



Luna County

Financial Statements
For the Year Ended June 30, 2018



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STATE OF NEW MEXICO
 Luna County
 Annual Financial Report
 June 30, 2018
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STATE OF NEW MEXICO

Luna County
Official Roster
June 30, 2018

**Board of County
Commissioners**

<u>Name</u>	<u>Title</u>
Linda M. Smrkovsky	Chairman
Barbara Reedy	Member
John Sweetser	Member

Elected Officials

Andrea Rodriquez	County Clerk
Gloria Rodriguez	County Treasurer
Delilah Rojo	County Assessor
Kelly Gannaway	County Sheriff

**Administrative
Officials**

Glory Juarez	Interim County Manager
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

County Commission
Luna County
Wayne Johnson
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, 2018, 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, 2018, and the respective changes in financial position and where applicable, cash flows 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 through B-2 and notes to the Required Supplementary Information on pages 74 through 85 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 19, 2018 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, flowing style.

Cordova CPAs LLC
Albuquerque, New Mexico
November 19, 2018

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Luna County

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 22,056,330	\$ 1,570,962	\$ 23,627,292
Investments	9,872,191	-	9,872,191
Receivables:			
Property taxes, net	3,232,213	-	3,232,213
Taxes receivable	1,178,859	-	1,178,859
Due from other governments	950,128	295,349	1,245,477
Inventory	187,512	28,491	216,003
Internal balances	11,447	(11,447)	-
<i>Total current assets</i>	<u>37,488,680</u>	<u>1,883,355</u>	<u>39,372,035</u>
Noncurrent assets			
Restricted cash and cash equivalents	59,506	-	59,506
Capital assets	44,200,912	17,352,850	61,553,762
Less: accumulated depreciation	<u>(15,980,991)</u>	<u>(6,037,164)</u>	<u>(22,018,155)</u>
<i>Total noncurrent assets</i>	<u>28,279,427</u>	<u>11,315,686</u>	<u>39,595,113</u>
<i>Total assets</i>	<u>65,768,107</u>	<u>13,199,041</u>	<u>78,967,148</u>
Deferred outflows of resources			
Deferred outflows- pension	2,500,424	1,083,493	3,583,917
Deferred outflows- OPEB	<u>114,466</u>	<u>52,294</u>	<u>166,760</u>
<i>Total deferred outflows of resources</i>	<u>2,614,890</u>	<u>1,135,787</u>	<u>3,750,677</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 68,382,997</u>	<u>\$ 14,334,828</u>	<u>\$ 82,717,825</u>

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

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 818,764	\$ 241,532	\$ 1,060,296
Accrued payroll	323,578	140,274	463,852
Accrued interest	52,420	-	52,420
Current portion of bonds payable	778,244	-	778,244
<i>Total current liabilities</i>	<u>1,973,006</u>	<u>381,806</u>	<u>2,354,812</u>
Noncurrent liabilities			
Accrued compensated absences	570,383	268,064	838,447
Bond premium (net of amortization of \$34,389)	551,892	-	551,892
Bonds payable	19,829,224	-	19,829,224
Net pension liability	10,025,047	4,184,458	14,209,505
Net OPEB liability	6,136,889	2,803,649	8,940,538
<i>Total noncurrent liabilities</i>	<u>37,113,435</u>	<u>7,256,171</u>	<u>44,369,606</u>
<i>Total liabilities</i>	<u>39,086,441</u>	<u>7,637,977</u>	<u>46,724,418</u>
Deferred inflows of resources			
Deferred inflows- pension	1,150,886	508,756	1,659,642
Deferred inflows- OPEB	1,396,741	638,104	2,034,845
<i>Total deferred inflows of resources</i>	<u>2,547,627</u>	<u>1,146,860</u>	<u>3,694,487</u>
Net position			
Net investment in capital assets	7,060,561	11,315,686	18,376,247
Restricted for:			
Debt service	5,450,387	-	5,450,387
Capital projects	8,057,215	-	8,057,215
Special revenue projects	8,673,019	-	8,673,019
Unrestricted	(2,492,253)	(5,765,695)	(8,257,948)
<i>Total net position</i>	<u>26,748,929</u>	<u>5,549,991</u>	<u>32,298,920</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 68,382,997</u>	<u>\$ 14,334,828</u>	<u>\$ 82,717,825</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, 2018

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 6,572,886	\$ 456,873	\$ 1,360,567	\$ -
Public safety	6,027,216	77,010	1,736,437	-
Public works	3,028,206	589	1,007,934	-
Culture and recreation	377,407	126,322	-	-
Health and welfare	2,455,818	-	1,531,604	-
Interest and other charges	678,312	-	-	-
<i>Total governmental activities</i>	19,139,845	660,794	5,636,542	-
Business-type Activities:				
Detention	5,865,480	4,783,963	-	-
Entertainment Complex	1,562,429	1,449,244	-	-
LCDC Commissary	133,268	131,235	-	-
<i>Total business-type activities</i>	7,561,177	6,364,442	-	-
<i>Total</i>	\$ 26,701,022	\$ 7,025,236	\$ 5,636,542	\$ -

General Revenues:

Taxes:

Gross receipts taxes

Property taxes, levied for general purposes

Gasoline and motor vehicle

Other

Investment income

Miscellaneous revenue

Loss on disposal of capital assets

Unrealized gain/(loss) on investments

Contributed capital to another government (Note 6)

Transfers

Total general revenues

Change in net position

Net position, beginning

Net position, restatement (Note 12)

Net position, as restated

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
\$ (4,755,446)	\$ -	\$ (4,755,446)
(4,213,769)	-	(4,213,769)
(2,019,683)	-	(2,019,683)
(251,085)	-	(251,085)
(924,214)	-	(924,214)
(678,312)	-	(678,312)
<u>(12,842,509)</u>	<u>-</u>	<u>(12,842,509)</u>
-	(1,081,517)	(1,081,517)
-	(113,185)	(113,185)
-	(2,033)	(2,033)
<u>-</u>	<u>(1,196,735)</u>	<u>(1,196,735)</u>
<u>(12,842,509)</u>	<u>(1,196,735)</u>	<u>(14,039,244)</u>
5,424,452	-	5,424,452
10,633,727	-	10,633,727
1,080,917	-	1,080,917
2,535	-	2,535
361,256	-	361,256
399,846	7,500	407,346
(89,180)	-	(89,180)
(158,361)	-	(158,361)
(4,008,230)	-	(4,008,230)
(574,000)	574,000	-
<u>13,072,962</u>	<u>581,500</u>	<u>13,654,462</u>
<u>230,453</u>	<u>(615,235)</u>	<u>(384,782)</u>
33,808,125	9,495,515	43,303,640
<u>(7,289,649)</u>	<u>(3,330,289)</u>	<u>(10,619,938)</u>
<u>26,518,476</u>	<u>6,165,226</u>	<u>32,683,702</u>
<u>\$ 26,748,929</u>	<u>\$ 5,549,991</u>	<u>\$ 32,298,920</u>

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

STATE OF NEW MEXICO

Luna County
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Road Fund</u>	<u>County Maintenance</u>
Assets			
Cash and cash equivalents	\$ 8,476,698	\$ 1,490,863	\$ 625,106
Investments	4,227,569	-	5,644,622
Receivables:			
Property taxes, net	1,219,589	1,960,962	-
Other taxes receivable	147,403	119,676	-
Due from other governments	8,045	-	134,854
Inventory	-	187,512	-
Due from other funds	298,611	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total assets</i>	<u>\$ 14,377,915</u>	<u>\$ 3,759,013</u>	<u>\$ 6,404,582</u>
Liabilities, deferred inflows of resources, and fund balances			
<i>Liabilities</i>			
Accounts payable	\$ 183,750	\$ 43,216	\$ 101,376
Accrued payroll	237,734	31,860	-
Due to other funds	51,682	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total liabilities</i>	<u>473,166</u>	<u>75,076</u>	<u>101,376</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	1,102,742	1,938,966	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total deferred inflows of resources</i>	<u>1,102,742</u>	<u>1,938,966</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable:			
Inventory	-	187,512	-
Spendable:			
Restricted for:			
General government	-	-	-
Public safety	-	-	-
Public works	-	1,557,459	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital acquisitions and improvements	-	-	6,303,206
Debt service	-	-	-
Minimum fund balance	2,678,926	-	-
Unassigned	10,123,081	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total fund balances</i>	<u>12,802,007</u>	<u>1,744,971</u>	<u>6,303,206</u>
	<u> </u>	<u> </u>	<u> </u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 14,377,915</u>	<u>\$ 3,759,013</u>	<u>\$ 6,404,582</u>

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

<u>LCDC Addition (2015 Bond)</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 1,253,981	\$ 10,269,188	\$ 22,115,836
-	-	9,872,191
-	51,662	3,232,213
-	911,780	1,178,859
-	807,229	950,128
-	-	187,512
-	66,778	365,389
\$ 1,253,981	\$ 12,106,637	\$ 37,902,128
\$ 317,282	\$ 173,140	\$ 818,764
-	53,984	323,578
-	302,260	353,942
317,282	529,384	1,496,284
-	51,662	3,093,370
-	51,662	3,093,370
-	-	187,512
-	1,544,978	1,544,978
-	1,269,243	1,269,243
-	-	1,557,459
-	777,798	777,798
-	1,549,484	1,549,484
936,699	927,310	8,167,215
-	5,456,778	5,456,778
-	-	2,678,926
-	-	10,123,081
936,699	11,525,591	33,312,474
\$ 1,253,981	\$ 12,106,637	\$ 37,902,128

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, 2018

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	\$	33,312,474
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		28,219,921
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		3,093,370
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds:		
Deferred outflows- pension		2,500,424
Deferred outflows- OPEB		114,466
Deferred inflows- pension		(1,150,886)
Deferred inflows- OPEB		(1,396,741)
Certain liabilities, including bonds payable and related components, net pension and OPEB liabilities, 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		(570,383)
Accrued interest		(52,420)
Bonds payable		(20,607,468)
Bond premium		(551,892)
Net pension liability		(10,025,047)
Net OPEB liability		(6,136,889)
		(23,944,895)
<i>Net position of governmental activities</i>	\$	26,748,929

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, 2018

	<u>General Fund</u>	<u>Road Fund</u>	<u>County Maintenance</u>
<i>Revenues</i>			
Taxes:			
Property	\$ 9,475,028	\$ 717,405	\$ -
Gross receipts taxes	383,172	-	-
Gasoline, franchise, and motor vehicle	-	1,080,917	-
Lodgers tax	2,535	-	-
Intergovernmental:			
Federal operating grants	-	-	-
State operating grants	649,500	1,007,934	639,560
Charges for services	318,816	589	695
Investment income	147,630	769	97,997
Unrealized gain/(loss) on investments	12,066	-	(170,427)
Miscellaneous	368,644	-	-
<i>Total revenues</i>	<u>11,357,391</u>	<u>2,807,614</u>	<u>567,825</u>
<i>Expenditures</i>			
Current:			
General government	4,891,866	-	382,016
Public safety	3,226,171	-	-
Public works	824,898	2,100,984	-
Culture and recreation	133,248	-	-
Health and welfare	-	-	-
Capital outlay	72,763	174,024	515,808
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>9,148,946</u>	<u>2,275,008</u>	<u>897,824</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,208,445</u>	<u>532,606</u>	<u>(329,999)</u>
<i>Other financing sources (uses)</i>			
Transfers in	43,200	-	-
Transfers (out)	(861,639)	-	(37,017)
<i>Total other financing sources (uses)</i>	<u>(818,439)</u>	<u>-</u>	<u>(37,017)</u>
<i>Net change in fund balance</i>	1,390,006	532,606	(367,016)
<i>Fund balance - beginning of year</i>	<u>11,412,001</u>	<u>1,212,365</u>	<u>6,670,222</u>
<i>Fund balance - end of year</i>	<u>\$ 12,802,007</u>	<u>\$ 1,744,971</u>	<u>\$ 6,303,206</u>

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

LCDC Addition (2015 Bond)	Other Governmental Funds	Total
\$ -	\$ 169,798	\$ 10,362,231
-	5,041,280	5,424,452
-	-	1,080,917
-	-	2,535
-	1,273,769	1,273,769
-	2,065,779	4,362,773
-	340,694	660,794
114,860	-	361,256
-	-	(158,361)
-	31,202	399,846
114,860	8,922,522	23,770,212
131,614	280,880	5,686,376
-	2,171,875	5,398,046
-	-	2,925,882
-	235,938	369,186
-	2,252,411	2,252,411
8,092,350	232,550	9,087,495
-	430,578	430,578
-	577,282	577,282
8,223,964	6,181,514	26,727,256
(8,109,104)	2,741,008	(2,957,044)
-	393,299	436,499
-	(111,843)	(1,010,499)
-	281,456	(574,000)
(8,109,104)	3,022,464	(3,531,044)
9,045,803	8,503,127	36,843,518
\$ 936,699	\$ 11,525,591	\$ 33,312,474

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, 2018

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	\$	(3,531,044)
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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:

Capital outlay additions reported in capital outlay expenditures		9,087,495
Depreciation expense		(1,063,567)
Book value of assets sold		(89,180)
Transfer of capital asset to other agencies		(4,008,230)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Change in deferred inflows related to the property taxes receivable		224,803
---	--	---------

Governmental funds report County pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense:

County pension contributions subsequent to measurement date		616,383
Pension expense		(1,172,766)
County OPEB contributions subsequent to measurement date		114,466
OPEB expense		(243,982)

Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:

Increase in accrued compensated absences		(33,474)
Decrease in accrued interest		6,391

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:

Amortization of deferred charges		(127,550)
Principal payments on loans		430,578
Amortization of bond premiums		20,130
		20,130

<i>Change in net position of governmental activities</i>	\$	230,453
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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, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ 9,364,267	\$ 9,364,267	\$ 9,416,148	\$ 51,881
Gross receipts	470,000	470,000	383,172	(86,828)
Lodgers tax	2,700	2,700	2,770	70
Intergovernmental:				
Federal operating grants	445,000	445,000	452,500	7,500
State operating grants	176,600	176,600	222,000	45,400
Charges for services	270,170	270,170	288,544	18,374
Licenses and fees	22,600	22,600	21,879	(721)
Investment income	75,000	75,000	147,630	72,630
Miscellaneous	308,415	308,415	365,859	57,444
<i>Total revenues</i>	<u>11,134,752</u>	<u>11,134,752</u>	<u>11,300,502</u>	<u>165,750</u>
<i>Expenditures</i>				
Current:				
General government	5,393,004	5,621,958	4,814,996	806,962
Public safety	3,459,268	3,586,968	3,217,271	369,697
Public works	1,064,718	1,064,718	833,762	230,956
Culture and recreation	143,929	143,929	133,213	10,716
Health and welfare	-	-	-	-
Capital outlay	72,763	72,763	72,763	-
<i>Total expenditures</i>	<u>10,133,682</u>	<u>10,490,336</u>	<u>9,072,005</u>	<u>1,418,331</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,001,070</u>	<u>644,416</u>	<u>2,228,497</u>	<u>1,584,081</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(1,001,070)	(644,416)	-	644,416
Unrealized gain/loss on investments	-	-	12,066	12,066
Transfers in	-	-	43,200	43,200
Transfers (out)	-	-	(861,639)	(861,639)
<i>Total other financing sources (uses)</i>	<u>(1,001,070)</u>	<u>(644,416)</u>	<u>(806,373)</u>	<u>(161,957)</u>
<i>Net change in fund balance</i>	-	-	1,422,124	1,422,124
<i>Fund balance - beginning of year</i>	-	-	11,529,072	11,529,072
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>12,951,196</u>	<u>\$ 12,951,196</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 1,422,124	
Adjustments to revenues for gross receipt taxes, other taxes and federal grants.			44,823	
Adjustments to expenditures for salaries and operating expenses.			(76,941)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 1,390,006</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, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ 861,948	\$ 861,948	\$ 708,014	\$ (153,934)
Gross receipts	1,030,000	1,030,000	1,052,822	22,822
Lodgers tax	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
State operating grants	530,519	530,519	1,007,934	477,415
Charges for services	-	-	589	589
Licenses and fees	-	-	-	-
Investment income	-	-	769	769
Miscellaneous	225	225	-	(225)
<i>Total revenues</i>	<u>2,422,692</u>	<u>2,422,692</u>	<u>2,770,128</u>	<u>347,436</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	2,419,663	2,208,826	2,067,913	140,913
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	200,000	174,024	25,976
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,419,663</u>	<u>2,408,826</u>	<u>2,241,937</u>	<u>166,889</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,029</u>	<u>13,866</u>	<u>528,191</u>	<u>514,325</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(3,029)	(13,866)	-	13,866
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(3,029)</u>	<u>(13,866)</u>	<u>-</u>	<u>13,866</u>
<i>Net change in fund balance</i>	-	-	528,191	528,191
<i>Fund balance - beginning of year</i>	-	-	962,672	962,672
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>1,490,863</u>	<u>\$ 1,490,863</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 528,191	
Adjustments to revenues for property and gross receipts taxes.			37,486	
Adjustments to expenditures for salaries and operating expenses.			(33,071)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 532,606</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, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Lodgers tax	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
State operating grants	761,386	793,862	568,053	(225,809)
Charges for services	-	-	695	695
Licenses and fees	-	-	-	-
Investment income	100,000	100,000	97,997	(2,003)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>861,386</u>	<u>893,862</u>	<u>666,745</u>	<u>(227,117)</u>
<i>Expenditures</i>				
Current:				
General government	183,382	124,828	35,398	89,430
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	593,238	684,267	761,050	(76,783)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>776,620</u>	<u>809,095</u>	<u>796,448</u>	<u>12,647</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>84,766</u>	<u>84,767</u>	<u>(129,703)</u>	<u>(214,470)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(84,766)	(84,767)	-	84,767
Unrealized gain/loss on investments	-	-	(170,427)	(170,427)
Transfers (out)	-	-	(37,017)	(37,017)
<i>Total other financing sources (uses)</i>	<u>(84,766)</u>	<u>(84,767)</u>	<u>(207,444)</u>	<u>(122,677)</u>
<i>Net change in fund balance</i>	-	-	(337,147)	(337,147)
<i>Fund balance - beginning of year</i>	-	-	6,606,875	6,606,875
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>6,269,728</u>	<u>\$ 6,269,728</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (337,147)	
Adjustments to revenues for state grants.			71,507	
Adjustments to expenditures for salaries and operating expenses.			(101,376)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (367,016)</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, 2018

	LCDC Commissary	Detention Center	Entertainment Complex Operations	Total
Assets				
<i>Current assets</i>				
Cash and cash equivalents	\$ 154,724	\$ 513,291	\$ 902,947	\$ 1,570,962
Due from other governments	-	295,349	-	295,349
Inventory	-	-	28,491	28,491
<i>Total current assets</i>	<u>154,724</u>	<u>808,640</u>	<u>931,438</u>	<u>1,894,802</u>
<i>Noncurrent assets</i>				
Capital assets	-	7,471,124	9,881,726	17,352,850
Less: accumulated depreciation	-	(3,661,721)	(2,375,443)	(6,037,164)
<i>Total noncurrent assets</i>	<u>-</u>	<u>3,809,403</u>	<u>7,506,283</u>	<u>11,315,686</u>
<i>Total assets</i>	<u>154,724</u>	<u>4,618,043</u>	<u>8,437,721</u>	<u>13,210,488</u>
Deferred outflows of resources				
Deferred outflows- pension	-	1,032,723	50,770	1,083,493
Deferred outflows- OPEB	-	50,652	1,642	52,294
<i>Total deferred outflows of resources</i>	<u>-</u>	<u>1,083,375</u>	<u>52,412</u>	<u>1,135,787</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 154,724</u>	<u>\$ 5,701,418</u>	<u>\$ 8,490,133</u>	<u>\$ 14,346,275</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	\$ 38,480	\$ 156,185	\$ 46,867	\$ 241,532
Accrued payroll expenses	-	136,002	4,272	140,274
Due to other funds	-	11,447	-	11,447
<i>Total current liabilities</i>	<u>38,480</u>	<u>303,634</u>	<u>51,139</u>	<u>393,253</u>
<i>Noncurrent liabilities</i>				
Accrued compensated absences	-	252,395	15,669	268,064
Net pension liability	-	3,914,230	270,228	4,184,458
Net OPEB liability	-	2,715,616	88,033	2,803,649
<i>Total noncurrent liabilities</i>	<u>-</u>	<u>6,882,241</u>	<u>373,930</u>	<u>7,256,171</u>
<i>Total liabilities</i>	<u>38,480</u>	<u>7,185,875</u>	<u>425,069</u>	<u>7,649,424</u>
Deferred inflows of resources				
Deferred inflows- pension	-	492,806	15,950	508,756
Deferred inflows- OPEB	-	618,068	20,036	638,104
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>1,110,874</u>	<u>35,986</u>	<u>1,146,860</u>
Net position				
Net investment in capital assets	-	3,809,403	7,506,283	11,315,686
Unrestricted	116,244	(6,404,734)	522,795	(5,765,695)
<i>Total net position</i>	<u>116,244</u>	<u>(2,595,331)</u>	<u>8,029,078</u>	<u>5,549,991</u>
<i>Total liabilities and net position</i>	<u>\$ 154,724</u>	<u>\$ 5,701,418</u>	<u>\$ 8,490,133</u>	<u>\$ 14,346,275</u>

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, 2018

	LCDC Commissary	Detention Center	Entertainment Complex Operations	Total
<i>Operating revenues</i>				
Charges for services	\$ 131,235	\$ 4,783,963	\$ 1,449,244	\$ 6,364,442
<i>Total operating revenues</i>	<u>131,235</u>	<u>4,783,963</u>	<u>1,449,244</u>	<u>6,364,442</u>
<i>Operating expenses</i>				
Depreciation	-	216,895	223,506	440,401
Personnel services	-	4,460,763	575,672	5,036,435
Contractual services	133,268	-	-	133,268
Maintenance and materials	-	-	763,251	763,251
Administrative fees	-	1,187,822	-	1,187,822
<i>Total operating expenses</i>	<u>133,268</u>	<u>5,865,480</u>	<u>1,562,429</u>	<u>7,561,177</u>
<i>Operating income (loss)</i>	<u>(2,033)</u>	<u>(1,081,517)</u>	<u>(113,185)</u>	<u>(1,196,735)</u>
<i>Non-operating revenues (expenses)</i>				
Miscellaneous income	-	7,500	-	7,500
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>7,500</u>
<i>Income (loss) before contributions and transfers</i>	<u>(2,033)</u>	<u>(1,074,017)</u>	<u>(113,185)</u>	<u>(1,189,235)</u>
Transfers in	-	574,000	-	574,000
<i>Change in net position</i>	<u>(2,033)</u>	<u>(500,017)</u>	<u>(113,185)</u>	<u>(615,235)</u>
Net position, beginning	118,277	1,130,406	8,246,832	9,495,515
Net position, restatement (Note 12)	-	(3,225,720)	(104,569)	(3,330,289)
Net position, as restated	<u>118,277</u>	<u>(2,095,314)</u>	<u>8,142,263</u>	<u>6,165,226</u>
<i>Net position, end of year</i>	<u>\$ 116,244</u>	<u>\$ (2,595,331)</u>	<u>\$ 8,029,078</u>	<u>\$ 5,549,991</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, 2018

Exhibit D-3

	LCDC Commissary	Detention Center	Entertainment Complex Operations	Total
<i>Cash flows from operating activities:</i>				
Cash received from user charges	\$ 133,808	\$ 4,908,672	\$ 1,449,244	\$ 6,491,724
Cash payments to employees for services	-	(4,106,738)	(575,460)	(4,682,198)
Cash payments to suppliers for goods and services	(94,788)	(1,131,250)	(765,429)	(1,991,467)
<i>Net cash provided by operating activities</i>	<u>39,020</u>	<u>(329,316)</u>	<u>108,355</u>	<u>(181,941)</u>
<i>Cash flows from noncapital financing activities:</i>				
Miscellaneous income	-	7,500	-	7,500
Transfers (net)	-	574,000	-	574,000
<i>Net cash (used) by noncapital financing activities</i>	<u>-</u>	<u>581,500</u>	<u>-</u>	<u>581,500</u>
<i>Cash flows from capital and related financing activities:</i>				
Acquisition of capital assets	-	-	(12,350)	(12,350)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>(12,350)</u>	<u>(12,350)</u>
<i>Net increase in cash and cash equivalents</i>	39,020	252,184	96,005	387,209
<i>Cash and cash equivalents -beginning of year</i>	<u>115,704</u>	<u>261,107</u>	<u>806,942</u>	<u>1,183,753</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 154,724</u>	<u>\$ 513,291</u>	<u>\$ 902,947</u>	<u>\$ 1,570,962</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ (2,033)	\$ (1,081,517)	\$ (113,185)	\$ (1,196,735)
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>				
Depreciation	-	216,895	223,506	440,401
Net pension and OPEB expense	-	295,554	9,569	305,123
Loss on disposition of assets	-	33,239	-	33,239
<i>Changes in assets and liabilities:</i>				
Receivables	2,573	124,709	-	127,282
Inventory	-	-	(1,892)	(1,892)
Accounts payable	38,480	23,333	(286)	61,527
Accrued payroll expenses	-	18,168	(11,056)	7,112
Accrued compensated absences	-	40,303	1,699	42,002
<i>Net cash provided (used) by operating activities</i>	<u>\$ 39,020</u>	<u>\$ (329,316)</u>	<u>\$ 108,355</u>	<u>\$ (181,941)</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, 2018

Exhibit E-1

Assets

Cash and cash equivalents	\$ 317,710
Receivables:	
Property Taxes	<u>1,221,558</u>
<i>Total assets</i>	<u><u>\$ 1,539,268</u></u>

Liabilities

Due to other entities	<u>\$ 1,539,268</u>
<i>Total liabilities</i>	<u><u>\$ 1,539,268</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, 2018

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, 2018, the County adopted GASB Statements No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions, No. 81, Irrevocable Split-Interest Agreements, No. 85, Omnibus 2017, No. 86, Certain Debt Extinguishment Issues, are required to be implemented for the fiscal year ending June 30, 2018.

The pronouncement adopted that materially affects the financial statements and disclosures of the County for the year ended June 30, 2018 is GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. The requirements of this Statement improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense.

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.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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, 2018

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, 2018

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, 2018

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 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, 2018

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.

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, 2018

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 \$59,506 at June 30, 2018 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 2018. 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 improvements	20-40
Leasehold 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, 2018, along with applicable PERA, FICA, RHC and Medicare accruals.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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)

Unearned Revenues: There are two types of unearned revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue. The other type of unearned revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). 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 unearned revenue.

Deferred Outflows/Inflow of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a recognized consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows are reported in the governmental funds regarding property taxes. These amounts are deferred and recognized as an inflow of resources in that period that the amounts become available. The County has several items that qualify for reporting in this category related to the pension and OPEB plans which are discussed at Notes 10 and 11.

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 (P.E.R.A) and additions to/deductions from P.E.R.A’s fiduciary net position have been determined on the same basis as they are reported by P.E.R.A, 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.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA’s fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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)

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.

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.

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 \$187,512 at June 30, 2018.

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 \$23,001,881 in restricted fund balances at June 30, 2018.

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, 2018.

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 Budget and Procurement Director. The County does not have assigned fund balances at June 30, 2018.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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 3/12th of the fiscal year 2019 budgeted expenditures of the General Fund. From this, the County has presented restricted fund balance on the governmental funds balance sheet in the amount of \$2,678,926 for minimum fund balance for the year ended June 30, 2018.

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 40 and 88-89.
- 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, 2018

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:

	Excess (deficiency) of revenues over expenditures Operating income (loss)	
	Original Budget	Final Budget
	<u> </u>	<u> </u>
Budgeted Funds:		
General Fund	\$ 1,001,070	\$ 644,416
Road Fund	\$ 3,029	\$ 13,866
County Maintenance	\$ 84,766	\$ 84,767

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, 2018 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, 2018

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, 2018. 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, 2018, \$5,888,924 of the County's bank balance of \$6,388,924 was exposed to custodial credit risk. Although the \$5,888,924 was uninsured, the total uninsured amount was collateralized by collateral held by the pledging bank's trust department, not in the County's name. There were no deposits uninsured and uncollateralized at June 30, 2018.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

NOTE 3. Deposits and Investments (continued)

	<u>First New Mexico Bank</u>	<u>Wells Fargo Bank</u>	<u>Total</u>
Amount of deposits	\$ 5,774,472	\$ 614,452	\$ 6,388,924
FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>5,524,472</u>	<u>364,452</u>	<u>5,888,924</u>
Collateralized by securities held by pledging institution or by its trust department or agent in other than the County's name	<u>5,524,472</u>	<u>364,452</u>	<u>5,888,924</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ 2,762,236	\$ 182,226	\$ 2,944,462
Pledged Collateral	<u>12,064,130</u>	<u>401,617</u>	<u>12,465,747</u>
Over (Under) collateralized	<u>\$ 9,301,894</u>	<u>\$ 219,391</u>	<u>\$ 9,521,285</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, 2018. 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, 2018, 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	\$ 18,133,202	NA
U.S. Government Securities	NA	9,872,191	Aaa
		<u>\$ 28,005,393</u>	

**Based of Standard & Poor's rating

The County has presented money market accounts of \$18,133,202 as cash and cash equivalents in the Statement of Net Position, with outstanding transactions related to these securities of \$136,092. As of June 30, 2018, the County also had \$9,872,191 in U.S. Governmental Securities classified as investments. The County has funds which are managed by NMFA which are considered restricted cash and cash equivalents totaling \$1,331 and other restricted cash in the amount of \$58,175 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, 2018

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, 2018:

Total	Level 1	Level 2	Level 3
\$ 27,869,301	\$ 27,869,301	\$ -	\$ -

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position

Cash and cash equivalents per Exhibit A-1	\$ 23,627,292
Restricted cash and cash equivalents per Exhibit A-1	59,506
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit E-1	317,710
Investments per Exhibit A-1	<u>9,872,191</u>
 Total cash, investments, and cash equivalents	 <u>33,876,699</u>
 Add: outstanding checks	 519,324
Less: NMFA restricted accounts	(1,331)
Less: Money Market Accounts	(18,133,202)
Less: U.S. Government Securities	(9,872,191)
Less: petty cash	<u>(375)</u>
 Bank balance of deposits	 <u>\$ 6,388,924</u>
 Total bank balance of deposits	 <u>\$ 6,388,924</u>

NOTE 4. Receivables

Governmental receivables as of June 30, 2018 are comprised of the following:

	General	Road Fund	County Maintenance	Other Governmental Funds	Total
Taxes receivable:					
Property taxes, net	\$ 1,219,589	\$ 1,960,962	\$ -	\$ 51,662	\$ 3,232,213
Gross receipts taxes	140,460	-	-	911,780	1,052,240
MVD taxes	6,943	62,464	-	-	69,407
Oil and gas taxes	-	57,212	-	-	57,212
Total taxes receivable	<u>1,366,992</u>	<u>2,080,638</u>	<u>-</u>	<u>963,442</u>	<u>4,411,072</u>
Due from other governments:					
Federal grants	\$ -	\$ -	\$ 68,334	\$ 249,542	\$ 317,876
State grants	8,045	-	66,520	557,687	632,252
Total	<u>8,045</u>	<u>-</u>	<u>134,854</u>	<u>807,229</u>	<u>950,128</u>
Accounts receivable	<u>\$ 1,375,037</u>	<u>\$ 2,080,638</u>	<u>\$ 134,854</u>	<u>\$ 1,770,671</u>	<u>\$ 5,361,200</u>

As part of the net property taxes receivable at year end, the County includes a 1% allowance totaling \$44,988 in fiscal year 2018.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

NOTE 4. Receivables (continued)

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$3,093,370 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, 2018.

Business-type activity receivables as of June 30, 2018 are comprised of the following:

	Detention Center
Due from other governments	<u>\$ 295,349</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.

Due from other funds	Due to other funds	Amount
Domestic Violence Shelter	Law Enforcement Protection Fund	\$ 295,894
DWI Grants	General Fund	51,682
Law Enforcement Protection Fund	Domestic Violence Shelter	6,366
General Fund	Detention Center	<u>11,447</u>
Total		<u>\$ 365,389</u>

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

	Transfers In	Transfers Out
General Fund	\$ 43,200	\$ 861,639
Solid Waste Grant	-	73
Community Health and Social Services	-	1,770
County Maintenance	-	37,017
Judicial Bond	-	40,000
GRT Revenue Bond Series 2015A	-	70,000
Community Services	87,000	-
Domestic Violence Shelter	29,099	-
KLCB Aluminum	17,200	-
Law Enforcement Protection Fund	150,000	-
Detention Center	574,000	-
Local Infrastructure Capital Improvements	<u>110,000</u>	<u>-</u>
	<u>\$ 1,010,499</u>	<u>\$ 1,010,499</u>

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

NOTE 6. Capital Assets

The following is a summary of capital assets and changes occurring during the year ended June 30, 2018. Land and construction in progress are not subject to depreciation.

Governmental Activities:

	<u>Balance June 30, 2017</u>	<u>Additions / Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 1,684,981	\$ -	\$ (20,702)	\$ 1,664,279
Construction in progress	8,461,674	7,906,383	(4,008,230)	12,359,827
Total not being depreciated	<u>10,146,655</u>	<u>7,906,383</u>	<u>(4,028,932)</u>	<u>14,024,106</u>
Capital assets being depreciated:				
Buildings and improvements	17,963,703	-	(83,455)	17,880,248
Equipment and furnishings	11,457,683	616,859	(503,938)	11,570,604
Infrastructure	169,577	564,253	(7,876)	725,954
Total being depreciated	<u>29,590,963</u>	<u>1,181,112</u>	<u>(595,269)</u>	<u>30,176,806</u>
Total capital assets	<u>39,737,618</u>	<u>9,087,495</u>	<u>(4,624,201)</u>	<u>44,200,912</u>
Accumulated depreciation:				
Buildings and improvements	4,844,623	518,734	(20,279)	5,343,078
Equipment and furnishings	10,591,113	544,833	(503,938)	10,632,008
Infrastructure	8,479	-	(2,574)	5,905
Total accumulated depreciation	<u>15,444,215</u>	<u>1,063,567</u>	<u>(526,791)</u>	<u>15,980,991</u>
Capital assets, net	<u>\$ 24,293,403</u>	<u>\$ 8,023,928</u>	<u>\$ (4,097,410)</u>	<u>\$ 28,219,921</u>

Depreciation expense for the year ended June 30, 2018 was charged to the functions of the governmental activities as follows:

General	\$ 232,806
Public Safety	431,792
Public works	223,786
Health and Welfare	174,784
Culture and Recreation	399
Total	<u>\$ 1,063,567</u>

Contributed capital to another government- On June 9, 2009, Luna County and the U.S. General Services Administration (GSA) entered into a Master Agreement related to the expansion and modernization of the U.S. Land Port of Entry (LPOE) located in Columbus, NM. The agreement provided that Luna County would acquire property for a certain portion of the LPOE project and once acquired and improved, would transfer the property to GSA upon completion. Based on Luna County's Resolution 16-25, in fiscal year 2018, the project was completed and properly transfers to GSA in the amount of \$4,008,230.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

NOTE 6. Capital Assets (continued)

Business-type Activities:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 719,714	\$ -	\$ -	\$ 719,714
Total not being depreciated	<u>719,714</u>	<u>-</u>	<u>-</u>	<u>719,714</u>
Capital assets being depreciated:				
Buildings and improvements	15,185,704	-	(10,701)	15,175,003
Leasehold improvements	33,252	-	-	33,252
Equipment and furnishings	<u>1,568,358</u>	<u>12,350</u>	<u>(155,827)</u>	<u>1,424,881</u>
Total being depreciated	<u>16,787,314</u>	<u>12,350</u>	<u>(166,528)</u>	<u>16,633,136</u>
 Total capital assets	 <u>17,507,028</u>	 <u>12,350</u>	 <u>(166,528)</u>	 <u>17,352,850</u>
Accumulated depreciation:				
Buildings and improvements	4,534,483	365,347	(7,694)	4,892,136
Leasehold improvements	20,456	-	-	20,456
Equipment and furnishings	<u>1,175,112</u>	<u>75,054</u>	<u>(125,594)</u>	<u>1,124,572</u>
Total accumulated depreciation	<u>5,730,051</u>	<u>440,401</u>	<u>(133,288)</u>	<u>6,037,164</u>
 Capital assets, net	 <u>\$ 11,776,977</u>	 <u>\$ (428,051)</u>	 <u>\$ (33,240)</u>	 <u>\$ 11,315,686</u>

Depreciation expense for the year ended June 30, 2018 was charged to the proprietary funds as follows:

Detention Center	\$ 216,895
Entertainment Complex	<u>223,506</u>
Total	<u>\$ 440,401</u>

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

NOTE 7. Long-term Debt

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities:	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
GRT Revenue Bonds, Series 2016	\$ 11,665,000	\$ -	\$ 160,000	\$ 11,505,000	\$ 160,000
GRT Refunding Revenue Bonds, Series 2017	3,245,000	-	-	3,245,000	155,000
Entertainment Complex 2015	5,210,000	-	180,000	5,030,000	370,000
GRT Improvement Bonds 2015A	918,046	-	90,578	827,468	93,244
Compensated Absences	536,909	507,018	473,544	570,383	-
Total long-term debt	\$ 21,574,955	\$ 507,018	\$ 904,122	\$ 21,177,851	\$ 778,244

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the business-type activities:

Business-type Activities:	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Compensated Absences	\$ 226,062	\$ 239,124	\$ 197,122	\$ 268,064	\$ -
Total long-term debt	\$ 226,062	\$ 239,124	\$ 197,122	\$ 268,064	\$ -

Bonds

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.

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.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

NOTE 7. Long-term Debt (continued)

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.

The annual requirements to amortize the governmental activity bonds as of June 30, 2018, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	909,713	564,260	1,473,973
2024-2028	5,032,992	2,315,980	7,348,972
2029-2033	4,095,000	1,408,342	5,503,342
2034-2038	2,460,000	906,300	3,366,300
2039-2043	2,860,000	508,200	3,368,200
2044-2046	1,925,000	87,675	2,012,675
	<u>\$ 20,607,468</u>	<u>\$ 8,326,995</u>	<u>\$ 28,934,463</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, 2018, compensated absences for governmental activities increased \$33,474 from the prior year accrual. For business-type activities compensated absences increased by \$42,002.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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, 2018.
- B. Excess of expenditures over appropriations. There were no funds expenditures were in excess of the budgeted appropriations for the year ended June 30, 2018.
- 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, 2018.

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 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.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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

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, 2018

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%

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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

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

For PERA Fund Municipal General Division, at June 30, 2018, Luna County reported a liability of \$10,699,997 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017

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, 2017, the County’s proportion was 0.7787%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, Luna County recognized PERA Fund Municipal General Division pension expense of \$1,331,329. At June 30, 2018, Luna County reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes of assumptions	\$ 493,429	\$ 110,570
Changes in proportion	110,621	23,292
Difference between expected and actual experience	420,438	548,022
Net difference between projected and actual earnings on pension plan investments	877,870	-
County's contributions subsequent to the measurement date	658,921	-
Total	<u>\$ 2,561,279</u>	<u>\$ 681,884</u>

\$658,921 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:	
2018	\$ 340,069
2019	989,594
2020	147,363
2021	(256,552)
Thereafter	-
Total	<u>\$ 1,220,474</u>

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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

For PERA Fund Municipal Police Division, at June 30, 2018, Luna County reported a liability of \$3,509,508 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017.

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, 2017, Luna County’s proportion was 0.6317 percent, which was a decrease of 0.0464% percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, Luna County recognized PERA Fund Municipal Police Division pension expense of \$363,063. At June 30, 2017, 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	\$ 208,804	\$ 81,608
Changes in proportion	88,098	240,433
Difference between expected and actual experience	213,150	655,717
Net difference between projected and actual earnings on pension plan investments	282,643	-
County's contributions subsequent to the measurement date	229,943	-
Total	\$ 1,022,638	\$ 977,758

\$229,943 reported as deferred outflows of resources related to pensions resulting from Luna County’s contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (81,875)
2019	135,783
2020	(156,330)
2021	(82,641)
Thereafter	-
Total	\$ (185,063)

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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

Actuarial assumptions. The total pension liability in the June 30, 2017 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, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 9 years, then 3.254% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 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 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 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, 2018

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

Discount rate. A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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 County’s proportionate share of the net pension liability to changes in the discount rate. The following presents The County’s proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what The County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

PERA Fund Municipal General Division

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
County's proportionate share of the net pension liability	\$ 16,770,429	\$ 10,699,997	\$ 5,651,588

PERA Fund Municipal Police Division

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
County's proportionate share of the net pension liability	\$ 5,596,691	\$ 3,509,508	\$ 1,796,665

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. At June 30, 2018, the County had payables to the plan in the amount of \$52,638.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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

General Information about the OPEB

Plan description. Employees of the County are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the County were \$166,760 for the year ended June 30, 2018.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the County reported a liability of \$8,940,538 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the County's proportion was 0.19729 percent.

For the year ended June 30, 2018, the County recognized OPEB expense of \$355,447. At June 30, 2018 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 343,090
Net difference between expected and actual investments on OPEB plan investments	-	128,616
Change of assumptions	-	1,563,139
County's contributions subsequent to the measurement date	166,760	-
Total	\$ 166,760	\$ 2,034,845

Deferred outflows of resources totaling \$166,760 represent County contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

2019	\$	(432,622)
2020		(432,622)
2021		(432,622)
2022		(432,622)
2023		(304,357)

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class.

These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non U.S. - emerging markets	12.2
Non U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

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

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the County, as well as what the County’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
County's proportionate share of the net OPEB liability	\$ 10,844,733	\$ 8,940,538	\$ 7,446,525

The following presents the net OPEB liability of the County, as well as what the County’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Trend Rate Sensitivity Analysis		
	1% Decrease	Rate	1% Increase
County's proportionate share of the net OPEB liability	\$ 7,604,543	\$ 8,940,538	\$ 9,982,283

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the County had outstanding amount of contributions to the OPEB plan in the amount of \$9,564 reported at fiscal year 2018.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

NOTE 12. Prior Period Adjustments

The County has a prior period adjustment of (\$10,619,938) which was required for implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of (\$10,789,326) and a beginning of deferred outflow of resources- employer contributions subsequent to the measurement date of \$169,388.

NOTE 13. 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.

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, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 19, 2018 which is the date on which the financial statements were issued.

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 \$22,180,621 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 40 and 88-89.

STATE OF NEW MEXICO
Luna County
Notes to the Financial Statements
June 30, 2018

NOTE 17. 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 receivable by your agency 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 receivable by a different agency 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, 2018

NOTE 17. 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 receivable by your agency 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 receivable by a different agency 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, 2018

NOTE 17. 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 receivable by your agency 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 receivable by a different agency 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, 2018

NOTE 18. 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*

	2018 Measurement Date (As of and for the year ended June 30, 2017)	2017 Measurement Date (As of and for the year ended June 30, 2016)
Luna County's proportion of the net pension liability	0.7787%	0.7791%
Luna County's proportionate share of the net pension liability	\$ 10,699,997	\$ 12,447,396
Luna County's covered payroll	\$ 6,805,057	\$ 6,678,352
Luna County's proportionate share of the net pension liability as a percentage	157.24%	186.38%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

* 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.

2016 Measurement Date (As of and for the year ended June 30, 2015)	2015 Measurement Date (As of and for the year ended June 30, 2014)
0.7584%	0.7647%
\$ 7,732,545	\$ 5,965,481
\$ 6,287,461	\$ 6,211,087
122.98%	96.05%
76.99%	81.29%

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*

	2018 Measurement Date (As of and for the year ended June 30, 2017)	2017 Measurement Date (As of and for the year ended June 30, 2016)
Luna County's proportion of the net pension liability	0.6317%	0.7341%
Luna County's proportionate share of the net pension liability	\$ 3,509,508	\$ 5,003,224
Luna County's covered payroll	\$ 1,302,505	\$ 1,349,622
Luna County's proportionate share of the net pension liability as a percentage	269.44%	370.71%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

* 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.

2016 Measurement Date (As of and for the year ended June 30, 2015)	2015 Measurement Date (As of and for the year ended June 30, 2014)
0.6413%	0.6831%
\$ 3,083,730	\$ 2,226,832
\$ 1,258,949	\$ 1,317,273
244.94%	169.05%
76.99%	81.29%

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 June 30, 2018	As of and for the year ended June 30, 2017
Contractually required contribution	\$ 653,920	\$ 649,883
Contributions in relation to the contractually required contribution	<u>(653,920)</u>	<u>(649,883)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Luna County's covered payroll	\$ 6,843,959	\$ 6,805,057
Contributions as a percentage of covered payroll	9.55%	9.55%

* 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.

As of and for the year ended June 30, 2016	As of and for the year ended June 30, 2015
\$ 637,783	\$ 607,351
<u>(637,783)</u>	<u>(607,351)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 6,678,352	\$ 6,287,461
9.55%	9.66%

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 June 30, 2018	As of and for the year ended June 30, 2017
Contractually required contribution	\$ 229,943	\$ 246,174
Contributions in relation to the contractually required contribution	<u>(229,943)</u>	<u>(246,174)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Luna County's covered payroll	\$ 1,216,408	\$ 1,302,505
Contributions as a percentage of covered payroll	18.90%	18.90%

* 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.

As of and for the year ended June 30, 2016	As of and for the year ended June 30, 2015
\$ 255,079	\$ 239,409
<u>(255,079)</u>	<u>(239,409)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 1,349,622	\$ 1,258,949
18.90%	19.02%

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

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STATE OF NEW MEXICO
Luna County
Notes to Required Supplementary Information
June 30, 2018

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 2017 report is available at <http://www.nmpera.org/>

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

STATE OF NEW MEXICO
 Luna County
 Schedule of Proportionate Share of the Net OPEB Liability
 Retiree Health Care OPEB Plan
 Last 10 Fiscal Years*

Schedule B-1

	2018 Measurement Date (As of and for the Year Ended June 30, 2017)
Luna County's proportion of the net OPEB liability (asset)	0.19729%
Luna County's proportionate share of the net OPEB liability (asset)	\$ 8,940,538
Luna County's covered payroll	8,144,489
Luna County's proportionate share of the net OPEB liability as a percentage of its covered payroll	110%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Luna County is not available prior to fiscal year 2018, the year the statement's requirements became effective.

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

STATE OF NEW MEXICO
 Luna County
 Schedule of Contributions
 Retiree Health Care OPEB Plan
 Last 10 Fiscal Years*

Schedule B-2

	As of and for the Year Ended June 30, 2018
Contractually required contribution	\$ 166,760
Contributions in relation to the contractually required contribution	166,760
Contribution deficiency (excess)	\$ -
Luna County's covered payroll	8,031,782
Contribution as a percentage of covered payroll	2.08%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Luna County is not available prior to fiscal year 2018, the year the statement's requirements became effective.

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

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Luna County
Nonmajor Fund Descriptions
June 30, 2018

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, 2018

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

GRT Revenue Bond Series 2015A fund – 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.

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, 2018

Statement A-1

	Special Revenue	Capital Projects	Debt Service	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 4,432,072	\$ 927,310	\$ 4,909,806	\$ 10,269,188
Receivables:				
Property taxes	51,662	-	-	51,662
Other taxes receivable	364,808	-	546,972	911,780
Due from other governments	807,229	-	-	807,229
Due from other funds	66,778	-	-	66,778
<i>Total assets</i>	\$ 5,722,549	\$ 927,310	\$ 5,456,778	\$ 12,106,637
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 173,140	\$ -	\$ -	\$ 173,140
Accrued payroll	53,984	-	-	53,984
Due to other funds	302,260	-	-	302,260
<i>Total liabilities</i>	529,384	-	-	529,384
 <i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	51,662	-	-	51,662
<i>Total deferred inflows of resources</i>	51,662	-	-	51,662
 <i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
General government	1,544,978	-	-	1,544,978
Public safety	1,269,243	-	-	1,269,243
Culture and recreation	777,798	-	-	777,798
Health and welfare	1,549,484	-	-	1,549,484
Capital acquisitions and improvements	-	927,310	-	927,310
Debt service	-	-	5,456,778	5,456,778
<i>Total fund balances</i>	5,141,503	927,310	5,456,778	11,525,591
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 5,722,549	\$ 927,310	\$ 5,456,778	\$ 12,106,637

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, 2018

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
<i>Revenues</i>				
Taxes:				
Property	\$ 169,798	\$ -	\$ -	\$ 169,798
Gross receipts taxes	1,857,995	-	3,183,285	5,041,280
Intergovernmental revenue:				
Federal operating grants	1,273,769	-	-	1,273,769
State operating grants	2,065,779	-	-	2,065,779
Charges for services	281,550	59,144	-	340,694
Miscellaneous	31,202	-	-	31,202
<i>Total revenues</i>	<u>5,680,093</u>	<u>59,144</u>	<u>3,183,285</u>	<u>8,922,522</u>
<i>Expenditures</i>				
Current:				
General government	280,880	-	-	280,880
Public safety	2,171,875	-	-	2,171,875
Culture and recreation	235,938	-	-	235,938
Health and welfare	2,252,411	-	-	2,252,411
Capital outlay	179,127	53,423	-	232,550
Debt Service:				
Principal	-	-	430,578	430,578
Interest	-	-	577,282	577,282
<i>Total expenditures</i>	<u>5,120,231</u>	<u>53,423</u>	<u>1,007,860</u>	<u>6,181,514</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>559,862</u>	<u>5,721</u>	<u>2,175,425</u>	<u>2,741,008</u>
<i>Other financing sources (uses)</i>				
Transfers in	283,299	110,000	-	393,299
Transfers (out)	(1,843)	-	(110,000)	(111,843)
<i>Total other financing sources (uses)</i>	<u>281,456</u>	<u>110,000</u>	<u>(110,000)</u>	<u>281,456</u>
<i>Net change in fund balances</i>	841,318	115,721	2,065,425	3,022,464
<i>Fund balances - beginning of year</i>	<u>4,300,185</u>	<u>811,589</u>	<u>3,391,353</u>	<u>8,503,127</u>
<i>Fund balances - end of year</i>	<u>\$ 5,141,503</u>	<u>\$ 927,310</u>	<u>\$ 5,456,778</u>	<u>\$ 11,525,591</u>

See independent auditors' report.

STATE OF NEW MEXICO
Luna County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	<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	\$ 362,208	\$ 183,758	\$ 28,983	\$ -
Receivables:				
Property taxes	-	16,450	-	-
Other taxes receivable	91,661	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 453,869</u>	<u>\$ 200,208</u>	<u>\$ 28,983</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts payable	\$ 833	\$ -	\$ 978	\$ -
Accrued payroll	-	-	3,766	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>833</u>	<u>-</u>	<u>4,744</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	16,450	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>16,450</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	-	183,758	-	-
Public safety	453,036	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	24,239	-
<i>Total fund balances</i>	<u>453,036</u>	<u>183,758</u>	<u>24,239</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 453,869</u>	<u>\$ 200,208</u>	<u>\$ 28,983</u>	<u>\$ -</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>
\$ 244,527	\$ 157,128	\$ 47,652	\$ 54,061	\$ 21,323	\$ 6,166
-	-	-	-	-	-
-	-	-	-	-	-
249,542	11,467	-	15,640	-	-
-	8,730	-	51,682	-	-
<u>\$ 494,069</u>	<u>\$ 177,325</u>	<u>\$ 47,652</u>	<u>\$ 121,383</u>	<u>\$ 21,323</u>	<u>\$ 6,166</u>
\$ 8,060	\$ 1,733	\$ 11	\$ 302	\$ 300	\$ -
22,685	8,149	-	6,588	-	-
-	6,366	-	-	-	-
<u>30,745</u>	<u>16,248</u>	<u>11</u>	<u>6,890</u>	<u>300</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	47,641	114,493	21,023	6,166
-	-	-	-	-	-
463,324	161,077	-	-	-	-
<u>463,324</u>	<u>161,077</u>	<u>47,641</u>	<u>114,493</u>	<u>21,023</u>	<u>6,166</u>
<u>\$ 494,069</u>	<u>\$ 177,325</u>	<u>\$ 47,652</u>	<u>\$ 121,383</u>	<u>\$ 21,323</u>	<u>\$ 6,166</u>

See independent auditors' report

STATE OF NEW MEXICO
Luna County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	<u>Farm and Range Fund</u>	<u>Fire Protection Fund</u>	<u>Indigent Hospital Claims</u>	<u>KLCB Aluminum</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 58,629	\$ 184,371	\$ 802,463	\$ 58,175
Receivables:				
Property taxes	1,582	-	-	-
Other taxes receivable	-	36,942	177,604	-
Due from other governments	-	-	-	8,647
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 60,211</u>	<u>\$ 221,313</u>	<u>\$ 980,067</u>	<u>\$ 66,822</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 79,223	\$ 126
Accrued payroll expenses	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>79,223</u>	<u>126</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	1,582	-	-	-
<i>Total deferred inflows of resources</i>	<u>1,582</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	58,629	-	-	66,696
Public safety	-	221,313	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	900,844	-
<i>Total fund balances</i>	<u>58,629</u>	<u>221,313</u>	<u>900,844</u>	<u>66,696</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 60,211</u>	<u>\$ 221,313</u>	<u>\$ 980,067</u>	<u>\$ 66,822</u>

See independent auditors' report

Law Enforcement Protection Fund	Mimbres Valley Learning Center	Recreation	Reappraisal Program	Recording Fees	Solid Waste Grant
\$ -	\$ 740,325	\$ 143	\$ 667,221	\$ 142,686	\$ -
-	-	-	33,630	-	-
18,470	40,131	-	-	-	-
516,266	5,667	-	-	-	-
6,366	-	-	-	-	-
<u>\$ 541,102</u>	<u>\$ 786,123</u>	<u>\$ 143</u>	<u>\$ 700,851</u>	<u>\$ 142,686</u>	<u>\$ -</u>
\$ 49,163	\$ 8,468	\$ -	\$ 4,575	\$ -	\$ -
5,121	-	-	5,051	-	-
295,894	-	-	-	-	-
<u>350,178</u>	<u>8,468</u>	<u>-</u>	<u>9,626</u>	<u>-</u>	<u>-</u>
-	-	-	33,630	-	-
-	-	-	33,630	-	-
-	-	-	657,595	142,686	-
190,924	-	-	-	-	-
-	777,655	143	-	-	-
-	-	-	-	-	-
<u>190,924</u>	<u>777,655</u>	<u>143</u>	<u>657,595</u>	<u>142,686</u>	<u>-</u>
<u>\$ 541,102</u>	<u>\$ 786,123</u>	<u>\$ 143</u>	<u>\$ 700,851</u>	<u>\$ 142,686</u>	<u>\$ -</u>

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STATE OF NEW MEXICO
Luna County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

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	Treasurer's Mobile Home Sales	Volunteer Fire Departments	Total Nonmajor Governmental Funds
<i>Assets</i>			
Cash and cash equivalents	\$ 438,366	\$ 233,887	\$ 4,432,072
Receivables:			
Property taxes	-	-	51,662
Other taxes receivable	-	-	364,808
Due from other governments	-	-	807,229
Due from other funds	-	-	66,778
	<u>\$ 438,366</u>	<u>\$ 233,887</u>	<u>\$ 5,722,549</u>
<i>Total assets</i>			
	<u>\$ 438,366</u>	<u>\$ 233,887</u>	<u>\$ 5,722,549</u>
<i>Liabilities</i>			
Accounts payable	\$ 128	\$ 19,240	\$ 173,140
Accrued payroll expenses	2,624	-	53,984
Due to other funds	-	-	302,260
	<u>2,752</u>	<u>19,240</u>	<u>529,384</u>
<i>Total liabilities</i>			
	<u>2,752</u>	<u>19,240</u>	<u>529,384</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	-	-	51,662
	<u>-</u>	<u>-</u>	<u>51,662</u>
<i>Total deferred inflows of resources</i>			
	<u>-</u>	<u>-</u>	<u>51,662</u>
<i>Fund balances</i>			
<i>Spendable</i>			
<i>Restricted for:</i>			
General government	435,614	-	1,544,978
Public safety	-	214,647	1,269,243
Culture and recreation	-	-	777,798
Health and welfare	-	-	1,549,484
	<u>435,614</u>	<u>214,647</u>	<u>5,141,503</u>
<i>Total fund balances</i>			
	<u>435,614</u>	<u>214,647</u>	<u>5,141,503</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>			
	<u>\$ 438,366</u>	<u>\$ 233,887</u>	<u>\$ 5,722,549</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, 2018

	<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	\$ -	\$ 35,658	\$ -	\$ -
Gross receipts taxes	528,912	-	-	-
Intergovernmental:				
Federal operating grants	-	-	118,983	-
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>528,912</u>	<u>35,658</u>	<u>118,983</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	345,000	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	137,837	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>345,000</u>	<u>-</u>	<u>137,837</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>183,912</u>	<u>35,658</u>	<u>(18,854)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(1,770)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,770)</u>
<i>Net change in fund balances</i>	183,912	35,658	(18,854)	(1,770)
<i>Fund balances - beginning of year</i>	<u>269,124</u>	<u>148,100</u>	<u>43,093</u>	<u>1,770</u>
<i>Fund balances - end of year</i>	<u>\$ 453,036</u>	<u>\$ 183,758</u>	<u>\$ 24,239</u>	<u>\$ -</u>

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Community Services	Domestic Violence Shelter	DWI Compliance Monitoring	DWI Grants	DWI Screening Fees	DWI Treatment Fees
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,144,564	10,222	-	-	-	-
-	257,835	-	207,804	-	-
-	-	28,940	-	6,600	3,470
5,025	-	-	15,165	-	-
<u>1,149,589</u>	<u>268,057</u>	<u>28,940</u>	<u>222,969</u>	<u>6,600</u>	<u>3,470</u>
-	-	-	-	-	-
-	-	12,567	211,301	3,554	-
-	-	-	-	-	-
1,168,268	254,723	-	-	-	-
-	-	-	-	-	-
<u>1,168,268</u>	<u>254,723</u>	<u>12,567</u>	<u>211,301</u>	<u>3,554</u>	<u>-</u>
<u>(18,679)</u>	<u>13,334</u>	<u>16,373</u>	<u>11,668</u>	<u>3,046</u>	<u>3,470</u>
87,000	29,099	-	-	-	-
-	-	-	-	-	-
<u>87,000</u>	<u>29,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
68,321	42,433	16,373	11,668	3,046	3,470
<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>\$ 463,324</u>	<u>\$ 161,077</u>	<u>\$ 47,641</u>	<u>\$ 114,493</u>	<u>\$ 21,023</u>	<u>\$ 6,166</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, 2018

	Farm and Range Fund	Fire Protection Fund	Indigent Hospital Claims	KLCB Aluminum
<i>Revenues</i>				
Taxes:				
Property	\$ 256	\$ -	\$ -	\$ -
Gross receipts taxes	-	186,637	802,756	-
Intergovernmental:				
Federal operating grants	-	-	-	-
State operating grants	42,345	-	-	29,162
Charges for services	-	-	-	387
Miscellaneous	-	-	8,198	-
Total revenues	42,601	186,637	810,954	29,549
<i>Expenditures</i>				
Current:				
General government	43,000	-	-	58,959
Public safety	-	95,000	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	691,583	-
Capital outlay	-	-	-	-
Total expenditures	43,000	95,000	691,583	58,959
<i>Excess (deficiency) of revenues over expenditures</i>	(399)	91,637	119,371	(29,410)
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	17,200
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	17,200
<i>Net change in fund balances</i>	(399)	91,637	119,371	(12,210)
<i>Fund balances - beginning of year</i>	59,028	129,676	781,473	78,906
Fund balances - end of year	\$ 58,629	\$ 221,313	\$ 900,844	\$ 66,696

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Law Enforcement Protection Fund	Mimbres Valley Learning Center	Recreation	Reappraisal Program	Recording Fees	Solid Waste Grant
\$ -	\$ -	\$ -	\$ 133,884	\$ -	\$ -
93,317	246,373	-	-	-	-
-	-	-	-	-	-
1,402,077	-	-	-	-	-
38,000	126,322	-	-	30,670	-
-	-	-	1,376	-	-
<u>1,533,394</u>	<u>372,695</u>	<u>-</u>	<u>135,260</u>	<u>30,670</u>	<u>-</u>
-	-	-	125,120	19,388	-
1,392,908	-	-	-	-	-
-	235,938	-	-	-	-
-	-	-	-	-	-
132,512	-	-	-	-	-
<u>1,525,420</u>	<u>235,938</u>	<u>-</u>	<u>125,120</u>	<u>19,388</u>	<u>-</u>
7,974	136,757	-	10,140	11,282	-
150,000	-	-	-	-	-
-	-	-	-	-	(73)
<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73)</u>
157,974	136,757	-	10,140	11,282	(73)
32,950	640,898	143	647,455	131,404	73
<u>\$ 190,924</u>	<u>\$ 777,655</u>	<u>\$ 143</u>	<u>\$ 657,595</u>	<u>\$ 142,686</u>	<u>\$ -</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, 2018

	Treasurer's Mobile Home Sales	Volunteer Fire Departments	Total Nonmajor Governmental Funds
<i>Revenues</i>			
Taxes:			
Property	\$ -	\$ -	\$ 169,798
Gross receipts taxes	-	-	1,857,995
Intergovernmental:			
Federal operating grants	-	-	1,273,769
State operating grants	-	126,556	2,065,779
Charges for services	47,161	-	281,550
Miscellaneous	1,438	-	31,202
<i>Total revenues</i>	<u>48,599</u>	<u>126,556</u>	<u>5,680,093</u>
<i>Expenditures</i>			
Current:			
General government	34,413	-	280,880
Public safety	-	111,545	2,171,875
Culture and recreation	-	-	235,938
Health and welfare	-	-	2,252,411
Capital outlay	-	46,615	179,127
<i>Total expenditures</i>	<u>34,413</u>	<u>158,160</u>	<u>5,120,231</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>14,186</u>	<u>(31,604)</u>	<u>559,862</u>
<i>Other financing sources (uses)</i>			
Transfers in	-	-	283,299
Transfers (out)	-	-	(1,843)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>281,456</u>
<i>Net change in fund balances</i>	14,186	(31,604)	841,318
<i>Fund balances - beginning of year</i>	<u>421,428</u>	<u>246,251</u>	<u>4,300,185</u>
<i>Fund balances - end of year</i>	<u>\$ 435,614</u>	<u>\$ 214,647</u>	<u>\$ 5,141,503</u>

See independent auditors' report

STATE OF NEW MEXICO
 Luna County
 Combining Balance Sheet
 Nonmajor Capital Project Funds
 June 30, 2018

Statement C-1

	Local Infrastructure Capital Improvements
<i>Assets</i>	
Cash and cash equivalents	\$ 927,310
<i>Total assets</i>	\$ 927,310
 <i>Liabilities, deferred inflows of resources, and fund balances</i>	
<i>Liabilities</i>	
Accounts payable	\$ -
<i>Total liabilities</i>	-
 <i>Fund balances</i>	
Spendable:	
Restricted for:	
Capital acquisitions and improvements	927,310
<i>Total fund balances</i>	927,310
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 927,310

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, 2018

	Local Infrastructure Capital Improvements
<i>Revenues</i>	
Gross receipts taxes	\$ -
Intergovernmental revenue:	
Federal operating grants	-
Federal capital grants	-
State operating grants	-
State capital grants	-
Charges for services	59,144
Investment income	-
Miscellaneous	-
<i>Total revenues</i>	<u>59,144</u>
<i>Expenditures</i>	
Current:	
General government	-
Public works	-
Culture and recreation	-
Health and welfare	-
Capital outlay	53,423
Debt Service:	
Principal	-
Interest	-
<i>Total expenditures</i>	<u>53,423</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>5,721</u>
<i>Other financing sources (uses)</i>	
Transfers in	110,000
<i>Total other financing sources (uses)</i>	<u>110,000</u>
<i>Net change in fund balances</i>	115,721
<i>Fund balances - beginning</i>	<u>811,589</u>
<i>Fund balances - end of year</i>	<u>\$ 927,310</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Luna County
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 June 30, 2018

Statement D-1

	<u>GRT Revenue Bond Series 2015A</u>	<u>Entertainment Complex Bond</u>	<u>Judicial Bond</u>	<u>Total</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 967,752	\$ 1,398,748	\$ 2,543,306	\$ 4,909,806
Receivables:				
Other taxes receivable	91,726	183,457	271,789	546,972
<i>Total assets</i>	<u>\$ 1,059,478</u>	<u>\$ 1,582,205</u>	<u>\$ 2,815,095</u>	<u>\$ 5,456,778</u>
 <i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <i>Fund balances</i>				
Restricted for:				
Debt service	1,059,478	1,582,205	2,815,095	5,456,778
<i>Total fund balances</i>	<u>1,059,478</u>	<u>1,582,205</u>	<u>2,815,095</u>	<u>5,456,778</u>
 <i>Total liabilities, and fund balances</i>	 <u>\$ 1,059,478</u>	 <u>\$ 1,582,205</u>	 <u>\$ 2,815,095</u>	 <u>\$ 5,456,778</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, 2018

	GRT Revenue			Total
	Bond Series 2015A	Entertainment Complex Bond	Judicial Bond	
<i>Revenues</i>				
Gross receipts taxes	\$ 529,071	\$ 1,058,157	\$ 1,596,057	\$ 3,183,285
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>529,071</u>	<u>1,058,157</u>	<u>1,596,057</u>	<u>3,183,285</u>
<i>Expenditures</i>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	180,000	250,578	430,578
Interest	68,340	79,482	429,460	577,282
<i>Total expenditures</i>	<u>68,340</u>	<u>259,482</u>	<u>680,038</u>	<u>1,007,860</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>460,731</u>	<u>798,675</u>	<u>916,019</u>	<u>2,175,425</u>
<i>Other financing sources (uses)</i>				
Transfers (out)	(70,000)	-	(40,000)	(110,000)
<i>Total other financing sources (uses)</i>	<u>(70,000)</u>	<u>-</u>	<u>(40,000)</u>	<u>(110,000)</u>
<i>Net change in fund balances</i>	390,731	798,675	876,019	2,065,425
<i>Fund balances - beginning</i>	<u>668,747</u>	<u>783,530</u>	<u>1,939,076</u>	<u>3,391,353</u>
<i>Fund balances - end of year</i>	<u>\$ 1,059,478</u>	<u>\$ 1,582,205</u>	<u>\$ 2,815,095</u>	<u>\$ 5,456,778</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, 2018

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	\$ 1,804,053	\$ 112,395	\$ 480,056	\$ 1,436,392
Treasurer Hold Statement MMI	Checking	3,869,068	-	-	3,869,068
CDBG	Checking	100	-	-	100
Detention Center	Checking	1,437	18,390	19,239	588
Detention Center	Checking	94,246	52,903	67,625	79,524
Starmax	Checking	2,400	-	-	2,400
Flex	Checking	3,168	-	-	3,168
<i>Total First New Mexico Bank</i>		<u>5,774,472</u>	<u>183,688</u>	<u>566,920</u>	<u>5,391,240</u>
Wells Fargo Bank					
General Fund - Payroll	Checking	\$ 614,452	\$ -	\$ -	\$ 614,452
<i>Total Wells Fargo Bank</i>		<u>614,452</u>	<u>-</u>	<u>-</u>	<u>614,452</u>
Moreton Capital Markets					
Money Market Funds	Money Market	\$ 2,021,055	\$ -	\$ -	\$ 2,021,055
Money Market Funds	Money Market	15,635,380	-	-	15,635,380
Money Market Funds	Money Market	87,811	-	-	87,811
Money Market Funds	Money Market	388,956	-	136,092	252,864
<i>Total Moreton Capital Markets</i>		<u>18,133,202</u>	<u>-</u>	<u>136,092</u>	<u>17,997,110</u>
<i>Bank balance of deposits</i>		<u>\$ 24,522,126</u>	<u>\$ 183,688</u>	<u>\$ 703,012</u>	<u>\$24,002,802</u>
New Mexico Finance Authority-Investment					
Program NMFA		\$ 1,331	\$ -	\$ -	\$ 1,331
<i>Total New Mexico Finance Authority</i>		<u>1,331</u>	<u>-</u>	<u>-</u>	<u>1,331</u>
Moreton Capital Markets					
U.S. Governmental Securities	Investment	\$ 4,227,569	\$ -	\$ -	\$ 4,227,569
U.S. Governmental Securities	Investment	5,316,186	-	-	5,316,186
U.S. Governmental Securities	Investment	328,436	-	-	328,436
<i>Total Moreton Capital Markets investments</i>		<u>9,872,191</u>	<u>-</u>	<u>-</u>	<u>9,872,191</u>
<i>Total investments</i>		<u>9,873,521</u>	<u>-</u>	<u>-</u>	<u>9,873,521</u>
<i>Total</i>		<u>\$ 34,395,647</u>	<u>\$ 183,688</u>	<u>\$ 703,012</u>	<u>33,876,324</u>
Add: petty cash					<u>375</u>
<i>Total deposits and investments</i>					<u>\$33,876,699</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$23,627,292
Investments - Exhibit A-1					9,872,191
Restricted cash and cash equivalents - Exhibit A-1					59,506
Fiduciary funds cash - Exhibit E-1					<u>317,710</u>
<i>Total cash, cash equivalents, and investments</i>					<u>\$33,876,699</u>

See independent auditors' report.

STATE OF NEW MEXICO
Luna County
Schedule of Collateral Pledged by Depository
For Public Funds
June 30, 2018

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2018
First New Mexico Bank				
	ALAM	8/1/2029	011446GC9	\$ 515,275
	FHLB	6/14/2024	3130A1XJ2	1,990,214.00
	FHLB	12/8/2023	3130A3VC5	507,750.60
	FFCB	2/28/2023	3133ECDS0	964,491.00
	ALAM	8/1/2021	011450CR2	440,787.60
	QUES	9/1/2024	748352CX7	307,075.20
	FHLB	9/14/2026	3130A9FT3	905,749.00
	FFCB	10/25/2024	3133EGZW8	934,282.00
	FFCB	11/16/2026	3133EGG90	921,146.00
	FFCB	11/27/2024	3133EHX24	974,700.00
	FFCB	2/3/2025	3133EHTD5	580,198.80
	POJO	8/1/2019	73085PBD0	368,067.60
	SOCO	8/1/2019	83368PCA2	208,202.10
	SOUT	8/1/2022	843789EJ3	509,935.00
	FHLB	9/9/2022	313380GJ0	1,936,256.00
<i>Total First New Mexico Bank</i>				<u>\$ 12,064,130</u>

The location of the safekeeper of the above securities is First New Mexico Bank, 300 S Gold, Deming, New Mexico 88030

Wells Fargo Bank

	FNMA 3.000%	5/1/2036	3138WG2Z6	14,284
	FNMA 2.500%	7/1/2031	3140F7JQ3	90,363
	FNMA 3.500%	3/1/2042	31417BF44	49,848
	FNMA 3.000%	9/1/2036	31418CBG8	247,122
<i>Total Wells Fargo Bank</i>				<u>\$ 401,617</u>

The location of the safekeeper of the above securities is BNY Mellon at 101 Barclay Street, 4th Floor East, New York, NY 10286

Total Pledged Collateral \$ 12,465,747

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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, 2018

Schedule III

Taxes:	Balance			Balance
Assets:	June 30, 2017	Additions	Deletions	June 30, 2018
Cash and cash equivalents	\$ 183,206	\$ 7,048,197	\$ 6,993,807	\$ 237,596
Property taxes receivables	1,231,292	14,402,396	14,412,130	1,221,558
Total Assets	\$ 1,414,498	\$ 21,450,593	\$ 21,405,937	\$ 1,459,154
Liabilities:				
Due to other taxing entities	1,414,498	21,450,593	21,405,937	1,459,154
Total Liabilities	\$ 1,414,498	\$ 21,450,593	\$ 21,405,937	\$ 1,459,154
Inmate Accounts:				
Assets:				
Cash and cash equivalents	\$ 125,384	\$ 431,484	\$ 476,754	\$ 80,114
Total Assets	\$ 125,384	\$ 431,484	\$ 476,754	\$ 80,114
Liabilities:				
Due to others	125,384	431,484	476,754	80,114
Total Liabilities	\$ 125,384	\$ 431,484	\$ 476,754	\$ 80,114
Total Assets and Liabilities:	Balance			Balance
Assets:	June 30, 2017	Additions	Deletions	June 30, 2018
Cash and cash equivalents	\$ 308,590	\$ 7,479,681	\$ 7,470,561	\$ 317,710
Property taxes receivables	1,231,292	14,402,396	14,412,130	1,221,558
Total Assets	\$ 1,539,882	\$ 21,882,077	\$ 21,882,691	\$ 1,539,268
Liabilities:				
Due to others	1,539,882	21,882,077	21,882,691	1,539,268
Total Liabilities	\$ 1,539,882	\$ 21,882,077	\$ 21,882,691	\$ 1,539,268

See independent auditors' report.

STATE OF NEW MEXICO
 Luna County
 Schedule of Legislative Grants
 For the Year Ended June 30, 2018

<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	06/30/18	\$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	\$31,955	\$118,045
LCDC Improvements	\$ -	\$250,000	\$151,899	\$98,101
Rockhound Road- Flood & Drain Control	\$ -	\$424,386	\$423,220	\$1,166

See independent auditors' report.

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STATE OF NEW MEXICO
Luna County
Schedule of Tax Roll Reconciliation- Property Tax Receivable
June 30, 2018

Schedule V

Property taxes receivable June 30, 2017	\$ 4,230,842
Changes to Tax Roll:	
Net taxes charged to Treasurer for fiscal year	14,402,396
Adjustments:	
Uncollectable property taxes	(44,988)
Charge off of taxes receivable	<u>(104,196)</u>
Total receivables prior to collections	14,253,212
Collections for fiscal year ended June 30, 2018	<u>14,030,283</u>
Property taxes receivable June 30, 2018	<u><u>\$ 4,453,771</u></u>
Per Treasurer's report:	
Property taxes receivable by year:	
2008	\$ 160,699
2009	188,150
2010	221,882
2011	255,106
2012	293,351
2013	340,496
2014	395,183
2015	505,984
2016	769,334
2017	<u>1,323,586</u>
Total property taxes receivable	<u><u>\$ 4,453,771</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
 Luna County
 County Treasurer's Property Tax Schedule
 June 30, 2018

	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						
2017	811,373	750,126	750,126	750,126	750,126	61,247
2016	792,247	761,970	29,835	29,835	761,970	30,277
2015	770,668	754,914	13,112	13,112	754,914	15,754
2014	754,429	743,575	5,711	5,711	743,575	10,854
2013	733,314	724,635	2,141	2,141	724,635	8,679
2012	706,365	699,117	1,269	1,269	699,117	7,248
2011	693,304	687,208	918	918	687,208	6,096
2010	747,759	741,920	739	739	741,920	5,839
2009	549,446	545,779	431	431	545,779	3,667
2008	573,550	570,144	306	306	570,144	3,406
Tax Total	7,132,455	6,979,388	804,588	804,588	6,979,388	153,067
COUNTY OPERATION						
2017	6,491,149	6,014,234	6,014,234	6,014,234	6,014,234	476,915
2016	6,426,652	6,183,949	234,044	234,044	6,183,949	242,703
2015	6,248,094	6,119,228	101,585	101,585	6,119,228	128,866
2014	5,981,932	5,894,176	43,475	43,475	5,894,176	87,756
2013	5,854,571	5,782,844	17,048	17,048	5,782,844	71,727
2012	5,640,024	5,579,334	10,140	10,140	5,579,334	60,690
2011	5,465,861	5,414,622	7,362	7,362	5,414,622	51,239
2010	5,277,947	5,234,070	5,307	5,307	5,234,070	43,877
2009	5,125,258	5,088,458	4,110	4,110	5,088,458	36,800
2008	4,910,971	4,879,636	2,775	2,775	4,879,636	31,335
Tax Total	57,422,459	56,190,551	6,440,080	6,440,080	56,190,551	1,231,908
MUNICIPAL OPERATION						
2017	1,200,417	1,116,571	1,116,571	1,116,571	1,116,571	83,846
2016	1,193,066	1,157,658	51,857	51,857	1,157,658	35,408
2015	1,231,236	1,218,430	24,881	24,881	1,218,430	12,806
2014	1,246,311	1,241,159	10,012	10,012	1,241,159	5,152
2013	1,201,579	1,198,090	1,680	1,680	1,198,090	3,489
2012	787,502	786,185	583	583	786,185	1,317
2011	739,191	738,300	473	473	738,300	891
2010	717,601	716,906	390	390	716,906	695
2009	578,064	577,694	179	179	577,694	370
2008	658,434	658,183	96	96	658,183	251
Tax Total	9,553,401	9,409,176	1,206,722	1,206,722	9,409,176	144,225

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
SCHOOL LEVY						
2017	293,669	271,606	271,606	271,606	271,606	22,063
2016	290,781	279,672	10,942	10,942	279,672	11,109
2015	282,844	277,061	4,808	4,808	277,061	5,783
2014	271,445	267,551	2,067	2,067	267,551	3,894
2013	265,585	262,441	775	775	262,441	3,144
2012	256,071	253,423	460	460	253,423	2,648
2011	248,142	245,923	330	330	245,923	2,219
2010	239,502	237,606	238	238	237,606	1,896
2009	232,563	230,980	184	184	230,980	1,583
2008	221,961	220,612	121	121	220,612	1,349
Tax Total	2,602,563	2,546,875	291,531	291,531	2,546,875	55,688
SCHOOL DEBT SERVICE						
2017	3,425,080	3,166,533	3,166,533	3,166,533	3,166,533	258,547
2016	3,286,082	3,160,501	123,750	123,750	3,160,501	125,581
2015	3,532,609	3,460,395	60,105	60,105	3,460,395	72,214
2014	3,213,175	3,166,946	24,324	24,324	3,166,946	46,229
2013	1,821,426	1,799,869	5,318	5,318	1,799,869	21,557
2012	1,742,895	1,725,011	3,131	3,131	1,725,011	17,884
2011	1,733,402	1,718,160	2,294	2,294	1,718,160	15,242
2010	2,376,208	2,357,653	2,349	2,349	2,357,653	18,555
2009	2,090,764	2,076,810	1,641	1,641	2,076,810	13,954
2008	1,872,525	1,861,403	999	999	1,861,403	11,122
Tax Total	25,094,166	24,493,281	3,390,444	3,390,444	24,493,281	600,885
SCHOOL CAPITAL IMPROVEMENT						
2017	1,176,217	1,087,813	1,087,813	1,087,813	1,087,813	88,404
2016	1,164,329	1,119,837	43,835	43,835	1,119,837	44,492
2015	1,133,335	1,110,168	19,283	19,283	1,110,168	23,167
2014	1,098,474	1,082,706	8,355	8,355	1,082,706	15,768
2013	1,078,406	1,065,643	3,149	3,149	1,065,643	12,763
2012	1,038,773	1,028,114	1,866	1,866	1,028,114	10,659
2011	1,012,504	1,003,569	1,341	1,341	1,003,569	8,935
2010	977,462	969,829	966	966	969,829	7,633
2009	955,558	949,180	750	750	949,180	6,378
2008	917,679	912,228	489	489	912,228	5,451
Tax Total	10,552,737	10,329,087	1,167,847	1,167,847	10,329,087	223,650

STATE OF NEW MEXICO
 Luna County
 County Treasurer's Property Tax Schedule
 June 30, 2018

	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	1,365,801	1,349,636	3,988	3,988	1,349,636	16,165
2012	1,153,086	1,141,254	2,072	2,072	1,141,254	11,832
2011	1,122,155	1,112,287	1,485	1,485	1,112,287	9,868
2010	354,821	352,050	351	351	352,050	2,771
2009	575,723	571,880	452	452	571,880	3,843
2008	688,258	684,169	367	367	684,169	4,089
Tax Total	5,259,844	5,211,276	8,715	8,715	5,211,276	48,568
CATTLE ELK						
2017	39,582	35,897	35,897	35,897	35,897	3,685
2016	43,871	41,299	880	880	41,299	2,572
2015	37,194	36,870	5	5	36,870	324
2014	28,995	28,995	-	-	28,995	-
2013	30,586	30,580	-	-	30,580	6
2012	28,596	28,591	-	-	28,591	5
2011	24,433	24,429	-	-	24,429	4
2010	19,531	19,528	-	-	19,528	3
2009	22,604	22,604	-	-	22,604	-
2008	26,287	26,287	-	-	26,287	-
Tax Total	301,679	295,080	36,782	36,782	295,080	6,599
SHEEP LEVY						
2017	13	12	12	12	12	1
2016	17	16	-	-	16	1
2015	16	16	-	-	16	-
2014	27	27	-	-	27	-
2013	30	30	-	-	30	-
2012	28	28	-	-	28	-
2011	23	23	-	-	23	-
2010	6	6	-	-	6	-
2009	8	8	-	-	8	-
2008	7	7	-	-	7	-
Tax Total	175	173	12	12	173	2

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
GOATS LEVY						
2017	27	18	18	18	18	9
2016	35	31	1	1	31	4
2015	20	18	-	-	18	2
2014	20	19	-	-	19	1
2013	19	18	-	-	18	1
2012	14	13	-	-	13	1
2011	16	15	-	-	15	1
2010	8	8	-	-	8	-
2009	4	4	-	-	4	-
2008	7	7	-	-	7	-
Tax Total	170	151	19	19	151	19
EQUINE LEVY						
2017	993	803	803	803	803	190
2016	872	808	98	98	808	64
2015	903	866	29	29	866	37
2014	864	840	-	-	840	24
2013	885	839	2	2	839	46
2012	929	889	3	3	889	40
2011	957	918	3	3	918	39
2010	753	724	2	2	724	29
2009	1,683	1,675	13	13	1,675	8
Tax Total	8,839	8,362	953	953	8,362	477
DAIRY CTL LEVY						
2017	29,581	29,581	29,581	29,581	29,581	-
2016	32,137	32,137	-	-	32,137	-
2015	29,732	29,732	-	-	29,732	-
2014	23,497	23,497	-	-	23,497	-
2013	26,021	26,021	-	-	26,021	-
2012	26,384	26,384	-	-	26,384	-
2011	22,122	22,122	-	-	22,122	-
2010	21,754	21,754	-	-	21,754	-
2009	13,249	13,249	-	-	13,249	-
2008	7,774	7,774	-	-	7,774	-
Tax Total	232,251	232,251	29,581	29,581	232,251	-

STATE OF NEW MEXICO
 Luna County
 County Treasurer's Property Tax Schedule
 June 30, 2018

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
SWINE LEVY						
2017	1	1	1	1	1	-
2016	1	1	-	-	1	-
2015	2	2	-	-	2	-
2014	1	1	-	-	1	-
2013	1	1	-	-	1	-
2012	1	1	-	-	1	-
Tax Total	7	7	1	1	7	-
BISON CAMELIDS						
2017	1	1	1	1	1	-
2016	2	2	1	1	2	-
2015	3	3	-	-	3	-
2014	6	6	-	-	6	-
2013	3	3	-	-	3	-
2012	1	1	-	-	1	-
2011	59	59	-	-	59	-
2010	56	56	-	-	56	-
Tax Total	131	131	2	2	131	-
ROAD LEVY						
2017	862,005	532,524	532,524	532,524	532,524	329,481
2016	861,948	586,355	32,222	32,222	586,355	275,593
2015	860,259	614,208	10,010	10,010	614,208	246,051
2014	860,296	636,350	3,978	3,978	636,350	223,946
2013	860,327	658,435	1,882	1,882	658,435	201,892
2012	860,355	680,400	1,295	1,295	680,400	179,955
2011	860,394	700,611	1,014	1,014	700,611	159,783
2010	860,895	720,906	686	686	720,906	139,989
2009	860,912	740,057	636	636	740,057	120,855
2008	860,941	757,785	479	479	757,785	103,156
Tax Total	8,608,332	6,627,631	584,726	584,726	6,627,631	1,980,701
PREDATORY CONTROL						
2017	18,019	17,123	17,123	17,123	17,123	896
2016	18,428	17,880	241	241	17,880	548
2015	15,172	15,087	8	8	15,087	85
2014	12,882	12,870	-	-	12,870	12
2013	14,184	14,166	1	1	14,166	18
2012	15,458	15,443	2	2	15,443	15
2011	18,455	18,441	2	2	18,441	14
2010	16,351	16,341	1	1	16,341	10
2009	12,523	12,522	3	3	12,522	1
2008	6,524	6,524	-	-	6,524	-
Tax Total	147,996	146,397	17,381	17,381	146,397	1,599

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
NON-RENDITION						
2017	37,412	31,569	31,569	31,569	31,569	5,843
2016	34,093	30,367	1,937	1,937	30,367	3,726
2015	43,947	41,464	936	936	41,464	2,483
2014	37,089	35,658	541	541	35,658	1,431
2013	32,409	31,338	307	307	31,338	1,071
2012	26,857	26,093	163	163	26,093	764
2011	26,207	25,701	90	90	25,701	506
2010	27,074	26,661	77	77	26,661	413
2009	15,956	15,745	31	31	15,745	211
2008	31,846	31,677	4	4	31,677	169
Tax Total	312,890	296,273	35,655	35,655	296,273	16,617
ADMINISTRATIVE						
2017	13,194	7,787	7,787	7,787	7,787	5,407
2016	13,552	8,891	595	595	8,891	4,661
2015	11,552	8,029	151	151	8,029	3,523
2014	14,167	10,060	56	56	10,060	4,107
2013	12,317	8,942	32	32	8,942	3,375
2012	13,145	9,888	24	24	9,888	3,257
2011	13,014	10,164	20	20	10,164	2,850
2010	12,341	9,927	15	15	9,927	2,414
2009	13,623	11,241	14	14	11,241	2,382
2008	13,418	11,423	11	11	11,423	1,995
Tax Total	130,323	96,352	8,705	8,705	96,352	33,971
CABALLO SWCD						
2017	3,661	3,244	3,242	3,242	3,244	417
2016	3,662	3,296	3,296	3,296	3,296	366
2015	3,661	3,661	-	-	3,661	-
2014	3,661	3,661	-	-	3,661	-
2013	3,661	3,661	-	-	3,661	-
2012	3,661	3,661	-	-	3,661	-
Tax Total	21,967	21,184	6,538	6,538	21,184	783

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STATE OF NEW MEXICO
 Luna County
 County Treasurer's Property Tax Schedule
 June 30, 2018

Schedule VI

	Property Taxes Levied	Collected To-Date	Collected in Current Year	Distributed in Current Year	Distributed To-Date	County Receivable at Year End
2017	14,402,397	13,065,440	13,065,440	13,065,440	13,065,440	1,336,957
2016	14,161,774	13,384,669	533,534	533,534	13,384,669	777,105
2015	14,201,245	13,690,150	234,914	234,914	13,690,150	511,095
2014	13,547,271	13,148,096	98,519	98,519	13,148,096	399,175
2013	13,301,126	12,957,191	36,322	36,322	12,957,191	343,935
2012	12,300,146	12,003,832	21,008	21,008	12,003,832	296,314
2011	11,980,237	11,722,554	15,333	15,333	11,722,554	257,683
2010	11,650,067	11,425,944	11,121	11,121	11,425,944	224,123
2009	11,047,936	10,857,886	8,444	8,444	10,857,886	190,050
2008	10,790,182	10,627,860	5,647	5,647	10,627,860	162,322
Grand Total	127,382,381	122,883,622	14,030,282	14,030,282	122,883,622	4,498,759
					Less 1% allowance:	44,988
					Total net property tax receivable	<u>\$ 4,453,771</u>

STATE OF NEW MEXICO
 Luna County
 Schedule of Joint Powers Agreements
 For the Year Ended June 30, 2018

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 6/30/2018</i>	<i>Audit Responsibility</i>	<i>Revenues and Expenditures Reported on:</i>
Village of Columbus	Luna County	Multi Service Agreement	Fiscal Year 2018	None	\$30,000	Luna County	Rev: Luna County Exp: Village of Columbus
Village of Columbus	Luna County	Multi Service Agreement	Fiscal Year 2018	None	\$64,000	Luna County	Exp: Luna County Rev: Village of Columbus
City of Deming	Luna County	Multi Service Agreement	Fiscal Year 2018	None	\$993,500	Luna County	Rev: Luna County Exp: City of Deming
City of Deming	Luna County	Multi Service Agreement	Fiscal Year 2018	None	\$415,000	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
Wayne Johnson
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, 2018, and the related notes to the financial statements, which collectively comprise County's basic financial statements, and have issued our report thereon dated November 19, 2018.

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.

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. 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as item 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Luna County's Responses to Findings

The County's responses to the finding 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.

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

Cordova CPAs LLC
Albuquerque, New Mexico
November 19, 2018

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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
Wayne Johnson
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, 2018. 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.

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended June 30, 2018.

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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Cordova CPAs LLC
Albuquerque, NM
November 19, 2018

STATE OF NEW MEXICO
Luna County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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	\$ 14,197	\$ -	\$ -
<i>Total U.S. Department of Housing and Urban Development</i>		<u>14,197</u>	<u>-</u>	<u>-</u>
U.S. Department of Interior				
<i>Passed through BLM- NM</i>				
Integrated Weed Management	15.230	37,000	-	-
<i>Passed through NM Association of Counties</i>				
Illegal Dumping	15.225	11,878	-	-
<i>Total U.S. Department of Interior</i>		<u>48,878</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	88,233	-	-
<i>Total U.S. Department of Health and Human Services</i>		<u>88,233</u>	<u>-</u>	<u>-</u>
U.S. Department of Justice				
<i>Direct</i>				
VOCA	16.575	41,653	-	-
VOCA - CASA	16.575	42,594	-	-
US Marshalls Grant	16.XXX	5,680	-	-
<i>Total U.S. Department of Justice</i>		<u>89,927</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	10,220	-	-
Operation Stone Garden	97.067 *	922,884	628,863	-
<i>Total Department of Homeland Security</i>		<u>933,104</u>	<u>628,863</u>	<u>-</u>
U.S. Department of Transportation				
<i>Passed through NM Department of Transportation</i>				
ENDWI	20.608	5,680	-	-
STEP	20.616	6,481	-	-
ODWI- DOT Alcohol Counter Measures	20.608	5,049	-	-
<i>Total U.S. Department of Transportation</i>		<u>17,210</u>	<u>-</u>	<u>-</u>
Executive Office of the President				
HIDTA	95.001	377,000	-	-
<i>Total Executive Office of the President</i>		<u>377,000</u>	<u>-</u>	<u>-</u>
<i>Total Federal Financial Assistance</i>		<u>\$ 1,568,549</u>	<u>\$ 628,863</u>	<u>\$ -</u>

* Denotes Major Federal Financial Assistance Program

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.

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STATE OF NEW MEXICO
 Luna County
 Schedule of Findings and Questioned Costs
 June 30, 2018

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? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | None noted |

Federal Awards:

- | | | | | | | | |
|--|------------------------|------------------------|--------|--|--------|------------------------|--|
| 1. Internal control over major programs: | | | | | | | |
| a. Material weaknesses identified? | None noted | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted | | | | | | |
| 2. Type of auditors' report issued on compliance for major programs | Unmodified | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | None noted | | | | | | |
| 3. Identification of major programs: | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>CFDA</u></td> <td style="width: 50%; text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">Number</td> <td></td> </tr> <tr> <td style="text-align: center;">97.067</td> <td style="text-align: center;">Operation Stone Garden</td> </tr> </table> | <u>CFDA</u> | <u>Federal Program</u> | Number | | 97.067 | Operation Stone Garden | |
| <u>CFDA</u> | <u>Federal Program</u> | | | | | | |
| Number | | | | | | | |
| 97.067 | Operation Stone Garden | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| a. Auditee qualified as low-risk auditee? | No | | | | | | |

SECTION II – FINANCIAL STATEMENT FINDINGS

2018-001 Control Environment (Significant Deficiency) (Repeated/ Modified finding FS 2017-001)

Condition: During our audit, we noted internal control weaknesses and deficiencies as follows:

- From procedures over the IT function of the County, we noted that the Budget and Procurement Director has complete access of the accounting system, and the County does not have mitigating controls to ensure proper monitoring.
- 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.
- There is no documented review of the master vendor listing on a timely basis performed by the County.
- From the review of the P-Card reconciliation process performed monthly by the County, there are multiple policy or procurement violations noted by the users each month.
- The County has not performed a proper risk assessment to mitigate risks related to unauthorized use of personnel and County assets for personal use.
- The County maintains very minor differences in the general ledger and grant reporting as it relates to the Operation Stone Garden program.

The County has started the risk assessment over all employee positions to ensure proper segregation of duties during the year, however did not implement any changes in fiscal year 2018.

Also, in fiscal year 2018, the County started combining all payroll into one run and discovered that benefits were being prorated in a manner that was not correct. The County has been working with their software provider to correct how the program prorates benefits to ensure reconciliations can be performed to reconcile any differences between governmental reporting and general ledger balances. Also, in October 2018 the County went back to running two pay runs to account for correct proration of benefits and ease of identifying grant expenditures.

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.

Cause: The County has not performed a proper risk assessment of internal controls through the County to ensure financial reporting and asset safekeeping are proper for the County environment.

Auditors’ Recommendations: We recommend that the County perform a complete risk assessment of the internal control process throughout the County to ensure proper financial reporting and safeguarding of assets. Also, we recommend the County review existing employee consequences as it relates to P-card violations, and determine if the County should strengthen consequences to employees when P-card violations

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

2018-001 Control Environment (Significant Deficiency) (Repeated/ Modified finding FS 2017-001)

are noted. We also recommend that the County perform an assessment to determine if surveillance cameras are needed in certain departments to assist in monitoring of County resources. Lastly, we recommend that the County incorporate a proper system to ensure all commingled expenditures related to the operation stone garden program and other expenditures are properly reconciled to ensure proper reporting to the State of New Mexico.

Agency's Response: Luna County management will begin the process of a full risk assessment of all processes and internal controls. Luna County would like to have the risk assessment completed by fiscal 2019 year end, but understands that during this transition it may take longer to assess some processes and procedures. Luna County will continue to run separate payrolls for grant specific overtime to ensure that the reporting and general ledger are correct and easily reconciled

STATE OF NEW MEXICO
Luna County
Schedule of Findings and Questioned Costs
June 30, 2018

Schedule IX
Page 4 of 4

SECTION III - FEDERAL AWARD FINDINGS

None noted

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

None noted

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2018-001 Control Environment (Significant Deficiency) (Repeated/ Modified finding FS 2017-001)

FS 2017-002 Capital Assets (Significant Deficiency)- Resolved

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

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

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

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

2016-002 Large Purchases not Procured – Compliance- Resolved

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

STATE OF NEW MEXICO

Luna County
Other Disclosures
June 30, 2018

Exit Conference

An exit conference was held on November 19, 2018. In attendance were the following:

Representing Luna County:

Linda Smrkovsky, Commissioner
Glory Juarez, Interim County Manager
Joanne Hethcox, Budget & Procurement Director
Gloria Rodriguez, Treasurer
Dora Madrid, Deputy Treasurer

Representing Cordova CPAs LLC:

Robert Gonzales, CPA, Principal
Justin Casias, Manager

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.