2024	3130A1XJ2	2,090,412
	FHLB	128/2023	3130A3VC5	529,954
	FFCB	2/28/2023	3133ECDS0	1,001,546
	ALAM	8/1/2021	011450CR2	441,140
	QUES	9/1/2024	748352CX7	318,901
	FARM	9/1/2021	311441JC4	501,130
	FHLB	9/14/2026	3130A9FT3	943,096
	FFCB	10/25/2024	3133EGZW8	969,587
	FFCB	11/16/2026	3133EGG90	964,206
	FHLB	9/9/2022	313380GJ0	2,009,540
<i>Total First New Mexico Bank</i>				<u>\$ 10,293,917</u>

The location of the safekeeper of the above securities is TIB, P.O. Box 560528, Dallas, Texas 75356-0528

Wells Fargo Bank				
	FMAC FGPC	1/1/2026	3128PTUX1	\$ 197,319
	FNMA FNMS	1/1/2043	3138MPRF4	148,509.00
	FNMA FNMS	2/1/2043	31417EWK3	22,198
<i>Total Wells Fargo Bank</i>				<u>\$ 368,026</u>

The location of the safekeeper of the above securities is BNY Mellon at One Wall Street, 4th Floor, New York, NY 10286

Total Pledged Collateral \$ 10,661,943

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STATE OF NEW MEXICO
 Luna County
 Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Fund
 For the Year Ended June 30, 2017

Schedule III

Taxes:	Balance	Additions and		Balance
Assets:	June 30, 2016	Restatements	Deletions	June 30, 2017
Cash and cash equivalents	\$ 195,911	\$ 6,872,705	\$ 6,885,410	\$ 183,206
Property taxes receivables	3,977,911	11,310,053	14,056,672	1,231,292
Total Assets	\$ 4,173,822	\$ 18,182,758	\$ 20,942,082	\$ 1,414,498
Liabilities:				
Due to other taxing entities	4,173,822	18,182,758	20,942,082	1,414,498
Total Liabilities	\$ 4,173,822	\$ 18,182,758	\$ 20,942,082	\$ 1,414,498
Inmate Accounts:				
Assets:				
Cash and cash equivalents	\$ 173,210	\$ 86,879	\$ 134,705	\$ 125,384
Due from inmates	34,048	-	34,048	-
Total Assets	\$ 207,258	\$ 86,879	\$ 168,753	\$ 125,384
Liabilities:				
Due to others	207,258	86,879	168,753	125,384
Total Liabilities	\$ 207,258	\$ 86,879	\$ 168,753	\$ 125,384
Total Assets and Liabilities:	Balance			Balance
Assets:	June 30, 2016	Additions	Deletions	June 30, 2017
Cash and cash equivalents	\$ 369,121	\$ 6,959,584	\$ 7,020,115	\$ 308,590
Property taxes receivables	3,977,911	11,310,053	14,056,672	1,231,292
Due from inmates	34,048	-	34,048	-
Total Assets	\$ 4,381,080	\$ 18,269,637	\$ 21,110,835	\$ 1,539,882
Liabilities:				
Due to others	4,381,080	18,269,637	21,110,835	1,539,882
Total Liabilities	\$ 4,381,080	\$ 18,269,637	\$ 21,110,835	\$ 1,539,882

See independent auditors' report.

STATE OF NEW MEXICO
 Luna County
 Schedule of Legislative Grants
 For the Year Ended June 30, 2017

<i>Project</i>	<i>Agency</i>	<i>Grant #</i>	<i>Effective Date</i>	<i>Reversion Date</i>	<i>Original Amount</i>
Regional Law Enforcement Complex	DFA	16-A2456	3/31/2017	06/30/20	\$150,000
LCDC Improvements	DFA	15-0804	1/1/2016	06/30/19	\$250,000
2015 Colonias Rockhound	NMFA	CI-3174	5/14/2015	06/30/17	\$424,386

See independent auditors' report.

<i>Project</i>	<i>Arts in Public Places</i>	<i>Net Amount</i>	<i>Expenditures to Date</i>	<i>Remaining</i>
LC Annex Renovation	\$ -	\$150,000	\$ -	\$ -
LCDC Improvements	\$ -	\$250,000	\$87,915	\$162,085
Rockhound Road- Flood & Drain Control	\$ -	\$424,386	\$38,176	\$386,210

See independent auditors' report.

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STATE OF NEW MEXICO
Luna County
Schedule of Tax Roll Reconciliation- Property Tax Receivable
June 30, 2017

Schedule V

Property taxes receivable June 30, 2016		\$ 8,437,484
Restatement of Property Taxes Receivable		(4,550,546)
Property taxes receivable June 30, 2016, as restated		<u>3,886,938</u>
Changes to Tax Roll:		
Net taxes charged to Treasurer for fiscal year		14,161,459
Adjustments:		
Charge off of taxes receivable		<u>60,735</u>
Total receivables prior to collections		14,100,724
Collections for fiscal year ended June 30, 2017		<u>13,756,820</u>
Property taxes receivable June 30, 2017		<u><u>\$ 4,230,842</u></u>
Per Treasurer's report:		
Property taxes receivable by year:		
2007	\$	102,054
2008		168,254
2009		198,792
2010		235,549
2011		273,205
2012		317,616
2013		380,617
2014		498,052
2015		746,377
2016		<u>1,310,326</u>
Total property taxes receivable		<u><u>\$ 4,230,842</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
 Luna County
 County Treasurer's Property Tax Schedule
 June 30, 2017

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
NM DEBT SERVICE						
2016	784,010	724,332	724,332	724,332	724,332	59,678
2015	763,025	734,425	27,343	27,343	734,425	28,600
2014	746,939	730,517	12,718	12,718	730,517	16,422
2013	726,033	715,299	5,548	5,548	715,299	10,734
2012	699,360	690,909	1,608	1,608	690,909	8,451
2011	686,423	679,467	853	853	679,467	6,956
2010	740,348	733,813	567	567	733,813	6,535
2009	543,898	539,824	319	319	539,824	4,074
2008	567,301	563,608	265	265	563,608	3,693
2007	529,197	526,327	189	189	526,327	2,870
Tax Total	6,786,534	6,638,521	773,743	773,743	6,638,521	148,013
COUNTY OPERATION						
2016	6,359,203	5,885,793	5,885,793	5,885,793	5,885,793	473,410
2015	6,186,150	5,957,835	213,083	213,083	5,957,835	228,315
2014	5,922,552	5,792,467	97,196	97,196	5,792,467	130,085
2013	5,796,447	5,708,393	41,929	41,929	5,708,393	88,054
2012	5,584,113	5,513,849	12,424	12,424	5,513,849	70,264
2011	5,411,643	5,353,532	6,472	6,472	5,353,532	58,111
2010	5,225,660	5,176,820	3,897	3,897	5,176,820	48,840
2009	5,073,435	5,032,785	2,911	2,911	5,032,785	40,650
2008	4,856,959	4,823,050	2,304	2,304	4,823,050	33,909
2007	4,467,748	4,441,113	1,693	1,693	4,441,113	26,635
Tax Total	54,883,910	53,685,636	6,267,702	6,267,702	53,685,636	1,198,274
MUNICIPAL OPERATION						
2016	1,183,753	1,096,851	1,096,851	1,096,851	1,096,851	86,902
2015	1,218,948	1,181,618	49,134	49,134	1,181,618	37,330
2014	1,233,860	1,218,828	24,495	24,495	1,218,828	15,032
2013	1,189,572	1,184,435	11,712	11,712	1,184,435	5,137
2012	779,640	777,746	1,060	1,060	777,746	1,894
2011	731,799	730,449	293	293	730,449	1,350
2010	710,425	709,350	62	62	709,350	1,075
2009	572,284	571,739	53	53	571,739	545
2008	651,849	651,506	159	159	651,506	343
2007	333,115	332,892	124	124	332,892	223
Tax Total	8,605,245	8,455,414	1,183,943	1,183,943	8,455,414	149,831

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
SCHOOL LEVY						
2016	287,757	265,865	265,865	265,865	265,865	21,892
2015	280,039	269,546	10,026	10,026	269,546	10,493
2014	268,750	262,840	4,601	4,601	262,840	5,910
2013	262,948	259,060	2,008	2,008	259,060	3,888
2012	253,532	250,448	580	580	250,448	3,084
2011	245,679	243,152	302	302	243,152	2,527
2010	237,128	235,009	181	181	235,009	2,119
2009	230,214	228,458	134	134	228,458	1,756
2008	219,536	218,074	103	103	218,074	1,462
2007	200,519	199,373	74	74	199,373	1,147
Tax Total	2,486,102	2,431,826	283,875	283,875	2,431,826	54,277
SCHOOL DEBT SERVICE						
2016	3,251,913	3,004,384	3,004,384	3,004,384	3,004,384	247,529
2015	3,497,577	3,366,480	125,337	125,337	3,366,480	131,097
2014	3,181,275	3,111,333	54,166	54,166	3,111,333	69,942
2013	1,803,340	1,776,679	13,781	13,781	1,776,679	26,661
2012	1,725,611	1,704,759	3,967	3,967	1,704,759	20,852
2011	1,716,198	1,698,806	2,133	2,133	1,698,806	17,392
2010	2,352,660	2,331,892	1,803	1,803	2,331,892	20,768
2009	2,069,655	2,054,152	1,214	1,214	2,054,152	15,503
2008	1,852,121	1,840,063	866	866	1,840,063	12,058
2007	2,422,033	2,408,898	866	866	2,408,898	13,135
Tax Total	23,872,383	23,297,446	3,208,517	3,208,517	23,297,446	574,937
SCHOOL CAPITAL IMPROVEMENT						
2016	1,152,221	1,064,533	1,064,533	1,064,533	1,064,533	87,688
2015	1,122,097	1,080,038	40,211	40,211	1,080,038	42,059
2014	1,087,568	1,063,655	18,597	18,597	1,063,655	23,913
2013	1,067,698	1,051,913	8,159	8,159	1,051,913	15,785
2012	1,028,471	1,016,044	2,365	2,365	1,016,044	12,427
2011	1,002,455	992,264	1,244	1,244	992,264	10,191
2010	967,775	959,232	742	742	959,232	8,543
2009	945,910	938,825	555	555	938,825	7,085
2008	907,679	901,770	424	424	901,770	5,909
2007	867,184	862,481	310	310	862,481	4,702
Tax Total	10,149,058	9,930,753	1,137,138	1,137,138	9,930,753	218,304

STATE OF NEW MEXICO
 Luna County
 County Treasurer's Property Tax Schedule
 June 30, 2017

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
SCHOOL EDUCATION TECH						
2013	1,352,239	1,332,247	10,334	10,334	1,332,247	19,992
2012	1,141,650	1,127,855	2,625	2,625	1,127,855	13,795
2011	1,111,017	1,099,758	1,381	1,381	1,099,758	11,259
2010	351,304	348,203	269	269	348,203	3,101
2009	569,910	565,641	334	334	565,641	4,269
2008	680,758	676,326	318	318	676,326	4,432
Tax Total	5,206,878	5,150,031	15,261	15,261	5,150,031	56,847
CATTLE ELK						
2016	43,431	40,016	40,016	40,016	40,016	3,415
2015	36,822	36,496	1,036	1,036	36,496	326
2014	28,706	28,705	95	95	28,705	1
2013	30,280	30,274	-	-	30,274	6
2012	28,310	28,305	-	-	28,305	5
2011	24,189	24,185	-	-	24,185	4
2010	19,336	19,332	-	-	19,332	3
2009	22,377	22,378	-	-	22,378	-
2008	26,024	26,024	-	-	26,024	-
2007	25,139	25,139	-	-	25,139	-
Tax Total	284,614	280,853	41,147	41,147	280,853	3,761
SHEEP LEVY						
2016	17	16	16	16	16	1
2015	15	15	-	-	15	-
2014	26	26	-	-	26	-
2013	30	30	-	-	30	-
2012	28	28	-	-	28	-
2011	23	23	-	-	23	-
2010	6	6	-	-	6	-
2009	7	7	-	-	7	-
2008	6	7	-	-	7	-
2007	15	15	-	-	15	-
Tax Total	173	172	16	16	172	1

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
GOATS LEVY						
2016	36	29	29	29	29	7
2015	19	17	4	4	17	2
2014	20	19	3	3	19	1
2013	18	17	-	-	17	1
2012	14	13	-	-	13	1
2011	16	15	-	-	15	1
2010	8	8	-	-	8	-
2009	4	4	-	-	4	-
2008	7	7	-	-	7	-
2007	6	6	-	-	6	-
Tax Total	148	136	36	36	136	12
EQUINE LEVY						
2016	864	702	702	702	702	162
2015	894	829	70	70	829	65
2014	855	831	29	29	831	24
2013	876	829	3	3	829	47
2012	920	877	29	29	877	43
2011	947	906	29	29	906	41
2010	746	715	-	-	715	31
2009	1,666	1,646	-	-	1,646	20
2007	1,383	1,383	-	-	1,383	-
Tax Total	9,151	8,718	862	862	8,718	433
DAIRY CTL LEVY						
2016	31,815	31,815	31,815	31,815	31,815	-
2015	29,435	29,435	-	-	29,435	-
2014	23,262	23,262	-	-	23,262	-
2013	25,760	25,760	-	-	25,760	-
2012	26,121	26,121	-	-	26,121	-
2011	21,901	21,901	-	-	21,901	-
2010	21,536	21,536	-	-	21,536	-
2009	13,117	13,117	-	-	13,117	-
2008	7,696	7,696	-	-	7,696	-
2007	10,192	10,192	-	-	10,192	-
Tax Total	210,835	210,836	31,815	31,815	210,836	-

STATE OF NEW MEXICO
Luna County
County Treasurer's Property Tax Schedule
June 30, 2017

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
SWINE LEVY						
2016	1	1	1	1	1	-
2015	2	2	1	1	2	-
2014	1	1	-	-	1	-
2013	1	1	-	-	1	-
2012	1	1	-	-	1	-
Tax Total	6	6	2	2	6	-
BISON CAMELIDS						
2016	2	1	1	1	1	1
2015	3	2	1	1	2	1
2014	6	6	1	1	6	-
2013	3	3	-	-	3	-
2012	1	1	-	-	1	-
2011	59	59	-	-	59	-
2010	55	55	-	-	55	-
Tax Total	129	127	3	3	127	2
ROAD LEVY						
2016	994,699	676,867	922,339	922,339	676,867	317,832
2015	995,168	734,192	173,301	173,301	734,192	260,976
2014	988,649	758,025	140,202	140,202	758,025	230,624
2013	986,205	780,662	129,885	129,885	780,662	205,543
2012	976,211	793,596	117,266	117,266	793,596	182,615
2011	973,010	811,075	113,114	113,114	811,075	161,935
2010	970,220	828,584	109,665	109,665	828,584	141,636
2009	964,224	841,946	103,731	103,731	841,946	122,278
2008	961,563	857,268	100,831	100,831	857,268	104,295
2007	628,958	577,356	90,450	90,450	577,356	51,602
Tax Total	9,438,907	7,659,570	2,000,784	2,000,784	7,659,570	1,779,337
PREDATORY CONTROL						
2016	18,688	17,902	17,902	17,902	17,902	786
2015	15,172	15,079	260	260	15,079	93
2014	12,882	12,870	45	45	12,870	12
2013	14,184	14,165	2	2	14,165	19
2012	15,458	15,442	6	6	15,442	17
2011	18,455	18,439	6	6	18,439	16
2010	16,351	16,340	-	-	16,340	11
2009	12,523	12,519	-	-	12,519	4
2008	6,524	6,524	-	-	6,524	-
2007	5,981	5,981	-	-	5,981	-
Tax Total	136,218	135,260	18,220	18,220	135,260	958

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
NON-RENDITION						
2016	34,096	28,480	28,480	28,480	28,480	5,616
2015	43,520	40,122	2,464	2,464	40,122	3,398
2014	36,731	34,766	942	942	34,766	1,965
2013	32,098	30,720	469	469	30,720	1,378
2012	26,593	25,670	264	264	25,670	923
2011	25,950	25,355	169	169	25,355	595
2010	26,813	26,318	137	137	26,318	495
2009	15,712	15,462	45	45	15,462	250
2008	31,059	30,877	26	26	30,877	182
2007	12,698	12,560	25	25	12,560	138
Tax Total	285,270	270,332	33,021	33,021	270,332	14,938
ADMINISTRATIVE						
2016	13,419	8,213	8,213	8,213	8,213	5,206
2015	11,459	7,836	618	618	7,836	3,623
2014	14,071	9,951	205	205	9,951	4,120
2013	12,235	8,863	103	103	8,863	3,372
2012	13,057	9,811	87	87	9,811	3,246
2011	12,912	10,086	67	67	10,086	2,826
2010	12,246	9,854	58	58	9,854	2,392
2009	13,517	11,159	58	58	11,159	2,358
2008	13,311	11,339	50	50	11,339	1,972
2007	13,613	12,011	40	40	12,011	1,602
Tax Total	129,840	99,123	9,499	9,499	99,123	30,717
CABALLO SWCD						
2016		(201)	(201)	(201)	(201)	201
2015	3,625	3,625	53	53	3,625	-
2014	3,625	3,625	-	-	3,625	-
2013	3,625	3,625	-	-	3,625	-
2012	3,624	3,624	-	-	3,624	-
Tax Total	14,498	14,297	(147)	(147)	14,297	201

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STATE OF NEW MEXICO
 Luna County
 County Treasurer's Property Tax Schedule
 June 30, 2017

Schedule VI

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
2016	14,155,925	12,845,599	13,091,071	13,091,071	12,845,599	1,310,326
2015	14,203,970	13,457,592	642,943	642,943	13,457,592	746,377
2014	13,549,778	13,051,725	353,295	353,295	13,051,725	498,052
2013	13,303,592	12,922,976	223,934	223,934	12,922,976	380,617
2012	12,302,715	11,985,100	142,279	142,279	11,985,100	317,616
2011	11,982,676	11,709,470	126,062	126,062	11,709,470	273,205
2010	11,652,617	11,417,067	117,380	117,380	11,417,067	235,549
2009	11,048,453	10,849,662	109,355	109,355	10,849,662	198,792
2008	10,782,393	10,614,140	105,348	105,348	10,614,140	168,254
2007	9,517,781	9,415,727	93,771	93,771	9,415,727	102,054
Grand Total	130,399,604	126,168,763	15,136,194	15,136,194	126,168,763	4,230,842

STATE OF NEW MEXICO
 Luna County
 Schedule of Joint Powers Agreements
 For the Year Ended June 30, 2017

Schedule VII

<i>Participants</i>	<i>Responsible Party for Operations</i>	<i>Descriptions</i>	<i>Beginning and Ending Dates</i>	<i>Total Estimated Amount of Project</i>	<i>Contribution 6/30/2017</i>	<i>Audit Responsibility</i>	<i>Revenues and Expenditures Reported on:</i>
Village of Columbus	Luna County	Multi Service Agreement	Fiscal Year 2017	None	\$30,000	Luna County	Rev: Luna County Exp: Village of Columbus
Village of Columbus	Luna County	Multi Service Agreement	Fiscal Year 2017	None	\$64,000	Luna County	Exp: Luna County Rev: Village of Columbus
City of Deming	Luna County	Multi Service Agreement	Fiscal Year 2017	None	\$993,500	Luna County	Rev: Luna County Exp: City of Deming

See independent auditors' report.

COMPLIANCE SECTION

**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***

INDEPENDENT AUDITORS' REPORT

County Commission
Luna County
Timothy M. Keller
New Mexico State Auditor
U.S. Office of Management and Budget
Deming, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue funds of Luna County (the County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise County's basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 deficiency described as item FS 2017-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

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 deficiency described as item FS 2017-002 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item FS 2017-003.

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items NM 2016-002 and NM 2017-001.

Luna County's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Cordova CPAs LLC
Albuquerque, New Mexico
November 29, 2017

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FEDERAL FINANCIAL ASSISTANCE

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

County Commission
Luna County
Timothy M. Keller
New Mexico State Auditor
U.S. Office of Management and Budget
Deming, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Luna County's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. The County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Operation Stone Garden

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA No. 97.067 Operation Stone Garden as described in findings FA 2017-002 and FA 2017-003 for Cash Management and Reporting. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Operation Stone Garden

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Operation Stone Garden for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item FA 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items FA 2017-002 and FA 2017-003 to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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Cordova CPAs LLC
Albuquerque, NM
November 29, 2017

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STATE OF NEW MEXICO
Luna County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor or Pass-Through Grantor / Program Title	Federal CFDA Number		Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
U.S. Department of Housing and Urban Development					
<i>Passed through New Mexico Mortgage Finance Authority</i>					
Emergency Homeless Assistance	14.231		\$ 14,016	\$ -	\$ -
<i>Total U.S. Department of Housing and Urban Development</i>			<u>14,016</u>	<u>-</u>	<u>-</u>
U.S. Department of Interior					
<i>Passed through BLM- NM</i>					
Integrated Weed Management	15.230		24,000	-	-
<i>Total U.S. Department of Interior</i>			<u>24,000</u>	<u>-</u>	<u>-</u>
U.S. Department of Health and Human Services					
<i>Passed through Optum Health - NM</i>					
PFS II Strategy Prevention	93.243	(1)	90,107	-	-
BHSD SAPT Block Grant	93.243	(1)	5,520	-	-
<i>Total U.S. Department of Health and Human Services</i>			<u>95,627</u>	<u>-</u>	<u>-</u>
U.S. Department of Justice					
<i>Direct</i>					
VOCA	16.575	(2)	39,408	-	-
VOCA - CASA	16.575	(2)	38,661	-	-
Hiring Program Grant - COPS	16.701		49,140	-	-
<i>Total U.S. Department of Justice</i>			<u>127,209</u>	<u>-</u>	<u>-</u>
U.S. Department of Homeland Security					
<i>Passed through NM Department of Homeland Security and Emergency Management</i>					
Emergency Food and Shelter Program	97024		7,000	-	-
Emergency Management Performance Grant Program	97.042		29,037	-	-
Operation Stone Garden	97.067	*	741,365	376,993	-
<i>Total Department of Homeland Security</i>			<u>777,402</u>	<u>376,993</u>	<u>-</u>
U.S. Department of Transportation					
<i>Passed through NM Department of Transportation</i>					
ENDWI	20.608		1,457	-	-
STEP	20.616		7,662	-	-
ODWI- DOT Alcohol Counter Measures	20.608	(3)	6,876	-	-
HIDTA	20.608	(3)	282,921	-	-
<i>Total U.S. Department of Transportation</i>			<u>298,916</u>	<u>-</u>	<u>-</u>
<i>Total Federal Financial Assistance</i>			<u>\$ 1,337,170</u>	<u>\$ 376,993</u>	<u>\$ -</u>

* Denotes Major Federal Financial Assistance Program
() Denotes Cluster

See independent auditors' report.
See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards**1 Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Luna County and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2 Loans

The County did not expend federal awards related to loans or loan guarantees during the year.

3 10% de minimus Indirect Cost Rate

The County did not elect to use the allowed 10% indirect cost rate.

4 Federally Funded Insurance

The County has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,337,170
Total expenditures funded by other sources	<u>23,733,301</u>
<i>Total expenditures (Exh B-2)</i>	<u><u>\$ 25,070,471</u></u>

See independent auditors' report.

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STATE OF NEW MEXICO
 Luna County
 Schedule of Findings and Questioned Costs
 June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

Federal Awards:

- | | | | | | |
|--|------------------------|-----------------|--------|------------------------|--|
| 1. Internal control over major programs: | | | | | |
| a. Material weaknesses identified? | No | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes | | | | |
| 2. Type of auditors' report issued on compliance for major programs | Qualified | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes | | | | |
| 4. Identification of major programs: | | | | | |
| <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</td> <td style="text-align: center; border-bottom: 1px solid black;">Federal Program</td> </tr> <tr> <td style="text-align: center;">97.067</td> <td style="text-align: center;">Operation Stone Garden</td> </tr> </table> | CFDA
Number | Federal Program | 97.067 | Operation Stone Garden | |
| CFDA
Number | Federal Program | | | | |
| 97.067 | Operation Stone Garden | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | |
| d. Auditee qualified as low-risk auditee? | Yes | | | | |

SECTION II – FINANCIAL STATEMENT FINDINGS

FS 2017-001 Control Environment and Financial Close (Material Weakness)

Condition: During our audit, we noted that material audit adjustments were necessary to fairly present account balances as follows:

- From procedures performed in the human resources and payroll area, we noted there were lack of segregation of duties between the human resources department and payroll department. IT access was not properly restricted between the two departments, and the two departments did not have proper segregation of duties between the two departments. In addition, we noted one instance of a clerical error related to timesheets, where one individual was paid 30 minutes extra for time worked.
- From procedures over the IT function of the County, we noted that the Business Manager has complete access of the accounting system, and the County does not have mitigating controls to ensure proper monitoring.
- Beginning Cash balances had to be restated in current year in the amount of \$36,341. to fairly state cash for fiscal year 2017.
- Accounts receivable balances at year end were not complete and accurate, and a restatement in the amount of \$4,550,546 as well as other current year material adjustments were made to properly state accounts receivables at year end 2017.
- Long-term debt balances at year end were not complete and accurate, and material adjustments were made to properly state long-term debt at year end 2017.
- From procedures performed, we noted there is no proper internal control structure by either the finance department or treasurer's office related to the detention center commissary accounting transactions. There is no proper review of bank reconciliations and no proper review of procurement. During FY 2017, all accounting for the detention center commissary transactions were recorded as agency transactions and commingled with inmate trust accounts.

Criteria: The Committee of Sponsoring Organizations (COSO) COSO Internal Control – Integrated Framework (2013), consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring, which includes the implementation of internal controls with financial close functions to produce accurate and timely financial information in accordance with generally accepted accounting principles.

Effect: The County is susceptible to errors or fraud not being timely detected and corrected due to the weaknesses in the internal control structure of the County. Also, account balances in the accounts noted above were not adjusted as part of the monthly and/or annual financial close, and audit adjustments not identified by management were required to fairly present balances.

Cause: The County has not performed a proper risk assessment of internal controls. Also, several of the balances that were adjusted for, are from prior years and have not been adjusted properly on the County's general ledger. Also during the financial close, the accounts noted above were inadvertently overlooked as part of the monthly and year end required adjustments.

Auditors' Recommendations: We recommend that the County perform a complete risk assessment of the internal control process throughout the County. Also, we recommend the County perform a thorough year end analysis on all account balances prior to closing out the fiscal year to ensure all required adjustments are reflected for year-end reporting.

SECTION II – FINANCIAL STATEMENT FINDINGS

FS 2017-001 Control Environment and Financial Close (Material Weakness) (continued)

Agency's Response: Luna County has completed segregation of duties between Human Resources and Payroll. Luna County management has also hired an independent CPA firm and will task the firm to perform the recommended risk assessment of internal control processes. Luna County will work with the CPA firm at years' end to ensure all required adjustments are reflected for year-end reporting. The CPA firm will work closely with Budget and Procurement Director and Treasurers Office.

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

FS 2017-002 Capital Assets (Significant Deficiency)

Condition: During our audit over capital assets we noted the following:

- During testwork over the current and accumulated depreciation balances, we noted that the accounting system was incorrectly reducing the live of all assets by half to calculate the current year depreciation.
- The County did not properly certify the capital asset inventory for fiscal year 2017.

Criteria: According to NMAC 6.20.2.22 and GASB Statement No. 34 (Generally Accepted Accounting Principles), capital assets shall be acquired and accounted for through the development and implementation of a complete property control system and be accounted for in accordance with generally accepted accounting principles. Also, New Mexico Statutes, Section 12-6-10, NMSA, 1978 compilation, requires an annual physical inventory of moveable chattels and equipment. Also, upon completion, the inventory shall be certified by the governing authority as to correctness. Each agency shall maintain one copy in its files. At the time of the annual audit, the state auditor shall ascertain the correctness of the inventory by generally accepted auditing procedures.

Effect: Without proper accounting of capital assets balances year end, the financial statements of the County were misstated. The users of the financial statement may not be provided with timely or accurate capital assets information.

Cause: The County did not have a proper internal control process in place to monitor and review the capital asset listing to ensure complete and accurate financial data for depreciation of capital assets.

Auditors' Recommendations: We recommend that the County 1) begin the reconciliation of capital assets earlier in the process of the financial close at year end 2) A review of the calculations for asset costs and depreciation is performed at year end 3) an annual physical inventory of moveable chattels and equipment should be performed with the results being certified by the governing authority.

Agency's Response: Luna County's Fixed Assets Specialist will begin the annual physical inventory process in February and will have review and certification ready for Luna County Board of County Commission meeting approval at June's meeting prior to years' end. Fixed Assets Specialist will continue to work with Triadic to fix programming errors to ensure accounting accuracy.

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

FS 2017-003 Debt Interest Payment Delinquency (Material Noncompliance)

Condition: During our audit of long term debt, we noted that the County did not pay the Luna County, Gross Receipts Tax Revenue Bonds, Series 2016 interest payment as required on June 1, 2017. The County did pay the required amount on June 2, 2017.

Criteria: According to the contractual obligations of the Luna County, Gross Receipts Tax Revenue Bonds, Series 2016 agreement, all payments related to the Gross Receipts Tax Revenue Bonds, Series 2016 agreement shall be paid timely.

Effect: A notice of material event to MSRB of interest payment delinquency was issued as required by the by the Continuing Disclosure Undertaking.

Cause: The County had an oversight on processing the payment in a timely manner to ensure the payment was made by the June 1, 2017 as required.

Auditors' Recommendations: We recommend that the County ensure payments are made in a timely fashion to ensure the transaction is paid on or before the due date.

Agency's Response: Luna County's has issued calendar invites to key personnel (County Manager, Assistant County Manager, Treasurer and Budget and Procurement Director) for several days in advance of all debt due dates to ensure that debt payments will be made timely in the future.

SECTION III - FEDERAL AWARD FINDINGS

FA 2017-001 Data Collection Form Not Filed Timely (Material Noncompliance)

Federal Program Information:

Funding Agency: U.S. Department of Homeland Security

Award Year: July 1, 2015 to June 30, 2016

Title: Operation Stonegarden

CFDA Number: 97.067

Compliance Requirement: Reporting

Condition: The Data Collection Form was not completed and submitted to the Federal Audit Clearinghouse by the due date.

Criteria: 2 CFR 200.512 states that the Data Collection Form and Audit report shall be submitted within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period. Based on this regulation, the latest the County and prior auditor should have filed the Data Collection Form was 30 days after the release of the audit report.

Questioned Costs: None

Effect: The County is in violation of 2 CFR 200.512. This violation could potentially jeopardize the eligibility to receive federal funding and also designates the County as a high-risk auditee.

Cause: Lack of communication with the prior audit firm personnel.

Auditors' Recommendation: We recommend that future Data Collection Form submissions be completely in a timely manner. This can be accomplished by ensuring that there is a designated individual responsible for initiating communication with the auditors to complete the submission.

Agency Response: Luna County Budget and Procurement Director has calendared a reminder to ensure that upon receipt of the final audit submission she will be coordinating with the auditing firm to ensure timely submission. Budget and Procurement Director will calendar for early January each year.

SECTION III - FEDERAL AWARD FINDINGS (continued)

FA 2017-002 Noncompliance with Cash Management Requirements (Significant Deficiency Over Internal Controls Over Compliance)

Federal Program Information:

Funding Agency: U.S. Department of Homeland Security

Award Year: July 1, 2016 to June 30, 2017

Title: Operation Stonegarden

CFDA Number: 97.067

Compliance Requirement: Cash Management

Condition: During our audit, we noted that the County did not timely claim reimbursements for the expenditures of the program. We noted that the first two requests were performed timely, however the requests for September through December were submitted 2-5 months after the underlying activity.

Criteria: CFR section 3002.10 and the Cash Management Improvement Act. The County also did not comply with the requirements set for by oversight agency for submitting for reimbursements.

Effect: The County could lose future funding from the Homeland Security Department.

Questioned Costs: None

Cause: Turnover in the management of the program during the year.

Auditors' Recommendation: We recommend that the County develop a proper internal control structure to create a formal process that permits for timely requests for reimbursements. We recommend that all supporting documentation is gathered and submitted with 30 days of the subsequent months expenditures.

Agency's Response: Luna County management has contracted with a grants coordinator to ensure proper and timely submission of reports and documentation to Department of Homeland Security. The responsibility will be with the Luna County Budget and Procurement Director.

SECTION III - FEDERAL AWARD FINDINGS (continued)

FA 2017-003 Noncompliance with Reporting Requirements (Significant Deficiency Over Internal Controls Over Compliance/Material Noncompliance)

Federal Program Information:

Funding Agency: U.S. Department of Homeland Security

Award Year: July 1, 2016 to June 30, 2017

Title: Operation Stonegarden

CFDA Number: 97.067

Compliance Requirement: Reporting

Condition: During our audit, we noted that the County submitted all four quarters required reporting late. Quarters 1, 2, and 3 were completed and submitted May 24, 2017. In addition, we could not agree each quarter reporting of expenditures to the general ledger of the County. At year end, there was an estimated difference of \$2,400 difference that could not be identified.

Criteria: The SF-425, Federal Financial Report is required for the administration of Operation Stonegarden. In addition, the New Mexico Department of Homeland Security and Emergency Management requires the reports to be completed by 30 days after the quarter-end.

Effect: The County could lose future funding from the Homeland Security Department.

Questioned Costs: Unknown

Cause: Turnover in the management of the program during the year. Also, there was another grant that was charged to the same line item that these expenditures were charged to, which could have led to the confusion and the inability to reconcile to the general ledger.

Auditors' Recommendation: We recommend that the County develop a proper internal control structure to create a formal process that permits for timely reporting. We recommend that all supporting documentation is gathered and submitted in order to complete the quarter reporting within 30 days of the quarter-end.

Agency's Response: Luna County management has contracted with a grants coordinator to ensure proper and timely submission of reports and documentation to Department of Homeland Security. The responsibility will be with the Luna County Budget and Procurement Director.

Section IV – Section 12-6-5 NMSA 1978 Findings

2016-002 Large Purchases not Procured – Compliance (Repeated)

Condition – During testwork performed over procurement, we noted the following procurement exceptions:

- Medical products were purchase from one vendor through the County’s purchasing card totaling \$68,732.81 however, these purchases did not go through the proper procurement process.

Criteria: Procurement requirements (NMSA 13-1-30): “Except as otherwise provided in the Procurement Code [13-1-28 NMSA 1978] that code shall apply to every expenditure by state agencies and local public bodies for the procurement of items of tangible personal property, services and construction ... When a procurement involves the expenditure of federal funds, the procurement shall be conducted in accordance with mandatory applicable federal law and regulations.”

Effect: The County potentially did not get the lowest price because the purchases were not properly procured. Noncompliance with state procurement requirements.

Cause: The County failed to recognize the department that was purchasing medical products through the purchasing card, were going to purchases over \$60,000.

Auditors’ Recommendations: Perform a proper risk assessment over the purchasing process including the purchasing card process to identify purchases subject to procurement during the fiscal year.

Agency’s Response: Luna County management has implemented a procurement policy that went into effect July 1, 2017 that addresses proper procurement and stronger controls to ensure improper procurement will be avoided in the future. Luna County management will also be reviewing and evaluating individual p-card limits to further strengthen internal controls and ensure procurement code compliance.

Section IV – Section 12-6-5 NMSA 1978 Findings (continued)

NM 2017-001 Stale-dated Checks (Other Noncompliance)

Condition: During our testwork over cash we noted the following:

- The County has 6 stale-dated checks totaling \$896.09 dating back to August 2015.
- The County maintains a bank account at the detention center that has several hundred outstanding checks that date back to 2010.
- The County has not performed proper investigation of and/or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Criteria: New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation, requires local public bodies to cancel or void any checks that are unpaid for one year after it is written.

Effect: The County is not in compliance with Section 6-10-57, NMSA 1978. The County's cash balance may be misstated by the amount of the stale checks.

Cause: The County was not made aware of this requirement in past years.

Auditors' Recommendation: We recommend that the outstanding checks be voided as soon as possible and that a procedure to track and void stale dated checks be adhered to. We also recommend that the County remit the stale-dated checks to the New Mexico Taxation and Revenue Department.

Agency Response: Annually Luna County will void stale dated check by fiscal years' end. Any reports or fund required to be submitted to Taxation and Revenue will be completed in a compliant manner. The Budget and Procurement Director and Treasurers' Office will work together to ensure all stale dated checks are voided in a more timely fashion.

STATE OF NEW MEXICO
Luna County
Schedule of Corrective Action Plan and Prior Year Findings
June 30, 2017

CORRECTIVE ACTION PLAN

This correction plan has been prepared by management of Luna County.

Corrective Action Plan:

FA 2017-001 Data Collection Form Not Filed Timely (Material Noncompliance): Luna County Budget and Procurement Director has calendared a reminder to ensure that upon receipt of the final audit submission she will be coordinating with the auditing firm to ensure timely submission. Budget and Procurement Director will calendar for early January each year.

FA 2017-002 Noncompliance with Cash Management Requirements (Significant Deficiency Over Internal Controls Over Compliance): Luna County management has implemented a procurement policy that went into effect July 1, 2017 that addresses proper procurement and stronger controls to ensure improper procurement will be avoided in the future. Luna County management will also be reviewing and evaluating individual p-card limits to further strengthen internal controls and ensure procurement code compliance.

FA 2017-003 Noncompliance with Reporting Requirements (Significant Deficiency Over Internal Controls Over Compliance/Material Noncompliance): Luna County management has contracted with a grants coordinator to ensure proper and timely submission of reports and documentation to Department of Homeland Security. The responsibility will be with the Luna County Budget and Procurement Director.

Anticipated completion date for corrective action plan: During fiscal year 2018.

Auditee contact persons responsible for correction action: County Commission and Ira Pearson, County Manager .

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2008-002 Legal Compliance with Budget – Other Non Compliance – Resolved

2009-001 Designated Cash Exceeded Available Balance – Other Non Compliance – Resolved

2014-006 Capital Assets – Significant Deficiency – Resolved

2015-001 Lack of Proper Cash Reconciliation – Significant Deficiency – Resolved

2016-001 Lack of Remote Receipting Internal Controls – Finding that does not rise to the level of Significant Deficiency – Resolved

2016-002 Large Purchases not Procured – Other Noncompliance – Repeated

2016-003 Improper Use of Fire Protection 1/4% GRT Funds – Resolved

No federal findings in prior year.

STATE OF NEW MEXICO

Luna County
Other Disclosures
June 30, 2017

Exit Conference

An exit conference was held on November 29, 2017. In attendance were the following:

Representing Luna County:

Linda Smrkosky, Commissioner
Ira Pearson, County Manager
Joanne Hethcox, Budget & Procurement Director
Gloria Rodriguez, Treasurer
Dora Madrid, Deputy Treasurer
Elisa Galindo, Galindo Patterson & Associates, PA

Representing Cordova CPAs LLC:

Robert Gonzales, CPA, Principal
Robert Cordova, CPA, Principal

Auditor Prepared Financial Statements

Cordova CPAs prepared the GAAP-basis financial statements and footnotes of Luna County from the original books and records provided to them by the management of Luna County. The responsibility for the financial statements remains with the County.