

Union County, New Mexico
June 30, 2010

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2010
With Independent Auditor's Report Thereon

R. Kelly McFarland
Certified Public Accountant
A Professional Corporation
PO Box 1044
Tucumcari, NM 88401

STATE OF NEW MEXICO
UNION COUNTY

Official Roster
For the year ended June 30, 2010

County Commission

Mr. Richard Arguello	Chairperson
Mr. Justin Bennett	Vice Chairperson
Mr. Van Robertson	Member

Elected Officials

Ms. Joyce Sowers	Clerk
Ms. Kay Arnett	Treasurer
Mr. Louis Trujillo	Assessor
Mr. Bill Spriggs	Sheriff
Ms. Leslie Taylor	Probate Judge

Other Officials

Ms. Angie Gonzales	County Manager
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**STATE OF NEW MEXICO
UNION COUNTY**

**Table of Contents
June 30, 2010**

	Page No.
Official Roster	1
Table of Contents	2
Financial Section	
Independent Auditor's Report.....	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	11
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenue, Expenditures and Changes in Budgetary Cash - Budget and Actual (Non-GAAP Budgetary Basis):	
General Fund	13
Road Fund	20
Hospital Mill Levy Fund.....	22
Statement of Fiduciary Assets and Liabilities	23
Notes to Financial Statements.....	24

**STATE OF NEW MEXICO
UNION COUNTY**

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds.....	55
Combining Statement of Revenues, Expenditures and Change In Fund Balances - Nonmajor Governmental Funds	61
Schedule of Revenue, Expenditures and Changes in Budgetary Cash - Budget and Actual (Non-GAAP Budgetary Basis):	
Special Revenue Funds:	
Farm and Range.....	67
Recreation	68
Clerk's Fees.....	69
Indigent Hospital Fund.....	70
Capulin Fire District	71
Sedan Fire District	72
Amistad/Hayden Fire District	73
Rabbit Ear Fire District.....	74
Grenville Fire District	75
Capulin Emergency Medical Service	76
Amistad/Hayden Emergency Medical Service	77
Correction Fees	78
DWI State Grant	79
Reappraisal	80
Law Enforcement Grant.....	81
Emergency Service Governmental Gross Receipts Tax.....	82

**STATE OF NEW MEXICO
UNION COUNTY**

Gross Receipts Tax Reserve	83
Fire Marshall	84
Correction Gross Receipts Tax.....	85
Governmental Gross Receipts Tax General	86
Special Hospital Gross Receipts Tax.....	87
Legislature Appropriations	88
Collaborative Health Council	89
Capital Projects Funds:	
Capital Improvements/Emergency.....	90
Debt Service Funds:	
Capital Improvements/Emergency.....	91
Reconciliation between the non-major non-GAAP budgetary (cash) basis amounts and the governmental fund financial statements by fund type	92
Supporting Schedules	
Schedule of Changes in Assets and Liabilities - Agency Funds.....	94
Bank Reconciliation - All Accounts.....	95
Tax Distribution.....	96
Schedule of Pledged Collateral to Secure the Deposits of Public Funds	97
Tax Roll Reconciliation - Changes in Property Taxes Receivable	98
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	99
Schedule of Financial Statement and Compliance Findings	101

FINANCIAL SECTION



R. Kelly McFarland

Certified Public Accountant
A Professional Corporation

Member American Institute
of Certified Public Accountants

314 South 2nd Street • Post Office Box 1044 • Tucumcari, New Mexico 88401 • (575) 461-1195

Fax: (575) 461-1198 • www.mcfarlandcpa.com • Email: mcfarland@mcfarlandcpa.com

INDEPENDENT AUDITOR'S REPORT

Members of the Board of County Commissioners
Union County
Clayton, New Mexico
and
Mr. Hector H. Balderas
State Auditor
Santa Fe, New Mexico

I was engaged to audit the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the General Fund, and major special revenue funds of Union County, New Mexico (County) as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. I was also engaged to audit the financial statements of each of the County's nonmajor governmental and fiduciary funds, and the budgetary comparisons, presented as supplemental information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of Union County New Mexico's management.

During the current fiscal year, capital assets were inventoried and adjusted in the detail capital asset ledger; however, the net differences (Capital assets less accumulated depreciation) between the actual inventory and the general ledger of \$10,107,699 were not reconciled; additionally, material capital outlay expenditures of \$758,357 were not reconciled to the additions to the detail capital asset ledger.

The County did not maintain adequate accounting records in the prior year. The prior years financial statements were audited by other auditors whose report has been furnished to me. That report opined the financial statements of the governmental activities and each major fund did not present fairly, in conformity with generally accepted accounting principles in the United States of America, the financial position and the changes in financial position for the year ended June 30, 2009. I was unable to satisfy myself about the opening balances in the financial statements as of July 1, 2009 or about the consistent application of accounting principles for the current fiscal year.

Sole Community Provider pass-through grant funding of \$2,807,499, paid directly to the County Hospital by the grantor, was not recorded as revenue and a disbursement to the County Hospital on the books of account. Accounting principles generally accepted in the United States of America require that pass-through grants be recorded by the recipient government if it has oversight responsibility. As state law requires oversight by the County Government, recording the revenues and disbursement to the County Hospital is required. The amount of the pass-through grant has not been determined.

During the current year, certain revenues were misclassified as "reimbursements" or miscellaneous revenues rather than to the proper revenue account. These included loans from the New Mexico Finance Authority in the amount of \$1,070,378 for four funds. Reconciliations of the revenue accounts were not prepared to properly classify the revenue.

The New Mexico State Fire Marshall requires a request in writing before October 16, 2010 for the carryover of amounts unexpended in the fiscal year 2010 to the fiscal year 2011 from distributions from the State Fire Protection Fund. The carryover amount has not been determined. The carryover request was not timely filed. A determination as to possible reversion of the unexpended funds has not been made or the effect on the assets and fund balances of the fire special revenue funds.

I was unable to apply other auditing procedures to satisfy myself about the matters discussed in paragraphs two through six in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, I express not such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

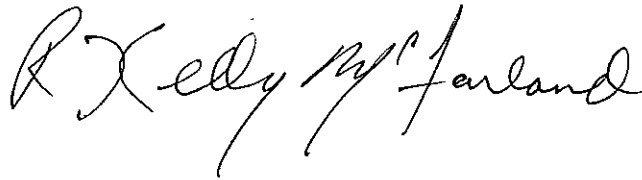
Because of the significance of the matters discussed in the second, third and fourth paragraphs above, the scope of my audit was not sufficient to enable me to express an opinion and I do not express an opinion on the financial statements of governmental activities, each major fund and the aggregate remaining fund information of Union County, New Mexico as of and for the year ended June 30, 2010, referred to in the first paragraph. In addition, because of the significance of the matters referred to the first sentence above, the scope of my audit was not sufficient to enable me to express an opinion and I do not express an opinion on the financial statements of each nonmajor governmental fund as of June 30, 2010 and the respective budgetary comparisons for all nonmajor funds for the year then ended.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2010 on my consideration of Union County, New Mexico's internal control over financial reporting and my 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 my testing if 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 my audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Union County, New Mexico has not presented the Management's Discussion and Analysis for the year ended June 30, 2010, which is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board.

I was engaged for the purpose of forming opinions on the financial statements that collectively comprise Union County New Mexico's basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying Supporting Schedules listed in the Table of Contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements and the combining and individual fund financial statements and budgetary comparisons of Union County, New Mexico. The scope of my audit was limited as discussed in paragraphs two, three, five and six above and because of the significance of these matters, I do not express an opinion on the basic financial statements and the combining and individual fund financial

statements; accordingly, the Supporting Schedules listed in the Table of Contents have not been subjected to auditing procedures in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*; therefore, I do not express an opinion as to the Supporting Schedules listed in the Table of Contents in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "R Kelly McFarland". The signature is written in a cursive style with a large initial "R" and a distinct "McFarland" ending.

November 12, 2010

BASIC FINANCIAL STATEMENTS

UNION COUNTY, NEW MEXICO

Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 5,849,256
Grant receivables	16,937
Shared taxes receivable	227,624
Interest receivable	3,435
Prepays	36,664
Delinquent property taxes receivable, net	103,078
Restricted:	
Investments held by fiscal agent	94,819
Deposit	30,000
Capital assets, net	<u>2,839,518</u>
 Total assets	 <u><u>\$ 9,201,331</u></u>
<u>LIABILITIES</u>	
Accounts payable	\$ 161,422
Accrued interest payable	5,030
Deferred revenue	-
Compensated absences payable	65,286
Accrued salary payable	51,938
Noncurrent liabilities - due within one year	130,499
Noncurrent liabilities - due in more than one year	<u>845,302</u>
 Total liabilities	 1,259,477
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,863,717
Restricted for:	
Debt service	124,819
 Unrestricted	 <u>5,953,318</u>
 Total net assets	 <u>7,941,854</u>
 Total liabilities and net assets	 <u><u>\$ 9,201,331</u></u>

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Statement of Activities
For the year ended June 30, 2010

Functions / Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 1,377,730	\$ 50,586	\$ 506,367	\$ -	\$ (820,777)
Public safety	873,856	9,621	506,236	412,493	54,494
Public works	1,322,005	-	309,928	-	(1,012,077)
Culture and recreation	15,198	-	-	-	(15,198)
Health and welfare	737,480	-	52,250	-	(685,230)
Depreciation on capital assets	513,489	-	-	-	(513,489)
Interest on long-term debt	17,103	-	-	-	(17,103)
Total	\$ 4,856,861	\$ 60,207	\$ 1,374,781	\$ 412,493	(3,009,380)
General revenues:					
Property taxes					1,638,090
Governmental gross receipts tax					929,448
Oil and gas					325,829
Motor vehicle and fuel taxes					390,054
Gas taxes					175,312
Licenses and permits					730
Fines and forfeits					77,238
Miscellaneous					266,080
Total general revenues and transfers					3,802,781
Change in net assets					793,401
Net capital outlay not included in capital assets additions					(758,357)
Net assets - beginning of year, as previously reported					17,943,459
Adjustments to long-term debt, see Note 8					71,050
Adjustments to capital assets, see Note 7					(10,107,699)
Net assets - beginning of year, as restated					7,906,810
Net assets - end of year					\$ 7,941,854

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Balance Sheet
 Governmental Funds
 June 30, 2010

	General Fund	Road Fund	Hospital Mill Levy	Other Governmental Funds	Total Governmental Activities
ASSETS					
Cash on hand	\$ 250	\$ -	\$ -	\$ -	\$ 250
Cash in banks	2,253,370	513,568	459,721	2,622,347	5,849,006
Grant receivables	11,544	-	-	5,393	16,937
Shared taxes receivable	18,520	42,185	8,031	158,888	227,624
Due from other funds	-	-	-	-	-
Interest receivable	1,541	3	-	1,891	3,435
Prepaid insurance	18,840	2,628	-	15,196	36,664
Restricted assets	-	80,137	-	44,682	124,819
Delinquent property tax receivable, net	81,967	-	20,083	1,028	103,078
Total assets	\$ 2,386,032	\$ 638,521	\$ 487,835	\$ 2,849,425	\$ 6,361,813
LIABILITIES					
Accounts payable	\$ 73,867	\$ 39,108	\$ -	\$ 48,447	\$ 161,422
Deferred revenue	28,437	-	15,770	792	44,999
Compensated absences payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Accrued salary payable	27,149	20,882	-	3,907	51,938
Total liabilities	129,453	59,990	15,770	53,146	258,359
FUND BALANCE					
Reserved for debt service	-	80,137	-	44,682	124,819
Designated for subsequent year's expenditures					
General fund	1,018,572	-	-	-	1,018,572
Special revenue funds	-	289,312	472,065	1,316,019	2,077,396
Capital project funds	-	-	-	47,500	47,500
Undesignated					
General fund	1,238,007	-	-	-	1,238,007
Special revenue funds	-	209,082	-	1,255,040	1,464,122
Capital project funds	-	-	-	133,024	133,024
Debt service funds	-	-	-	14	14
Total fund balance	2,256,579	578,531	472,065	2,796,279	6,103,454
Total liabilities and fund balance	\$ 2,386,032	\$ 638,521	\$ 487,835	\$ 2,849,425	\$ 6,361,813

Amounts reported for governmental activities in the statements of net assets are different because:

Fund balances - total governmental funds, as restated	\$ 6,103,454
Delinquent property tax are not recognized because it is not available	44,999
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Capital assets	22,430,950
Accumulated depreciation	(19,591,432)
Accrued interest payable is not recognized	(5,030)
Accrued compensated absences not recognized	(65,286)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(975,801)
Net assets of governmental activities	\$ 7,941,854

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Statements of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the year ended June 30, 2010

	General Fund	Road Fund	Hospital Mill Levy	Other Governmental Funds	Total Governmental Activities
Revenue:					
Taxes	\$ 1,337,810	\$ 549,503	\$ 637,726	\$ 955,154	\$ 3,480,193
Licenses and permits	730	-	-	-	730
Charges for services	26,825	-	-	6,480	33,305
Fines and forfeits	18,150	-	-	59,088	77,238
Miscellaneous	29,859	667,573	-	424,997	1,122,429
Intergovernmental	559,780	397,950	-	929,085	1,886,815
Investment earnings	42,044	82	-	20,202	62,328
Contributions and donations	-	-	-	-	-
Total revenues	2,015,198	1,615,108	637,726	2,395,006	6,663,038
Expenditures:					
Current:					
General government	1,022,372	-	-	341,315	1,363,687
Public safety	386,277	-	-	496,984	883,261
Public works	-	1,315,030	-	-	1,315,030
Culture and recreation	15,198	-	-	-	15,198
Health and welfare	-	-	198,617	379,543	578,160
Capital outlay	75,517	591,892	-	763,169	1,430,578
Debt service	-	-	-	-	-
Principal payments	-	44,577	-	190,736	235,313
Interest payments	-	12,800	-	236	13,036
Total expenditures	1,499,364	1,964,299	198,617	2,171,983	5,834,263
Excess (deficiency) of revenues over expenditures	515,834	(349,191)	439,109	223,023	828,775
Other financing sources (uses):					
Operating transfers in	582,715	200,000	-	321,333	1,104,048
Operating transfers (out)	(386,000)	-	-	(718,048)	(1,104,048)
Proceeds from NMFA Loan	-	-	-	-	-
Total other financing sources over other financing (uses)	196,715	200,000	-	(396,715)	-
Net change in fund balance	712,549	(149,191)	439,109	(173,692)	828,775
	<u>1,544,030</u>	<u>727,722</u>	<u>32,956</u>	<u>2,969,971</u>	<u>5,274,679</u>
Fund balance, end of year	<u><u>\$ 2,256,579</u></u>	<u><u>\$ 578,531</u></u>	<u><u>\$ 472,065</u></u>	<u><u>\$ 2,796,279</u></u>	<u><u>\$ 6,103,454</u></u>

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2010

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

Net change in fund balance - total governmental funds	\$ 828,775
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>	
Capital assets	1,430,578
Depreciation	(513,489)
<p>Revenues are recognized in governmental funds only when they are measurable and available to finance current expenditures; however, in the Statement of Activities, revenues are recognized on the accrual basis. This amount is the net effect of revenue recognized on the accrual basis.</p>	
	4,916
<p>Deferred revenues are recognized in governmental funds only when they are measurable and available to finance current expenditures; however, in the Statement of Activities. This amount is the net effect of revenue recognized on the accrual basis.</p>	
	2,686
<p>Interest is recorded in governmental funds when paid; however, in the Statements of Activities interest is recorded on the accrual basis to charge interest expense over the period borrowed funds are outstanding. This amount is the additional interest cost for the period which has not yet been paid.</p>	
	(4,067)
<p>Compensated absences payable representing long-term liabilities are not recognized in governmental funds until it becomes a matured current liability and is recorded in the Statement of Activities on the accrual basis.</p>	
	(11,613)
<p>New Mexico Finance loan payable representing long-term liabilities are not recognized in governmental funds until it becomes a matured current liability and is recorded in the Statement of Activities on the accrual basis.</p>	
	(1,020,378)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	<u>75,993</u>
Change in net assets of governmental activities	<u>\$ 793,401</u>

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

General Fund
 Statement of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Taxes - local effort:				
Property - current	\$ 903,000	\$ 1,076,202	\$ 1,076,202	\$ -
Property - delinquent	12,000	20,753	20,753	-
Penalty and interest	9,000	16,318	16,318	-
Governmental - gross receipts	750	656	656	-
Total taxes - local effort	924,750	1,113,929	1,113,929	-
Taxes - state shared:				
Oil and gas - production	198,135	173,340	173,340	-
Oil and gas - equipment	30,365	42,453	42,453	-
Motor vehicle	12,000	16,008	16,008	-
Cigarette tax two percent	100	12	12	-
Total taxes - state shared	240,600	231,813	231,813	-
Licenses and permits:				
Liquor licenses	250	250	250	-
Merchandise licenses	350	480	480	-
Total licenses and permits	600	730	730	-
Charges for services:				
Clerk fees	16,000	14,563	14,563	-
Probate fees	200	300	300	-
Sheriff's fees	8,000	9,622	9,621	(1)
Treasurer fees	10	22	22	-
Administrative fee	990	1,028	1,028	-
Sanitary service	-	-	-	-
Compliance officer fee	-	135	135	-
Filing fees	-	-	-	-
Total charges for services	25,200	25,670	25,669	(1)
Miscellaneous:				
Interest income	35,400	41,617	41,617	-
Reimbursement to county	-	80,226	80,225	(1)
Refunds or recoveries	-	23	23	-
Elections	750	382	382	-
Sale of county property	-	-	-	-
Civil penalties	1,800	750	750	-
Emergency Services	-	-	0	-
Miscellaneous	2,000	110	110	-
Filing Fees-Bureau of Elect.	-	500	500	-
Total miscellaneous	39,950	123,608	123,607	(1)

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

General Fund
 Statement of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues (continued):				
Grants:				
Federal:				
Payment in lieu of taxes (PILT)	80,000	138,694	138,694	-
State:				
Small county assistance (DFA)	439,000	365,000	365,000	-
Total grants	519,000	503,694	503,694	-
Total revenues	1,750,100	1,999,444	1,999,442	(2)
Expenditures:				
Current:				
General Government				
County commission:				
Elected officials	38,857	39,333	39,333	-
FICA	2,973	2,589	2,589	-
PERA	6,221	6,301	6,301	-
Group insurance 70%	13,100	13,076	13,076	-
Worker's compensation	15,200	14,242	14,242	-
Mileage and per diem	14,000	13,465	13,465	-
Car expense	-	-	-	-
Equipment - maintenance and repair	-	-	-	-
Maintenance contract	290	-	-	-
Audit	27,200	27,128	27,128	-
Professional services	100,000	59,467	59,467	-
Telephone	1,500	1,497	1,497	-
Road viewers	50	-	-	-
Clayton literacy	-	-	-	-
Official bond	850	360	360	-
Mainstreet	2,500	2,500	2,500	-
Union County youth supporters	2,000	2,000	2,000	-
Village of Des Moines	1,000	1,000	1,000	-
Business lease	-	-	-	-
Economic development	25,000	25,000	25,000	-
Chamber of Commerce	6,000	6,000	6,000	-
Property and liability insurance	30,000	26,283	26,283	-
Governmental gross receipts tax	750	679	679	-
Membership dues	10,260	10,258	10,258	-
Ambulance	12,000	12,000	12,000	-
Union County fair committee	7,000	7,000	7,000	-
Summer youth program	1,000	1,000	1,000	-
Tort liability	12,450	12,447	12,447	-
Regional library	700	698	698	-
Library - Town of Clayton	2,000	2,000	2,000	-
Animal control	-	-	-	-
Other operating costs	-	-	-	-
Clayton Senior Citizens	5,500	5,500	5,500	-
Cooperative Extension Service	74,754	74,754	74,754	-
Des Moines Senior Citizens	6,000	6,000	6,000	-
Des Moines summer recreation	-	-	-	-

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

General Fund
 Statement of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued):				
Unemployment insurance	6,000	2,516	2,516	-
Capital outlay	-	-	-	-
Total county commission	425,155	375,093	375,093	-
Administrative:				
Full-time salaries	78,280	78,759	78,759	-
Part-time salaries	-	-	-	-
FICA	5,989	5,904	5,904	-
PERA	12,533	12,587	12,587	-
Retiree health care	1,018	1,060	1,060	-
Group insurance 70%	4,100	4,094	4,094	-
Worker's compensation pool	20	18	18	-
Mileage and per diem	3,500	3,178	3,178	-
Equipment - maintenance and repairs	300	85	85	-
Office supplies	2,000	1,845	1,845	-
Postage	750	128	128	-
Telephone	2,250	2,139	2,139	-
Printing and publishing	2,000	1,326	1,326	-
Rental of equipment	14,225	13,948	13,948	-
Utilities	-	-	-	-
Capital outlay	-	-	-	-
Total administrative	126,965	125,071	125,071	-
Maintenance, operations and buildings:				
Full-time salaries	49,560	37,985	37,985	-
Temporary salaries	-	-	-	-
Over-time salaries	500	-	-	-
Group insurance 70%	3,982	2,617	2,617	-
PERA	7,935	6,051	6,051	-
Retiree health care	644	267	267	-
Group insurance 70%	9,000	8,991	8,991	-
Worker's compensation pool	20	18	18	-
Car expense	700	335	335	-
Equipment - maintenance and repair	3,250	510	510	-
Court house repairs	7,000	435	435	-
Other building repairs	4,000	1,804	1,804	-
Grounds - maintenance and improvements	6,000	1,002	1,002	-
Janitor supplies	3,750	3,581	3,581	-
Tools and supplies	2,000	323	323	-
Rental of equipment	500	369	369	-
Utilities	24,000	22,713	22,713	-

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

General Fund

Statement of Revenue, Expenditures and Changes in Budgetary Cash

Budget and Actual (Non-GAAP Budgetary Basis)

June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued):				
Maintenance, operations and buildings (continued)				
Capital outlay	3,500	3,050	3,050	-
Total maintenance, operations and buildings	126,341	90,051	90,051	-
Recording and filing:				
Elected official	46,090	46,664	46,664	-
Full-time salaries	41,481	42,387	42,387	-
Part-time salaries	4,450	1,328	1,328	-
FICA	7,157	6,403	6,403	-
PERA	14,020	14,147	14,147	-
Retiree health care	1,138	1,156	1,156	-
Group insurance 70%	15,900	15,751	15,751	-
Worker's compensation pool	28	18	18	-
Mileage and per diem	3,000	3,161	3,161	-
Equipment - maintenance and repair	100	-	-	-
Office supplies	1,200	652	652	-
Record books	2,500	2,073	2,073	-
Microfilm supplies	2,000	486	486	-
Postage	1,000	431	431	-
Telephone	2,300	618	618	-
Printing and reproduction	500	79	79	-
Rental of equipment	11,550	11,459	11,459	-
Vault rent	120	120	120	-
Maintenance contract	1,000	927	927	-
Other recoding and filing expenses	-	-	-	-
Capital outlay	34,000	915	915	-
Total recording and filing	189,534	148,775	148,775	-
Elections:				
Clerical assistance	6,000	-	-	-
Voting machine tech	4,000	-	-	-
Precinct board	10,000	6,641	6,641	-
Board of registry	100	-	-	-
FICA	765	-	-	-
PERA	-	-	-	-
Worker's compensation fee	10	-	-	-
Mileage and per diem	4,500	1,069	1,069	-
Equipment - maintenance and repair	1,000	40	40	-
Maintenance contract	7,000	-	-	-
Postage	3,500	1,169	1,169	-
Printing and publication	13,000	1,285	1,285	-
Rental of equipment	-	-	-	-
Mapping	500	-	-	-
Equipment lease	-	-	-	-

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

General Fund

Statement of Revenue, Expenditures and Changes in Budgetary Cash

Budget and Actual (Non-GAAP Budgetary Basis)

June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued):				
Elections (continued)				
Telephone	1,800	1,338	1,338	-
Other election expenses	6,400	2,316	2,316	-
Total elections	58,575	13,858	13,858	-
Property assessments:				
Elected official	37,224	37,683	37,683	-
Full-time salaries	34,991	37,128	37,128	-
Part-time salaries	23,587	20,748	20,748	-
FICA	7,329	7,164	7,164	-
PERA	15,338	15,149	15,149	-
Retiree health care	1,246	1,263	1,263	-
Group insurance 70%	6,075	4,725	4,725	-
Worker's compensation pool	28	22	22	-
Mileage and per diem	2,625	3,352	3,352	-
Car expense	550	544	544	-
Office supplies	1,030	1,028	1,028	-
Record books	200	197	197	-
Postage	1,586	1,585	1,585	-
Telephone	1,170	715	715	-
Capital outlay	2,000	2,000	2,000	-
Printing and reproduction	614	612	612	-
Rental of equipment	11,050	10,609	10,609	-
Mapping	575	565	565	-
Total property assessments	147,218	145,089	145,089	-
Collections:				
Elected official	46,090	46,653	46,653	-
Full-time salaries	41,481	41,964	41,964	-
Part-time salaries	2,500	-	-	-
FICA	7,004	6,344	6,344	-
PERA	14,020	14,155	14,155	-
Retiree health care	1,138	1,197	1,197	-
Group insurance 70%	15,655	13,654	13,654	-
Worker's compensation pool	30	18	18	-
Mileage and per diem	3,000	190	190	-
Office supplies	2,000	1,893	1,893	-
Record books	600	-	-	-
Postage	2,500	1,323	1,323	-
Telephone	1,500	552	552	-
Printing and reproduction	500	32	32	-
Rental of equipment	11,500	10,609	10,609	-
Other collection expenses	-	-	-	-
Capital outlay	4,000	-	-	-
Total collection	153,518	138,584	138,584	-

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

General Fund

Statement of Revenue, Expenditures and Changes in Budgetary Cash

Budget and Actual (Non-GAAP Budgetary Basis)

June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued):				
Law enforcement:				
Elected official	38,914	39,370	39,370	-
Full-time salaries	169,959	166,911	166,911	-
Part-time salaries	3,000	250	250	-
Overtime salaries	33,000	17,322	17,322	-
FICA	18,734	16,336	16,336	-
PERA	54,635	53,498	53,498	-
Retiree health care	2,717	2,772	2,772	-
Group insurance 70%	37,200	24,823	24,823	-
Worker's compensation pool	60	55	55	-
Mileage and per diem	12,200	12,273	12,273	-
Car expense	32,290	24,423	24,423	-
Equipment - maintenance and repairs	6,000	4,596	4,596	-
Joint committee agreement	-	-	-	-
Jail agreement	-	-	-	-
Office supplies	1,510	1,507	1,507	-
Uniforms	5,000	829	829	-
Postage	700	301	301	-
Telephone	6,500	6,011	6,011	-
Printing and reproduction	750	352	352	-
Care of prisoners	-	-	-	-
Animal care	-	-	-	-
Rental of equipment	2,755	2,353	2,353	-
Contractual	-	-	-	-
Juvenile detention expense	-	-	-	-
Capital outlay	84,542	61,706	61,706	-
Sheriff's expense	3,500	1,234	1,234	-
Prisoners' travel and entertainment	-	-	-	-
Feeding of prisoners	400	192	192	-
Total law enforcement	514,366	437,114	437,114	-
Probate judge:				
Elected official	8,266	8,335	8,335	-
FICA	632	456	456	-
PERA	1,323	1,340	1,340	-
Retiree health care	107	113	113	-
Group insurance 70%	9,000	5,707	5,707	-
Worker's compensation pool	10	9	9	-
Mileage and per diem	1,170	798	798	-
Office supplies	100	-	-	-
Postage	50	-	-	-
Total probate judge	20,658	16,758	16,758	-
Loss prevention:				
Full-time salaries	-	-	-	-
FICA	-	-	-	-
PERA	-	-	-	-

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

General Fund
 Statement of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued):				
Loss prevention (continued)				
Retiree health care	-	-	-	-
Group insurance 70%	-	-	-	-
Worker's compensation pool	-	-	-	-
Mileage and per diem	5,000	3,275	3,275	-
Office supplies	1,000	722	722	-
Postage	100	8	8	-
Telephone	500	294	294	-
Equipment maintenance/repairs	4,000	727	727	-
Capital outlay	-	-	-	-
Total loss prevention	10,600	5,026	5,026	-
Total expenditures	1,772,930	1,495,419	1,495,419	-
Excess (deficiency) revenues over expenditures	(22,830)	504,025	504,023	(2)
Other financing sources (uses):				
Operating transfers in	424,000	582,715	582,715	-
Operating transfers (out)	(236,000)	(386,000)	(386,000)	-
Total other financing sources (uses)	188,000	196,715	196,715	-
Excess (deficiency) revenues and other financing sources over expenditures and other financing (uses)	165,170	700,740	700,738	(2)
Budgeted cash balance, beginning of year	1,528,852	1,528,852	1,528,852	-
Budgeted cash balance, end of year	\$ 1,694,022	\$ 2,229,592	\$ 2,229,590	\$ (2)

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Road Fund

Statement of Revenue, Expenditures and Changes in Budgetary Cash

Budget and Actual (Non-GAAP Budgetary Basis)

June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Maps and Data Receipts	\$ -	\$ 40	\$ 40	\$ -
Refunds	-	590,421	590,421	-
Reimbursements to county	666,975	8,058	8,058	-
Interest income	5,000	64	64	-
State shared taxes:				
Motor vehicle	325,000	379,098	379,098	-
Gas - motor vehicle HB-137	180,000	107,484	107,484	-
Grants:				
State:				
Road Co-op	88,836	69,671	69,671	-
School bus project	235,983	213,051	213,051	-
County Arterial Project	143,706	143,540	143,540	-
Special road project	650,000	359,705	359,705	-
Federal:				
Bank Head Jones	2,700	1,795	1,795	-
Total revenues	2,298,200	1,872,927	1,872,927	-
Expenditures:				
Current:				
Public works				
Full-time salaries	480,726	474,064	474,064	-
Temporary salaries	-	-	-	-
Over-time salaries	10,000	6,383	6,383	-
FICA	36,776	33,771	33,771	-
PERA	75,363	75,618	75,618	-
Retiree health care	6,119	5,927	5,927	-
Group insurance 70%	116,500	97,522	97,522	-
Workman's compensation	15,140	14,343	14,343	-
Mileage and per diem	1,000	-	-	-
Building - maintenance and repair	5,000	-	-	-
Equipment repairs	95,000	94,085	94,085	-
Road construction and maintenance	2,000	260	260	-
Sign shop maintenance	300	-	-	-
Cooperative agreement	-	-	-	-
E-911 maintenance	18,000	9,005	9,005	-
Office supplies	200	67	67	-
Tools and supplies	5,000	1,729	1,729	-
Telephone	2,000	1,540	1,540	-
Printing and publishing	-	-	-	-
Rental of equipment	140,000	119,111	119,111	-
Utilities	6,000	3,823	3,823	-
Property and liability insurance	7,000	5,257	5,257	-
Equipment operating expense	245,000	221,619	221,619	-
Bridge and culverts	71,000	67,590	67,590	-
Safety equipment	3,700	3,591	3,590	1

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Road Fund
 Statement of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued):				
Current (continued)				
Lease purchase	-	-	-	-
Contractual	198,800	59,986	59,986	-
C.A.P agreement	-	-	-	-
Capital outlay	726,975	591,892	591,892	-
Total expenditures	2,267,599	1,887,183	1,887,182	1
Excess (deficiency) revenues over expenditures	30,601	(14,256)	(14,255)	(1)
Other financing sources (uses):				
Operating transfers in	200,000	200,000	200,000	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	200,000	200,000	200,000	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	230,601	185,744	185,745	(1)
Budgeted cash balance, beginning of year	327,823	327,823	327,823	-
Budgeted cash balance, end of year	\$ 558,424	\$ 513,567	\$ 513,568	\$ 1

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Hospital Mill Levy - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Current property taxes	\$ -	\$ -	\$ 522,473	\$ 522,473
Delinquent property taxes	-	-	10,999	10,999
Oil and gas advalorlem tax	-	-	100,232	100,232
Reappraisal fees	-	-	-	-
Total revenues	-	-	633,704	633,704
Expenditures:				
Current:				
Health and welfare				
Operating expense	580,000	198,617	198,617	-
Total expenditures	580,000	198,617	198,617	-
Excess (deficiency) revenues over expenditures	(580,000)	(198,617)	435,087	633,704
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(580,000)	(198,617)	435,087	633,704
Budgeted cash balance, beginning of year	24,634	24,634	24,634	-
Budgeted cash balance, end of year	<u>\$ (555,366)</u>	<u>\$ (173,983)</u>	<u>\$ 459,721</u>	<u>\$ 633,704</u>

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 35,694
Shared taxes receivable	4,724
Interest receivable	<u>-</u>
Total assets	<u>\$ 40,418</u>
<u>LIABILITIES</u>	
Other taxing units	\$ 40,418
Invested in capital assets	<u>-</u>
Total liabilities	<u>\$ 40,418</u>

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The County was established by the laws of the Territory of New Mexico of 1876, under the provisions of the act now referred to as Section 4-31 of the New Mexico Statutes Annotated, 1978 Compilation. The County is granted powers pursuant to Section 4-37 NMSA 1978. The county form provides the following services as authorized by its charter: public safety (sheriff, emergency medical and fire), public works (highways and streets), health and welfare, public improvements, planning and zoning, and general administration.

Except as discussed in the independent auditor's report, the County's basic financial statements are prepared in accordance with generally accepted accounting principles of the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body of establishing governmental accounting and financial reporting standards. The more significant accounting policies of the County are described below.

A. *Financial Reporting Entity*

The County has a three-member County Commission; staggering positions will expire each election. The financial statements of Union County include the various departments, agencies and organizational units under oversight of the Commission.

The basic criterion determining the County's reporting entity is the exercise of oversight responsibility by the County Commission. The specific criteria used for establishing oversight responsibility are:

- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Factors, other than oversight, which may significantly influence the entity relationship, are:

- Scope of public service
- Special financing relationships

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

In evaluating how to define Union County, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14. The basic - but not only - criterion for including a potential component unit within the reporting entity is in the 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, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the County is able to exercise oversight responsibilities.

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by GASB Statement No. 14.

C. Basis of Accounting/Measurement Focus

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1. Government-Wide Financial Statements

The County Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

Governmental Activities for the County accompanied by a total column. Fiduciary activities of the County are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the County's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Property taxes are recognized as revenues in the year for which they are levied, net of estimated refunds and uncollectible amounts. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

The government-wide statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segments. Program revenues for the County are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

The County collects charges for services including fees from the clerk, administration, probate, sheriff, treasurer, and reappraisal. The County received several operating grants and contributions including fire and EMS allotments, road co-op, school bus projects, and capital improvements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

The County applies all applicable GASB pronouncements as well as November 30, 1989, unless those the following pronouncements issued on or before pronouncements conflict with or contradicts

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

2. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available (collected up to 60 days after year-end) to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, gross receipts tax, intergovernmental revenues and other state-shared taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

3. Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The County's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting.

The government reports the following major governmental funds:

General Fund - 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.

Special Revenue Funds

Road Fund - To account for the operation and maintenance of the County roads. Financing is primarily from state shared revenues from motor vehicle taxes. 7-1-6.9 and 7-1-6.26 NMSA 1978.

Hospital Mill Levy Fund - To account for the four and one quarter mill levy revenues which are used for the maintenance and purchase of capital equipment for the County's hospital. The authority for the fund is given by Resolution 93-2.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

Additionally, the government reports the following non-major funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources - which are legally restricted to expenditures for specified purposes. The financial statements contain the following special revenue funds:

Farm and Range Fund - To account for the operation and maintenance of County farm and range activities such as rodent and predatory animal control, livestock parasite control, and soil and water conservancy. Financing is primarily for the Taylor Grazing Act. 6-11-6 NMSA 1978.

Recreation Fund - To account for revenues from cigarette tax restricted to recreation facilities. This fund was established in accordance with Section 7-12-11 through 7-12-17, NMSA, 1978.

Clerks Fees Fund - To account for monies received reserved for future expenditures of equipment associated with recording, filing, maintaining or reproducing documents in the county clerk's office. Financing is from charges for services. 14-8-12.2, NMSA, 1978.

EMS Funds - To account for County emergency medical services programs. There are two EMS districts in the County: Capulin and Amistad-Hayden. Financing is primarily from the State of New Mexico. 24-10A-1, NMSA, 1978.

Correction Fees - To account for training and other expense for law enforcement officers. Financing is from a correction fee assessed in addition to fines. 33-3-25 and 34-14-11, NMSA, 1978.

Fire Funds - To account for funds received from the State Fire Allotment for operating expenses and capital outlay for the fire department. There are five districts: Sedan, Amistad-Hayden, Rabbit Ear, Capulin and Grenville. These funds were established in accordance with Section 59A-53-1 to 59A52-17, NMSA, 1978.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

Reappraisal Fund - To account for proceeds from property taxes and the one-percent administrative fees assessed by county treasurers to revenue recipients. NMSA 7-38-38.1.

Hospital Indigent Fund - To account for indigent hospital patient claims. Financing is from gross receipts taxes. 7-20E-9, NMSA, 1978.

General Gross Receipts Tax Fund - To account for gross receipt taxes received and expenditures deemed *necessary* by the County. Financing is from the County Gross Receipts Tax Ordinance number 31.

Gross Receipts Tax Reserve Fund - To account for gross receipt taxes received and reserved for future expenditures deemed *necessary* by the County. Financing is from the County Gross Receipts Tax Ordinance number 7.

Special Hospital Gross Receipts Tax Fund – To account for the ¼ of 1% (.25%) gross receipts taxes received and reserved for the acquisition or construction of land or buildings and for operations and maintenance of the County hospital. County ordinance number 33.

Law Enforcement Fund - To account for capital outlay expenditures for public safety. Financing is from the State Law Enforcement Act. 29-13-1, NMSA, 1978.

Fire Marshall Fund - To account for monies received from a governmental services agreement with Energy Natural Minerals Research Department to coordinate wild land fire management activities in Union County. County Resolution 98-19.

Correctional Gross Receipts Fund - To account for gross receipt taxes received and reserved for expenditures to the Town of Clayton for housing of County inmates. Financing is from the County Gross Receipts Tax Ordinance Number 25.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

DWI Fund - To account for monies received from a grant for intervention, prevention, education and support. 11.6A-3, NMSA, 1978.

Emergency Services Governmental Gross Receipts Fund – To account for gross receipt taxes received and reserved for expenditures for emergency communications center and emergency medical services. 7-20E-22, NMSA, 1978.

Legislative Appropriation Fund – To account for special appropriations received from the New Mexico Legislature.

Collaborative Health Council Fund - To account for the professional service contract with the State of New Mexico to establish Health Council and fulfill contractual obligation. The authority for the fund is the County Maternal and Child Plan section 24-1B-1 et seq.

Capital Project Funds

Capital Improvements/Emergency Fund - To account for the cost of capital improvements such as erecting, remodeling, making additions to, providing equipment for, and furnishing county buildings. This includes co-operative agreements with the New Mexico Department of Transportation to construct or improve selected projects.

Debt Service Fund

Debt Service Fund – To account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

Agency Funds

Other Agency Funds – County School Districts and other incorporated entities within the County. Union County acts as the fiscal agent for the District. For the other funds, the County collects property taxes and distributes them the following month.

E. *Assets, Liabilities, and Net Assets or Equity*

Deposits and Investments. The government'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 investment of the County's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The County is also allowed to invest in the United States Government obligations. All funds of the County must follow the above investment policies.

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

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

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments. Union County only invested in certificates of deposit during the current year. Investments for the County are

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties, as required by GASB Statement No. 25. Certificates of deposit are carried and reported at face value due to short-term maturities.

Receivables and Payables. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. For the year ended June 30, 2010, an allowance for delinquent property tax receivable was not provided as Management believes all taxes are collectible. State law provides for the authority to sell property after three years for failure to pay property taxes.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventory: The County records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Purchases for supplies are recorded as expenditures and are not recorded as assets on the balance sheet.

Capital Assets: Capital assets, which include property, plant, equipment, computer software, and infrastructure, are reported in the applicable governmental-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years which is more stringent than the \$5,000 threshold of State Government. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially add to the lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15 - 50
Machinery and equipment	5 - 10
Infrastructure	10 - 80

NET ASSETS:

The government-wide financial statements reflect net assets in three components as follows:

Invested in Capital Assets, net of related debt - This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets - Net assets are reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation, of which there were none in the current year.

Unrestricted Net Assets - Net assets that do not meet the definition of "restricted" and "invested in capital assets, net of related debt."

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

FUND EQUITY RESERVATION AND DESIGNATIONS

Reserved - The portion of fund balance that is not appropriable for expenditure or is legally segregated for specific future use.

Unreserved - The portion of fund balance that is not reserved but may be designated.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

Designated - The portion of fund balance established to indicate tentative plans for financial resources utilization in a future period.

Unreserved, undesignated - Amounts that have not been reserved or designated for any purpose and are available for unrestricted usage by the County.

F. *Other Significant Account Policies*

Compensated Absences: County employees are entitled to certain compensated absences based on their employment classification and length of employment. Earned vacation, up to the amount the employee accrued in two years, is allowed to be carried over from one calendar year to the next. Upon termination, employees shall receive payment for unused accrued vacation. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds for amounts that will be used or have matured, for example, as a result of employee resignations and retirements.

An accumulated compensated absence that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated compensated absences that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. Vested or accumulated compensated absences of proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees.

Operating Leases: Union County has entered into operating leases for road equipment for terms of generally 60 months. The lease agreements include a provision which allows the County to terminate the leases in the event no funds or insufficient funds are appropriated for the succeeding fiscal year; however, the agreement further provides that to the extent provided by law, the County will not cancel the leases if funds are available. Management presently does not anticipate cancellation of the leases.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

Capital Leases: The County finances acquisitions of road and fire equipment through capital leases which are typically for periods of 60 months. The present value of future lease payments is included as long-term debt. The lease agreements include a provision which allows the County to terminate the leases in the event no funds or insufficient funds are appropriated for the succeeding fiscal year; however, the agreement further provides that to the extent provided by law, the County will not cancel the leases if funds are available. The County did not have any capital leases in the fiscal year 2010.

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

Note 2. Stewardship, Compliance and Accountability

A. *Budget Policy*

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

1. The County administrator submits a proposed operating budget for the fiscal year commencing the following July 1, prior to June 30. The operating budget includes proposed expenditures and the means of financing them. A budget is proposed for all funds, except agency funds.
2. Public hearings are conducted to obtain taxpayer comments. The budgets are then submitted to the Department of Finance and Administration for review, adjustment and approval.
3. Prior to June 30, the budget is legally enacted through passage of a resolution. The County Commission is authorized to transfer budgeted amounts between departments within any fund. Department of Finance and Administration, Local Government Division, must approve any revisions that alter the total expenditures of any fund.

Notes to Financial Statements

Note 2. Stewardship, Compliance and Accountability, continued

4. Budgets for all funds are adopted on a regulatory prescribed cash basis. The level of budgetary control is by fund total. Budgetary information is presented as amended, with the amendments being adopted in a legally prescribed manner. Estimated cash balances are included as a budgetary resource. These estimates may vary from actual cash balances.
5. Expenditures for each budget may not legally exceed the appropriation for funds. Appropriations lapse at year-end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.

B. Property Taxes

1. Articles 35 through 38, Chapter 7 New Mexico Statutes annotated, 1978 is the Property Tax Code. The code provides for valuation, administration and enforcement of property taxes. The Department of Finance and Administration sets tax rates for the governmental units sharing in the tax.
2. The Constitution of the State of New Mexico provides maximum tax rates and restrictions concerning the use of tax proceeds.
3. Taxes levied upon tangible property shall be in proportion of the value thereof; the taxes shall be equal and uniform upon subjects of taxation of the same class. Different methods may be provided by law to determine value of different kinds of property, but the percentage of value against which tax rates are assessed shall not exceed thirty-three and one-third percent.
4. Taxes levied upon real or personal property for state revenue shall not exceed four mills annually on each dollar of the assessed valuation thereof, except for the support of the educational, penal, and charitable institutions of the state, payment of the state debt and interest thereon; and the total annual tax levy upon such property for all state purposes exclusive of necessary levies for the state debt shall not exceed ten mills; provided, however, that taxes levied upon real or personal tangible property for all purposes, except special levies on specific classes of property and except necessary levies for public

Notes to Financial Statements

Note 2. Stewardship, Compliance and Accountability, continued

debt, shall not exceed twenty mills annually on each dollar of the assessed valuation thereof, but laws may be passed authorizing additional taxes to be levied outside of such limitations when approved by at least a majority of the qualified electors of the taxing district who paid a property tax therein during the preceding year voting on such proposition.

5. Property taxes attach as an enforceable lien on property as of January 1. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by December 10th and May 10th of the following year. The County collects such taxes and distributes them on a monthly basis. Only the taxes collected are recorded as revenues. Taxes collected within sixty days of the fiscal year end are recognized as revenue.
6. The County is permitted by the State Property Tax Code to levy taxes up to \$11.85 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amount for the payment of principal and interest on long-term debt.
7. The County's operating tax rate to finance general government services for the current fiscal year was \$8.829 per \$1,000 for non-residential property and \$7.369 for residential property.

C. Excess of Expenditures over Budget

For the year ended June 30, 2010, there were no funds where the expenditures exceeded the budget.

D. Deficit Fund Equity

The Capulin EMS Fund had a deficit balance of (\$2,341) as of June 30, 2010. At year end, the County recorded accounts payable of \$2,977 that contributed to the deficit fund balance. The deficit will be funded from future revenue.

Union County, New Mexico
For the Year ended, June 30, 2010

Notes to Financial Statements

Note 3. Deposits and Investments

At June 30, 2010, the County had \$4,100,000 invested in certificates of deposits and \$1,784,699 in demand and interest bearing accounts for a total carrying amount of \$5,884,699, not including currency of \$250.

The County has no exposure to interest rate risk, credit risk, or concentration of credit risk because it invests only in certificates of deposits with maturities generally of 30 days.

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. As of June 30, 2010, \$4,941,649 of the County's bank balance of \$5,941,649 was exposed to custodial credit risk as follows:

	First National Bank of New Mexico Clayton, NM Deposits	Farmers and Stockmens Bank Clayton, NM Deposits	Total
Demand deposits	\$ 1,217,268	\$ 624,381	
Certificates of deposit	2,100,000	2,000,000	
Total amount of deposits on June 30, 2010	3,317,268	2,624,381	5,941,649
Less: FDIC coverage	(500,000)	(500,000)	(1,000,000)
Total uninsured public funds	2,817,268	2,124,381	4,941,649
50% collateral requirement (as per Section 6-10-17, NMSA 1978)	1,408,634	1,062,190	2,470,825
Pledged Collateral held by the pledging financial institution	1,714,039		
Pledged Collateral held by pledging bank's trust department or agent but not in the agency's name		1,393,751	3,107,790
Over (Under)	<u>\$ 305,405</u>	<u>\$ 331,561</u>	<u>\$ 636,966</u>
Custodial Credit Risk			
Uninsured and uncollateralized	\$ 1,103,229	\$ 730,630	\$ 1,833,859
Uninsured and collateral held by agent not in the County's name	1,714,039	1,393,751	3,107,790
Total	<u>\$ 2,817,268</u>	<u>\$ 2,124,381</u>	<u>\$ 4,941,649</u>

Union County, New Mexico
For the Year ended, June 30, 2010

Notes to Financial Statements

Note 3. Deposits and Investments, continued

Pooled Deposit Accounts

All of the County's deposits are maintained in pooled accounts. At June 30, 2010, the Grenville Fire Department Special Revenue Fund was overdrawn by \$14,306 in its demand account. This amount was repaid in July of 2010. A loan to all of the other funds in the pooled account has not been recorded.

Note 4. RISK MANAGEMENT

The County is exposed to various risk of loss related to torts, theft, damage or destruction of assets, errors and omissions, injury to employees, and natural disasters. For these risks of loss the County belongs to a public entity risk pool currently operated as a common risk management and insurance program for counties (New Mexico County Insurance Authority). The County pays an annual premium for its general insurance coverage.

A surety bond as required by Section 12-6-7 NMSA 1978 Compilation and State Auditor Rule NMAC 2.2 covers the officials and certain employees of the County.

The County is involved in various legal actions in which claims of varying amounts are assessed against the County. The County follows the practice of providing of these claims when a loss is probable and a loss becomes fixed or determinable in amount. In the opinion of Counsel, these actions will not result in significant, if any, effect on the County's financial position.

Note 5. Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of the Union County's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Notes to Financial Statements

Note 5. Pension Plan – Public Employees Retirement Association, continued

Funding Policy. Plan members are required to contribute 9.15% (ranges from 3.83% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Union County is required to contribute 9.15% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Union County are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$209,953, \$185,379 and \$165,320, respectively, which equal the amount of the required contributions for each fiscal year.

Note 6. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. Union County contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies. Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

Notes to Financial Statements

Note 6. Post-Employment Benefits – State Retiree Health Care Plan, continued

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107. *Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us. (1)The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows: (1) for employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 2011	1.666%	.833%
FY 2012	1.834%	.917%
FY 2013	2.000%	1.00%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

Union County, New Mexico
For the Year ended, June 30, 2010

Notes to Financial Statements

Note 6. Post-Employment Benefits – State Retiree Health Care Plan, continued

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 2011	2.084%	1.042%
FY 2012	2.292%	1.146%
FY 2013	2.500%	1.250%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Union County's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$14,944, \$12,188 and \$11,409, respectively, which equal the required contributions for each year.

Note 7. Changes in Capital Assets

County government has adopted GASB No. 34, however, management continues to develop methodology for recording the carrying amount of road infrastructure assets and depreciation methods for roads.

The accompanying schedule reflects adjustments of the beginning inventory to reflect physical inventory amounts for fiscal year 2010. Management has not completed a reconciliation of the adjustments. Assets acquired during the year as reflected in capital outlay expenditures have not been reconciled to additions as reflected in the detail fixed asset ledger.

Net adjustment to beginning balance to reflect physical inventory (Note adjustment to beginning net asset balance)	\$10,107,699
Net adjustment of capital outlay expenditures not added to capital outlay - current year	\$ 758,357

**Union County, New Mexico
For the Year ended, June 30, 2010**

Notes to Financial Statements

Note 7. Changes in Capital Assets, continued

Capital asset activities for the year ending June 30, 2010, were as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Differences</u>	<u>Balance</u>
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 6,830				\$ 6,830
Construction in Progress	1,877,246			\$ (1,877,246)	-
Land	<u>\$ 1,884,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,877,246)</u>	<u>\$ 6,830</u>
Capital assets being depreciated					
Infrastructure	\$ 11,474,717			\$ 1,331,009	\$ 12,805,726
Less: accumulated depreciation	(3,935,247)	(289,144)		(7,117,880)	(11,342,271)
Infrastructure, net	<u>\$ 7,539,470</u>	<u>\$ (289,144)</u>	<u>\$ -</u>	<u>\$ (5,786,871)</u>	<u>\$ 1,463,455</u>
Buildings and Improvements	\$ 1,730,600	1,300	(28,289)	(1,655,136)	\$ 48,475
Less: accumulated depreciation	(959,048)	(725)	28,289	885,825	(45,659)
Buildings and Improvements, net	<u>\$ 771,552</u>	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ (769,311)</u>	<u>\$ 2,816</u>
Equipment	\$ 4,270,924	670,921	(116,819)	(152,403)	\$ 4,672,623
Less: accumulated depreciation	(2,600,233)	(223,620)	116,418	(598,771)	(3,306,206)
Equipment, net	<u>\$ 1,670,691</u>	<u>\$ 447,301</u>	<u>\$ (401)</u>	<u>\$ (751,174)</u>	<u>\$ 1,366,417</u>
Total capital assets being depreciated	\$ 17,476,241	672,221	(145,108)	(476,530)	\$ 17,526,824
Total accumulated depreciation	(7,494,528)	(513,489)	144,707	(6,830,826)	(14,694,136)
Total capital assets being depreciated, net	9,981,713	158,732	(401)	(7,307,356)	2,832,688
Hospital Mill Levy Assets	922,696			(922,696)	-
Governmental activity capital assets, net of related debt	<u>\$ 12,788,485</u>	<u>\$ 158,732</u>	<u>\$ (401)</u>	<u>\$ (10,107,298)</u>	<u>\$ 2,839,518</u>

Depreciation expense has not been allocated to functional expenditures of governmental activities.

Notes to Financial Statements

Note 8. Changes in Long-Term Debt and Compensated Absences

Capital Leases and Note Payable

Union County is obligated under the terms of a loan agreement with a fixed interest rate of 3%, dated October 20, 2006, for the acquisition of a fire truck by the Amistad/Hayden Fire Fund. The loan was paid off July 31, 2009.

Additional obligations were acquired in the current year as follows:

A loan agreement with a blended interest rate of 1.817%, dated May 12, 2009, for the acquisition of a fire tanker by the Grenville Fire Fund.

A loan agreement with a blended interest rate of 3.092%, dated August 14, 2009 for the acquisition of three motor graders for use on the County's public roads.

A loan agreement with a blended interest rate of 1.817%, dated March 5, 2010 for the acquisition a initial attack fire truck by the Rabbit Ear Fire Fund.

A loan agreement with a blended interest rate of 1.817%, dated March 5, 2010 for the acquisition of an initial attack fire truck by the Sedan Fire Fund.

Adjustment of Beginning Balance of Long-Term Debt:

A New Mexico Finance Authority loan in the amount of \$71,050 was inadvertently reported in the prior fiscal year; however, the loan proceeds were not disbursed until the current fiscal year. The beginning balance of loans payable at July 1, 2009 has been restated to reflect a change in the notes payable balance as previously reported. This adjustment is reflected as an adjustment of the net assets at beginning of year.

Union County, New Mexico
For the Year ended, June 30, 2010

Notes to Financial Statements

Note 8. Changes in Long-Term Debt and Compensated Absences, continued

A summary of changes in the capital leases, long-term debt and compensated absences is presented as follows:

	June 30, 2009				June 30, 2010		Amount Due Within One Year
	Balance	Adjustments	Additions	Payments	Balance		
NMFA Loan- Amistad/Hayden Fire Truck	\$ 31,416		\$ -	\$ 31,416	\$ -		\$ -
NMFA Loan-Rabbit Ear Initial Attack Fire Truck	-		147,358		147,358		28,760
NMFA Loan Three Motor Graders			666,975	44,577	622,398		63,006
NMFA Loan Sedan Initial Attack Fire Truck	-		134,995		134,995		26,347
NMFA Loan Grenville Tanker	71,050	\$ (71,050)	71,050		71,050		12,386
	<u>\$ 102,466</u>	<u>\$ (71,050)</u>	<u>\$ 1,020,378</u>	<u>\$ 75,993</u>	<u>\$ 975,801</u>		<u>\$ 130,499</u>
Compensated Absences							
Major Funds							
General	\$ 9,384		\$ 14,043		\$ 23,427		\$ -
Road	34,782		6,975	-	41,757		-
DWI	9,507		-	9,405	102		-
Balance	<u>\$ 53,673</u>		<u>\$ 21,018</u>	<u>\$ 9,405</u>	<u>\$ 65,286</u>		<u>\$ -</u>

A liability for unused vacation and sick time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences: (a) leave or compensation is attributable to services already rendered and (b) leave or compensation is not contingent on a specific event (such as illness). Information for compensated absences accrued and used was not available.

Long-term liabilities are typically liquidated from the related applicable fund incurring the obligation.

Union County, New Mexico
For the Year ended, June 30, 2010

Notes to Financial Statements

Note 8. Changes in Long-Term Debt and Compensated Absences, continued

The annual requirement to amortize the debt as of June 30, 2010, is as follows:

Year	<u>NMFA Loan</u>		<u>NMFA Loan</u>		<u>NMFA Loan</u>	
	Sedan Initial Attack Fire Truck		Grenville Tanker		Rabbit Ear Initial attack fire truck	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 26,347	\$ 2,480	\$ 12,386	\$ 3,357	\$ 28,760	\$ 2,707
2012	26,590	1,904	14,142	1,598	29,025	2,078
2013	26,909	1,585	14,460	1,279	29,373	1,730
2014	27,312	1,181	14,820	919	29,814	1,290
2015	27,837	657	15,242	497	30,386	717
2016						
2017						
2018						
2019						
Total	\$ 134,995	\$ 7,808	\$ 71,050	\$ 7,650	\$ 147,358	\$ 8,523

Year	<u>NMFA Loan</u>		<u>NMFA Loans</u>
	Motor Graders		Total Annual Requirement
	<u>Principal</u>	<u>Interest</u>	
2011	63,006	17,528	\$ 156,572
2012	63,937	16,598	\$ 155,872
2013	65,111	15,424	\$ 155,871
2014	66,562	13,973	\$ 155,871
2015	68,322	12,212	\$ 155,870
2016	70,324	10,211	\$ 80,535
2017	72,515	8,020	\$ 80,535
2018	74,973	5,562	\$ 80,535
2019	77,648	2,887	\$ 80,535
Total	\$ 622,398	\$ 102,416	\$ 312,443

Union County, New Mexico
For the Year ended, June 30, 2010

Notes to Financial Statements

Note 9. Budget Reconciliation

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - All governmental fund types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when payable in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The following reconciliation between the Non-GAAP budgetary (cash) basis amounts and the governmental fund financial statements by fund type:

	General Fund	Road Fund	Hospital Mill Levy	Other Governmental Funds	Total
Excess (deficiency) of revenues over expenditures (GAAP Basis)	\$ 712,549	\$ (149,191)	\$ 439,109	\$ (173,692)	\$ 828,775
Adjustments:					-
Receivables (net)	(63,292)	405,189	(6,809)	262,845	597,933
Accounts payable (net)	46,511	9,091		51,069	106,671
Prepaid insurance	947	793		774	2,514
Deferred Revenue	4,023		2,787	(1,894)	4,916
NMFA reserve		(80,137)			(80,137)
Excess (deficiency) of revenues over expenditures (Budget Basis)	<u>\$ 700,738</u>	<u>\$ 185,745</u>	<u>\$ 435,087</u>	<u>\$ 139,102</u>	<u>\$ 1,460,672</u>

Union County, New Mexico
For the Year ended, June 30, 2010

Notes to Financial Statements

Note 10. Interfund Receivables, Payables, and Operating Transfers

The following operating transfers were made between funds:

Major Funds	Operating Transfer <u>In</u>	Operating Transfer <u>Out</u>
General		\$ 200,000
Special Revenue Funds		
Road	200,000	-
		-
Total Major Funds	<u>\$ 200,000</u>	<u>\$ 200,000</u>

A transfer of \$200,000 from the General Fund was made to the Road Fund to fund government services.

Note 11. Operating Leases

As discussed in Note 1, the County is committed under various equipment operating leases (in the Road Fund) which management does not anticipate will be cancelled. The lease agreements do not provide for renewal or purchase options. The County is obligated to properly maintain the equipment and return it in accordance with specified conditions. The lessor must be reimbursed for costs to restore equipment to these specified conditions.

Future minimum operating lease requirements are as follows:

Year ending June 30	
2011	\$ 124,776
2012	111,904
	<u>\$ 236,680</u>

Notes to Financial Statements

Note 12. Conduit Debt Obligations and Hospital Operations

Pursuant to Section 4-48B-1 NMSA 1978, Union County Government and Clayton Health Systems, Inc., a New Mexico Nonprofit corporation, (CHS) entered into an agreement for operations of the county hospital. The terms of the agreement require the nonprofit to operate the hospital to provide health care services to County residents. County Government provides the health care facility and certain equipment for the use of the nonprofit in providing the health care services and has set aside the proceeds of the mill levy collected, pursuant to the Hospital Funding Act, for use by the nonprofit for hospital maintenance and hospital equipment. The term of the agreement extends through November 1, 2029. CHS is an independent entity and not a component unit of County Government.

Union County has entered into a series of four loan agreements with the New Mexico Finance Authority to provide financial assistance to Clayton Health Services, Inc. for the remodeling and construction of the County Hospital. As of June 30, 2010, four loans are outstanding as follows:

2005 Loan Agreement	\$3,106,379
2006 Loan Agreement	1,571,650
2007 Loan Agreement	1,906,690
2009 Loan Agreement	2,211,940
Total Loan agreements outstanding.	\$8,796,659

Simultaneously, with the execution of the loan agreements, the Operating Agreements with CHS were amended to require payment of the loan obligations by CHS from hospital revenues.

The loans are special limited obligations of the County, payable solely from revenues of the hospital and do not constitute indebtedness to the County within the meaning of any State constitutional provision or statutory debt limitation. Nor, do the obligations constitute a charge against County Government's general credit or taxing power and, accordingly, therefore, have not been reported in the accompanying financial statements, pursuant to GASB Codification Section C65.

The County, however, remains contingently liable in the event of default to the extent of its third 1/8th of one percent County Gross Receipts Tax, which is also pledged to secure the loan. This tax is presently committed to the Hospital Indigent Fund, combined with other gross receipts taxes. The

Notes to Financial Statements

Note 12. Conduit Debt Obligations and Hospital Operations, continued

Amount of the third 1/8 County Gross Receipts Tax is not available. So long as the loan is not in default as to any monthly loan payment or the rate covenant as set forth in the loan agreement, the Gross Receipts Tax revenues will not be used for the purpose of loan payments.

The operating agreement between County Government and CHS also requires CHS to pledge its revenues and to directly pay the principal and interest payments required under the loan agreement. In addition, the operating agreement imposes certain other obligations on CHS to include a rate covenant, which requires that rates be established by CHS to produce gross revenues sufficient to pay the annual operation and maintenance expenses and 130% of the aggregate annual debt service requirements payable during the current fiscal year.

In 2007, Union County and Clayton Health Systems entered into a memorandum of understanding in which the County Government agreed to provide a subsidy to the CHS in the amount of the principal and interest payments on the 2007 loan agreement. For the current fiscal year, Union County budgeted a payment of \$159,333 through its debt service fund for this subsidy. The subsidy for FY 2011 is \$159,309.

Union County, New Mexico
For the Year ended, June 30, 2010

Notes to Financial Statements

Note 13. Receivables

Receivables for delinquent property taxes as of June 30, 2010, for the County's General Fund including the applicable allowances for uncollectible accounts and shared taxes, is as follows:

	Property Tax	Shared Tax	Allowance for Uncollectables	Net Taxes Receivable
General Fund	\$ 81,967	\$ 18,521		\$ 100,488
Road Fund		42,185		42,185
Recreation Fund		1		1
Indigent Hospital Fund		41,678		41,678
Correctional Gross Receipts Tax Fund		20,764		20,764
Emergency Service Gross Receipts Tax Fund		20,776		20,776
Reappraisal Fund	1,025			
Hospital Mill Levy Fund	20,083	8,031		28,114
Special Hospital Gross Receipts Tax Fund		44,411		44,411
General Gross Receipts Tax Fund		20,839		20,839
Gross Receipts Tax Reserve Fund		10,420		10,420
	<u>\$ 103,075</u>	<u>\$ 227,626</u>	<u>\$ -</u>	<u>\$ 329,676</u>

Delinquent property taxes receivable includes delinquent property taxes collected for other governmental units that have not been distributed in the amount of \$43,513.

Union County, New Mexico
For the Year ended, June 30, 2010

Notes to Financial Statements

Note 13. Receivables, continued

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 81,967	\$ -

Other receivables as of year end for the government's individual major and non-major funds are as follows:

	General Fund - JAG Grant	DWI State Grant Fund	Total
Accrued Grant Revenue	\$ 11,544	\$ 5,393	\$ 16,937
Total Receivables	<u>\$ 11,544</u>	<u>\$ 5,393</u>	<u>\$ 16,937</u>

All receivables are expected to be collected within one year except property taxes.

Grant revenues are recognized for reimbursable-type grants when all eligibility requirements have been met.

The County has not provided an allowance for uncollectible property tax receivables. Historical collection of property taxes reflects full collection of all taxes.

Certain non-reimbursable grants require reversion of funds not expended within specified time limits. Revenues from these grants are recognized upon receipt. Revenues in which the County is unable to meet the timelines are recognized as liabilities or deferred at the end of the fiscal year.

Other voluntary non-exchange grants are recognized as revenue in the period eligibility requirements have been met.

**Union County, New Mexico
For the Year ended, June 30, 2010**

Notes to Financial Statements

Note 14. Joint Powers Agreements

The County has entered into the following joint powers agreement:

Description:	Joint Communications Center
Purpose:	To operate and maintain a consolidated communications center.
Participants:	Union County, Town of Clayton and Clayton Consolidated School District
Party responsible for operations:	A joint Governing Board to include a County Commissioner, Mayor of Clayton and Superintendent of the Clayton Consolidated School District; Town of Clayton is designated as Controlling Agency.
Beginning date of agreement:	July 20, 2009
Ending date:	Indefinite, may be terminated in 90 days
Total estimated amount of project:	Cost of the project is allocated for FY 2010 as 55% Town of Clayton; Union County - 40% and Clayton Consolidated School District 5%. For subsequent years, the cost allocation is reduced to 35% and 33% for fiscal years 2011 and 2012 respectively. The allocation may be revised on an annual basis.
Amount County contributed in current fiscal year:	\$110,282
Audit responsibility:	Town of Clayton
Fiscal Agent:	Town of Clayton
Name of government where revenues and expenditures are reported:	Town of Clayton

SUPPLEMENTARY INFORMATION

UNION COUNTY, NEW MEXICO

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds			
	Farm and Range Fund	Recreation Fund	Clerk's Fees Fund	Indigent Hospital Fund
ASSETS				
Cash on hand	\$ -	\$ -	\$ -	\$ -
Cash in bank	138	86	24,410	40
Receivables	-	-	-	-
Taxes receivable	-	1	-	41,678
Due from other funds	-	-	-	-
Interest receivable	-	-	-	-
Prepaid insurance	-	-	-	-
Delinquent property taxes receivable	-	-	-	-
Restricted assets	-	-	-	-
Capital assets, net	-	-	-	-
Total assets	\$ 138	\$ 87	\$ 24,410	\$ 41,718
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 800	\$ -
Deferred revenue	-	-	-	-
Compensated absences payable	-	-	-	-
Due to other funds	-	-	-	-
Accrued salary payable	-	-	-	-
Noncurrent liabilities - due within one year	-	-	-	-
Noncurrent liabilities - due in more than one year	-	-	-	-
Total liabilities	-	-	800	-
FUND BALANCE				
Reserved for debt service	-	-	-	-
Designated for subsequent year's expenditures				
Special revenue funds	138	-	23,610	40
Capital projects funds	-	-	-	-
Unreserved, undesignated reported in:				
Special revenue funds	-	87	-	41,678
Capital projects funds	-	-	-	-
Debt service fund	-	-	-	-
Total fund balance	138	87	23,610	41,718
Total liabilities and fund balance	\$ 138	\$ 87	\$ 24,410	\$ 41,718

The accompanying notes are an integral part of these financial statements

Special Revenue Funds

Capulin Fire District Fund	Sedan Fire District Fund	Amistad and Hayden Fire District Fund	Rabbit Ear Fire District Fund	Grenville Fire District Fund
\$ -	\$ -	\$ -	\$ -	\$ -
134,172	169,520	151,260	171,900	45,694
-	-	-	-	-
-	-	-	-	-
57	100	204	100	60
2,927	3,052	2,944	3,438	2,835
-	-	-	-	-
-	30,000	-	-	14,682
-	-	-	-	-
<u>\$ 137,156</u>	<u>\$ 202,672</u>	<u>\$ 154,408</u>	<u>\$ 175,438</u>	<u>\$ 63,271</u>
\$ 851	\$ 1,653	\$ 856	\$ 718	\$ 215
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
851	1,653	856	718	215
-	30,000	-	-	14,682
136,305	171,019	153,552	174,720	48,374
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>136,305</u>	<u>201,019</u>	<u>153,552</u>	<u>174,720</u>	<u>63,056</u>
<u>\$ 137,156</u>	<u>\$ 202,672</u>	<u>\$ 154,408</u>	<u>\$ 175,438</u>	<u>\$ 63,271</u>

UNION COUNTY, NEW MEXICO

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds			
	Capulin EMS Fund	Amistad and Hayden EMS Fund	Correction Fees Fund	DWI State Grant Fund
ASSETS				
Cash on hand	\$ -	\$ -	\$ -	\$ -
Cash in bank	636	7,242	48,615	5,329
Receivables	-	-	-	5,393
Taxes receivable	-	-	-	-
Due from other funds	-	-	-	-
Interest receivable	-	-	-	-
Prepaid insurance	-	-	-	-
Delinquent property taxes receivable	-	-	-	-
Restricted assets	-	-	-	-
Capital assets, net	-	-	-	-
Total assets	\$ 636	\$ 7,242	\$ 48,615	\$ 10,722
LIABILITIES				
Accounts payable	\$ 260	\$ -	\$ -	\$ 844
Deferred revenue	-	-	-	-
Compensated absences payable	-	-	-	-
Due to other funds	-	-	-	-
Accrued salary payable	-	-	-	1,166
Noncurrent liabilities - due within one year	-	-	-	-
Noncurrent liabilities - due in more than one year	-	-	-	-
Total liabilities	260	-	-	2,010
FUND BALANCE				
Reserved for debt service	-	-	-	-
Designated for subsequent year's expenditures				
Special revenue funds	376	7,242	35,000	5,329
Capital projects funds				
Unreserved, undesignated reported in:				
Special revenue funds	-	-	13,615	3,383
Capital projects funds	-	-	-	-
Debt service fund	-	-	-	-
Total fund balance	376	7,242	48,615	8,712
Total liabilities and fund balance	\$ 636	\$ 7,242	\$ 48,615	\$ 10,722

The accompanying notes are an integral part of these financial statements

Special Revenue Funds

Re-appraisal Fund	Law Enforcement Grant Fund	Emergency Services General Gross Receipts Tax	GRT Reserve Fund	Fire Marshall Fund
\$ -	\$ -	\$ -	\$ -	\$ -
55,000	-	43,847	523,002	68,465
-	-	-	-	-
-	-	20,775	10,420	-
-	-	-	-	-
9	-	-	795	1
-	-	-	-	-
1,028	-	-	-	-
-	-	-	-	-
<u>56,037</u>	<u>-</u>	<u>64,622</u>	<u>534,217</u>	<u>68,466</u>
\$ 9	\$ -	\$ 17,781	\$ -	\$ 204
792	-	-	-	-
-	-	-	-	-
-	-	-	-	-
343	-	1,736	-	662
-	-	-	-	-
-	-	-	-	-
<u>1,144</u>	<u>-</u>	<u>19,517</u>	<u>-</u>	<u>866</u>
-	-	-	-	-
6,746	-	43,139	150,000	67,600
48,147	-	1,966	384,217	-
-	-	-	-	-
-	-	-	-	-
<u>54,893</u>	<u>-</u>	<u>45,105</u>	<u>534,217</u>	<u>67,600</u>
<u>\$ 56,037</u>	<u>\$ -</u>	<u>\$ 64,622</u>	<u>\$ 534,217</u>	<u>\$ 68,466</u>

UNION COUNTY, NEW MEXICO

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds			
	Correctional Gross Receipts Fund	General Gross Receipts Tax Fund	Special Hospital Gross Receipts Tax Fund	Legislature Appropriations
ASSETS				
Cash on hand	\$ -	\$ -	\$ -	\$ -
Cash in bank	339,098	442,352	195,418	11,628
Receivables	-	-	-	-
Taxes receivable	20,764	20,839	44,411	-
Due from other funds	-	-	-	-
Interest receivable	210	312	-	-
Prepaid insurance	-	-	-	-
Delinquent property taxes receivable	-	-	-	-
Restricted assets	-	-	-	-
Capital assets, net	-	-	-	-
Total assets	\$ 360,072	\$ 463,503	\$ 239,829	\$ 11,628
LIABILITIES				
Accounts payable	\$ 17,256	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
Compensated absences payable	-	-	-	-
Due to other funds	-	-	-	-
Accrued salary payable	-	-	-	-
Noncurrent liabilities - due within one year	-	-	-	-
Noncurrent liabilities - due in more than one year	-	-	-	-
Total liabilities	17,256	-	-	-
FUND BALANCE				
Reserved for debt service	-	-	-	-
Designated for subsequent year's expenditures				
Special revenue funds	53,000	-	239,829	-
Capital projects funds	-	-	-	-
Unreserved, undesignated reported in:				
Special revenue funds	289,816	463,503	-	11,628
Capital projects funds	-	-	-	-
Debt service fund	-	-	-	-
Total fund balance	342,816	463,503	239,829	11,628
Total liabilities and fund balance	\$ 360,072	\$ 463,503	\$ 239,829	\$ 11,628

The accompanying notes are an integral part of these financial statements

Special Revenue Funds	Capital Projects Fund	Debt Service Fund	
Health Council	Capital Improvements/ Emergency	Debt Service Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ -
4,000	180,481	14	2,622,347
-	-	-	5,393
-	-	-	158,888
-	-	-	-
-	43	-	1,891
-	-	-	15,196
-	-	-	1,028
-	-	-	44,682
-	-	-	-
<u>\$ 4,000</u>	<u>\$ 180,524</u>	<u>\$ 14</u>	<u>\$ 2,849,425</u>
\$ 7,000	\$ -	\$ -	\$ 48,447
-	-	-	792
-	-	-	-
-	-	-	-
-	-	-	3,907
-	-	-	-
-	-	-	-
7,000	-	-	53,146
-	-	-	44,682
-	-	-	-
-	-	-	1,316,019
-	47,500	-	47,500
-	-	-	-
(3,000)	-	-	1,255,040
-	133,024	-	133,024
-	-	14	14
(3,000)	180,524	14	2,796,279
<u>\$ 4,000</u>	<u>\$ 180,524</u>	<u>\$ 14</u>	<u>\$ 2,849,425</u>

UNION COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2010

	Special Revenue Funds			
	Farm and Range Fund	Recreation Fund	Clerk's Fees Fund	Indigent Hospital Fund
Revenue:				
Taxes	\$ -	\$ 7	\$ -	\$ 246,510
Licenses and permits	-	-	-	-
Charges for services	-	-	4,153	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental	16	-	-	-
Investment earnings	-	-	-	-
Contributions and donations	-	-	-	-
Total revenues	16	7	4,153	246,510
Expenditures:				
Current:				
General government	-	-	3,758	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health	-	-	-	262,495
Capital outlay	-	-	-	-
Debt service				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	-	-	3,758	262,495
Excess (deficiency) of revenues over expenditures	16	7	395	(15,985)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources over other financing (uses)	-	-	-	-
Net change in fund balance	16	7	395	(15,985)
	122	80	23,215	57,703
Fund balance, end of year	\$ 138	\$ 87	\$ 23,610	\$ 41,718

The accompanying notes are an integral part of these financial statements

Special Revenue Funds

Capulin Fire District Fund	Sedan Fire District Fund	Amistad and Hayden Fire District Fund	Rabbit Ear Fire District Fund	Grenville Fire District Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
800	135,503	27	154,910	71,050
151,636	190,684	72,028	212,812	57,307
1,040	1,625	1,875	1,887	759
-	-	-	-	-
<u>153,476</u>	<u>327,812</u>	<u>73,930</u>	<u>369,609</u>	<u>129,116</u>
-	-	-	-	-
40,318	35,228	29,418	53,682	26,990
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
71,338	265,038	-	291,310	107,910
-	-	31,416	-	-
-	-	236	-	-
<u>111,656</u>	<u>300,266</u>	<u>61,070</u>	<u>344,992</u>	<u>134,900</u>
41,820	27,546	12,860	24,617	(5,784)
-	100,000	-	50,000	-
-	(100,000)	-	(50,000)	-
-	-	-	-	-
-	-	-	-	-
41,820	27,546	12,860	24,617	(5,784)
<u>94,485</u>	<u>173,473</u>	<u>140,692</u>	<u>150,103</u>	<u>68,840</u>
<u>\$ 136,305</u>	<u>\$ 201,019</u>	<u>\$ 153,552</u>	<u>\$ 174,720</u>	<u>\$ 63,056</u>

UNION COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2010

	Special Revenue Funds			
	Capulin EMS Fund	Amistad and Hayden EMS Fund	Correction Fees Fund	DWI State Grant Fund
Revenue:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	59,088	-
Miscellaneous	-	-	-	-
Intergovernmental	9,088	7,110	-	72,244
Investment earnings	-	-	-	-
Contributions and donations	-	-	-	-
Total revenues	9,088	7,110	59,088	72,244
Expenditures:				
Current:				
General government	-	-	75,314	-
Public safety	8,903	120	-	72,429
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	8,903	120	75,314	72,429
Excess (deficiency) of revenues over expenditures	185	6,990	(16,226)	(185)
Other financing sources (uses):				
Operating transfers in	-	-	-	10,000
Operating transfers (out)	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources over other financing (uses)	-	-	-	10,000
Net change in fund balance	185	6,990	(16,226)	9,815
Fund balance, beginning of year as previously reported	191	252	64,841	(1,103)
Fund balance, end of year	\$ 376	\$ 7,242	\$ 48,615	\$ 8,712

The accompanying notes are an integral part of these financial statements

Special Revenue Funds

Re-appraisal Fund	Law Enforcement Grant Fund	Emergency Services General Gross Receipts Tax	GRT Reserve Fund	Fire Marshall Fund
\$ 26,362	\$ -	\$ 123,801	\$ 61,628	\$ -
-	-	-	-	-
2,327	-	-	-	-
-	-	-	-	-
276	-	62,410	-	21
-	23,000	-	-	64,910
-	-	-	5,358	-
-	-	-	-	-
<u>28,965</u>	<u>23,000</u>	<u>186,211</u>	<u>66,986</u>	<u>64,931</u>
22,269	-	-	69,019	-
-	-	199,469	-	30,427
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,719	23,210	-	-	644
-	-	-	-	-
-	-	-	-	-
<u>25,988</u>	<u>23,210</u>	<u>199,469</u>	<u>69,019</u>	<u>31,071</u>
2,977	(210)	(13,258)	(2,033)	33,860
-	-	-	-	2,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	2,000
2,977	(210)	(13,258)	(2,033)	35,860
<u>51,916</u>	<u>210</u>	<u>58,363</u>	<u>536,250</u>	<u>31,740</u>
<u>\$ 54,893</u>	<u>\$ -</u>	<u>\$ 45,105</u>	<u>\$ 534,217</u>	<u>\$ 67,600</u>

UNION COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2010

	Special Revenue Funds			
	Correctional Gross Receipts Fund	General Gross Receipts Tax Fund	Special Hospital Gross Receipts Tax Fund	Legislature Appropriations
Revenue:				
Taxes	\$ 123,848	\$ 123,256	\$ 249,742	\$ -
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental	-	-	-	-
Investment earnings	2,455	4,259	-	-
Contributions and donations	-	-	-	-
Total revenues	126,303	127,515	249,742	-
Expenditures:				
Current:				
General government	113,455	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health	-	-	108,329	-
Capital outlay	-	-	-	-
Debt service				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	113,455	-	108,329	-
Excess (deficiency) of revenues over expenditures	12,848	127,515	141,413	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	(8,715)	(159,333)	-	(400,000)
Sale of capital assets	-	-	-	-
Total other financing sources over other financing (uses)	(8,715)	(159,333)	-	(400,000)
Net change in fund balance	4,133	(31,818)	141,413	(400,000)
Fund balance, beginning of year as previously reported	338,683	495,321	98,416	411,628
Fund balance, end of year	\$ 342,816	\$ 463,503	\$ 239,829	\$ 11,628

The accompanying notes are an integral part of these financial statements

Special Revenue Funds	Capital Projects Fund	Debt Service Fund	
Health Council	Capital Improvements/ Emergency	Debt Service Fund	Total
\$ -	\$ -	\$ -	\$ 955,154
-	-	-	-
-	-	-	6,480
-	-	-	59,088
-	-	-	424,997
52,250	16,000	-	929,085
-	944	-	20,202
-	-	-	-
52,250	16,944	-	2,395,006
57,500	-	-	341,315
-	-	-	496,984
-	-	-	-
-	-	-	-
-	8,719	-	379,543
-	-	-	763,169
-	-	159,320	190,736
-	-	-	236
57,500	8,719	159,320	2,171,983
(5,250)	8,225	(159,320)	223,023
-	-	159,333	321,333
-	-	-	(718,048)
-	-	-	-
-	-	159,333	(396,715)
(5,250)	8,225	13	(173,692)
2,250	172,299	1	2,969,971
<u>\$ (3,000)</u>	<u>\$ 180,524</u>	<u>\$ 14</u>	<u>\$ 2,796,279</u>

UNION COUNTY, NEW MEXICO

Farm and Range - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Federal:				
Taylor Grazing Act	\$ 25	\$ 16	\$ 16	\$ -
Total revenues	25	16	16	-
Expenditures:				
Current:				
General government				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) revenues over expenditures	25	16	16	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	25	16	16	-
Budgeted cash balance, beginning of year	122	122	122	-
Budgeted cash balance, end of year	\$ 147	\$ 138	\$ 138	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Recreation - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
State shared taxes:				
Cigarette tax (one cent)	\$ 20	\$ 6	\$ 6	\$ -
Total revenues	20	6	6	-
Expenditures:				
Current:				
Culture and recreation				
Regional library	100	-	-	-
Total expenditures	100	-	-	-
Excess (deficiency) revenues over expenditures	(80)	6	6	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(80)	6	6	-
Budgeted cash balance, beginning of year	80	80	80	-
Budgeted cash balance, end of year	\$ -	\$ 86	\$ 86	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Clerk's Fees - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Charges for services:				
Clerk's equipment fees	\$ 4,000	\$ 4,153	\$ 4,153	\$ -
Total revenues	4,000	4,153	4,153	-
Expenditures:				
Current:				
General government				
Equipment - maintenance and repairs	11,950	559	559	-
Contractual	3,300	2,399	2,399	-
Capital outlay	11,950	-	-	-
Total expenditures	27,200	2,958	2,958	-
Excess (deficiency) revenues over expenditures	(23,200)	1,195	1,195	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(23,200)	1,195	1,195	-
Budgeted cash balance, beginning of year	23,215	23,215	23,215	-
Budgeted cash balance, end of year	\$ 15	\$ 24,410	\$ 24,410	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Indigent Hospital - Special Revenue Fund
 Statement of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Taxes - local effort:				
Gross receipts	\$ 350,000	\$ 247,264	\$ 247,264	\$ -
Miscellaneous:				
Recoveries	-	-	-	-
Investment interest	-	-	-	-
Total revenues	350,000	247,264	247,264	-
Expenditures:				
Current:				
Health and welfare				
Office supplies	200	-	-	-
Indigent	-	-	-	-
Sole county provider	240,000	169,587	169,587	-
County supported indigent	125,000	92,908	92,908	-
Total expenditures	365,200	262,495	262,495	-
Excess (deficiency) revenues over expenditures	(15,200)	(15,231)	(15,231)	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(15,200)	(15,231)	(15,231)	-
Budgeted cash balance, beginning of year	15,271	15,271	15,271	-
Budgeted cash balance, end of year	\$ 71	\$ 40	\$ 40	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Capulin Fire District - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Investment interest	\$ -	\$ 988	\$ 988	\$ -
Refund or recoveries	4,000	800	800	-
Sale of county property	-	-	-	-
Grants:				
State:				
State grant	-	100,000	100,000	-
Fire allotment	51,636	51,636	51,636	-
Total revenues	55,636	153,424	153,424	-
Expenditures:				
Current:				
Public safety				
Mileage and per diem	2,000	1,413	1,413	-
Equipment - maintenance and repairs	24,500	23,145	23,145	-
Building - maintenance and repairs	500	-	-	-
Utilities	8,000	7,858	7,858	-
Property and liability insurance	8,000	6,907	6,906	1
Capital outlay	100,044	71,338	71,338	-
Total expenditures	143,044	110,661	110,660	1
Excess (deficiency) revenues over expenditures	(87,408)	42,763	42,764	1
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Sale of county property	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(87,408)	42,763	42,764	1
Budgeted cash balance, beginning of year	91,408	91,408	91,408	-
Budgeted cash balance, end of year	\$ 4,000	\$ 134,171	\$ 134,172	\$ 1

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Sedan Fire District
 Statement of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Refunds or recoveries	\$ 4,000	\$ 133,508	\$ 133,508	\$ -
Interest income	-	1,606	1,606	-
Grants:				
State:				
Fire allotment	92,420	92,420	92,420	-
Fire grant	-	128,264	128,264	-
Total revenues	96,420	355,798	355,798	-
Expenditures:				
Current:				
Public safety				
Mileage and per diem	4,500	1,121	1,121	-
Equipment repairs	20,000	17,754	17,754	-
Building repair/maintenance	2,500	-	-	-
Utilities	10,000	6,744	6,743	1
Property and liability insurance	7,500	7,157	7,157	-
Capital outlay	292,455	265,038	265,038	-
Total expenditures	336,955	297,814	297,813	1
Excess (deficiency) revenues over expenditures	(240,535)	57,984	57,985	1
Other financing sources (uses):				
Operating transfers in	-	-	100,000	(100,000)
Operating transfers (out)	-	-	(100,000)	100,000
Sale of county property	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(240,535)	57,984	57,985	1
Budgeted cash balance, beginning of year	111,535	111,535	111,535	-
Budgeted cash balance, end of year	\$ (129,000)	\$ 169,519	\$ 169,520	\$ 1

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Amistad and Hayden Fire District
 Statement of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Refunds or recoveries	\$ 4,000	\$ 44	\$ 44	\$ -
Interest income	-	1,744	1,744	-
Grants:				
State:				
Fire allotment	72,028	72,028	72,028	-
Fire grant	-	1,331	1,331	-
Total revenues	76,028	75,147	75,147	-
Expenditures:				
Current:				
Public safety				
Mileage and per diem	500	50	50	-
Equipment repairs	6,000	3,183	3,183	-
Building repairs/maintenance	2,000	-	-	-
Utilities	18,500	18,422	18,422	-
Property and liability insurance	7,000	6,942	6,941	1
Capital outlay	142,737	-	-	-
Total expenditures	176,737	28,597	28,596	1
Excess (deficiency) revenues over expenditures	(100,709)	46,550	46,551	1
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Proceeds from NMFA Loan	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(100,709)	46,550	46,551	1
Budgeted cash balance, beginning of year	104,709	104,709	104,709	-
Budgeted cash balance, end of year	\$ 4,000	\$ 151,259	\$ 151,260	\$ 1

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Rabbit Ear Fire District
 Statement of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Refunds or recoveries	\$ 4,000	\$ 149,048	\$ 149,048	\$ -
Donations	-	3,684	3,684	-
Interest income	-	1,805	1,805	-
Grants:				
State:				
Fire allotment	112,812	112,812	112,812	-
Fire grant	-	100,000	100,000	-
Total revenues	116,812	367,349	367,349	-
Expenditures:				
Current:				
Public safety				
Mileage and per diem	6,900	6,510	6,510	-
Equipment repairs	40,000	21,617	21,617	-
Building repairs	600	657	657	-
Utilities	12,000	12,005	12,005	-
Property and liability insurance	7,950	7,929	7,930	(1)
Postage	50	-	-	-
Printing/publishing	50	-	-	-
Training mileage and per diem	1,000	488	488	-
Operating expense	3,500	3,302	3,302	-
Capital outlay	334,312	291,310	291,310	-
Total expenditures	406,362	343,818	343,819	(1)
Excess (deficiency) revenues over expenditures	(289,550)	23,531	23,530	(1)
Other financing sources (uses):				
Operating transfers in	-	-	50,000	50,000
Operating transfers (out)	-	-	(50,000)	(50,000)
Sale of county property	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(289,550)	23,531	23,530	(1)
Budgeted cash balance, beginning of year	148,370	148,370	148,370	-
Budgeted cash balance, end of year	<u>\$ (141,180)</u>	<u>\$ 171,901</u>	<u>\$ 171,900</u>	<u>\$ (1)</u>

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Grenville Fire District - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Investment interest	\$ -	\$ 692	\$ 692	\$ -
Refund or recoveries	4,000	70,000	70,000	-
Sale of county property	-	-	-	-
State grant:				
Fire allotment	51,636	51,636	51,636	-
Fire grant	-	20,329	20,328	(1)
Total revenues	55,636	142,657	142,656	(1)
Expenditures:				
Current:				
Public safety				
Mileage and per diem	2,000	383	383	-
Equipment - maintenance and repairs	22,000	12,261	12,261	-
Buildings - maintenance and repair	2,500	-	-	-
Utilities	6,500	6,399	6,399	-
Property and liability insurance	7,000	6,724	6,724	-
Capital outlay	118,351	107,910	107,910	-
Total expenditures	158,351	133,677	133,677	-
Excess (deficiency) revenues over expenditures	(102,715)	8,980	8,979	(1)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Sale of county property	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(102,715)	8,980	8,979	(1)
Budgeted cash balance, beginning of year	36,715	36,715	36,715	-
Budgeted cash balance, end of year	<u>\$ (66,000)</u>	<u>\$ 45,695</u>	<u>\$ 45,694</u>	<u>\$ (1)</u>

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Capulin Emergency Medical Service - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Refund or recoveries	\$ -	\$ -	\$ -	\$ -
State grant:				
Emergency medical services	8,825	9,088	9,088	-
Total revenues	8,825	9,088	9,088	-
Expenditures:				
Current:				
Public safety				
Mileage and per diem	3,700	3,552	3,552	-
Equipment - maintenance and repairs	1,300	1,252	1,252	-
Tools and supplies	4,260	4,014	4,014	-
Total expenditures	9,260	8,818	8,818	-
Excess (deficiency) revenues over expenditures	(435)	270	270	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(435)	270	270	-
Budgeted cash balance, beginning of year	366	366	366	-
Budgeted cash balance, end of year	\$ (69)	\$ 636	\$ 636	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Amistad and Hayden Emergency Medical Service - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
State grant:				
Emergency medical services	\$ 7,400	\$ 7,110	\$ 7,110	\$ -
Total revenues	7,400	7,110	7,110	-
Expenditures:				
Current:				
Public safety				
Mileage and per diem	1,583	50	50	-
Equipment - maintenance and repairs	1,000	70	70	-
Capital outlay	2,000	-	-	-
Tools and supplies	3,000	-	-	-
Total expenditures	7,583	120	120	-
Excess (deficiency) revenues over expenditures	(183)	6,990	6,990	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(183)	6,990	6,990	-
Budgeted cash balance, beginning of year	252	252	252	-
Budgeted cash balance, end of year	\$ 69	\$ 7,242	\$ 7,242	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Correctional Fees - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Correction fees	\$ 40,000	\$ 59,088	\$ 59,088	\$ -
Total revenues	40,000	59,088	59,088	-
Expenditures:				
Current:				
Public safety				
Care of prisoners	2,000	706	706	-
Juvenile detention expense	10,000	7,875	7,875	-
Jail agreement	106,000	80,228	80,228	-
Total expenditures	118,000	88,809	88,809	-
Excess (deficiency) revenues over expenditures	(78,000)	(29,721)	(29,721)	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(78,000)	(29,721)	(29,721)	-
Budgeted cash balance, beginning of year	78,336	78,336	78,336	-
Budgeted cash balance, end of year	\$ 336	\$ 48,615	\$ 48,615	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

DWI Grant - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Investment interest	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	813	813	-
State grant:				
DWI grant	70,000	65,027	65,027	-
Total revenues	70,000	65,840	65,840	-
Expenditures:				
Current:				
Public safety				
Full-time salaries	15,550	15,558	15,558	-
FICA	1,337	1,120	1,120	-
PERA	2,391	2,401	2,401	-
Retiree health care	397	208	208	-
Health insurance (70%)	2,600	2,261	2,261	-
Workmen's compensation	10	5	5	-
Training, mileage and per diem	9,500	9,149	9,149	-
Office supplies	5,871	4,543	4,543	-
Contractual	33,365	27,498	27,498	-
Operating expense	9,372	8,166	8,166	-
Prevention	650	646	646	-
Distribution refund	1,825	1,824	1,824	-
Total expenditures	82,868	73,379	73,379	-
Excess (deficiency) revenues over expenditures	(12,868)	(7,539)	(7,539)	-
Other financing sources (uses):				
Operating transfers in	-	-	10,000	10,000
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	10,000	10,000
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(12,868)	(7,539)	2,461	10,000
Budgeted cash balance, beginning of year	2,868	2,868	2,868	-
Budgeted cash balance, end of year	<u>\$ (10,000)</u>	<u>\$ (4,671)</u>	<u>\$ 5,329</u>	<u>\$ 10,000</u>

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Reappraisal - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Taxes:				
Current property taxes	\$ 25,000	\$ 25,735	\$ 25,735	\$ -
Delinquent property taxes	1,000	560	560	-
Charges for services:				
Reappraisal fees	-	2,327	2,327	-
Miscellaneous:				
Interest	-	267	267	-
Total revenues	26,000	28,889	28,889	-
Expenditures:				
Current:				
General government				
Full-time salaries	7,862	8,721	8,721	-
Temporary salaries	7,500	7,000	7,000	-
FICA	1,175	1,142	1,142	-
PERA	1,259	1,378	1,378	-
Retiree health care	201	136	136	-
Group insurance 70%	2,020	1,774	1,774	-
Workmen's compensation	9	6	6	-
Mileage and per diem	3,000	1,409	1,409	-
Car expense	800	41	41	-
Equipment rental and lease	1,725	1,525	1,525	-
Office supplies	500	375	375	-
Postage	500	78	78	-
Record books	100	-	-	-
Capital outlay	9,000	3,719	3,719	-
Total expenditures	35,651	27,304	27,304	-
Excess (deficiency) revenues over expenditures	(9,651)	1,585	1,585	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(9,651)	1,585	1,585	-
Budgeted cash balance, beginning of year	53,415	53,415	53,415	-
Budgeted cash balance, end of year	\$ 43,764	\$ 55,000	\$ 55,000	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Law Enforcement Protection - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
State grants:				
Law Enforcement Fund	\$ 23,000	\$ 23,000	\$ 23,000	\$ -
Sale of county property	-	-	-	-
Total revenues	23,000	23,000	23,000	-
Expenditures:				
Current:				
Public safety				
Mileage and per diem	-	-	-	-
Capital outlay	23,210	23,210	23,210	-
Total expenditures	23,210	23,210	23,210	-
Excess (deficiency) revenues over expenditures	(210)	(210)	(210)	-
Other financing sources (uses):				
Operating transfers in				-
Operating transfers (out)				-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(210)	(210)	(210)	-
Budgeted cash balance, beginning of year	210	210	210	-
Budgeted cash balance, end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Emergency Services Governmental Gross Receipts Tax - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
State shared taxes:				
General gross receipts	\$ 97,000	\$ 124,212	\$ 124,211	\$ (1)
Miscellaneous				
Reimbursements to County	-	67,413	67,413	-
Total revenues	97,000	191,625	191,624	(1)
Expenditures:				
Current:				
Public safety				
Full-time salaries	47,000	46,616	46,616	-
Capulin EMS	3,500	99	99	-
Retiree health care act	635	630	630	-
PERA	7,205	7,463	7,463	-
FICA	3,443	3,454	3,454	-
Health insurance (70%)	3,500	3,427	3,427	-
Workmen's comp	10	9	9	-
Folsom EMS	-	-	-	-
Des Moines EMS	12,500	12,500	12,500	-
Grenville EMS	3,500	3,500	3,500	-
Clayton EMS	7,500	7,500	7,500	-
MCI trailer	5,000	237	237	-
EMS pickup	5,000	1,705	1,705	-
Ambulance and social services	-	-	-	-
Joint commission agreement	104,450	95,704	95,705	(1)
Total expenditures	203,243	182,844	182,845	(1)
Excess (deficiency) revenues over expenditures	(106,243)	8,781	8,779	(2)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(106,243)	8,781	8,779	(2)
Budgeted cash balance, beginning of year	35,068	35,068	35,068	-
Budgeted cash balance, end of year	\$ (71,175)	\$ 43,849	\$ 43,847	\$ (2)

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Gross Receipts Tax Reserve - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
State shared taxes:				
General gross receipts	\$ 97,000	\$ 61,816	\$ 61,816	\$ -
Miscellaneous:				
Refund or recoveries	-	-	-	-
Fees or reimbursements	-	-	-	-
Investment income	-	4,934	4,934	-
Total revenues	97,000	66,750	66,750	-
Expenditures:				
Current:				
General Government				
Contractual	400,000	69,019	69,019	-
Building - maintenance and repairs	-	-	-	-
Total expenditures	400,000	69,019	69,019	-
Excess (deficiency) revenues over expenditures	(303,000)	(2,269)	(2,269)	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(303,000)	(2,269)	(2,269)	-
Budgeted cash balance, beginning of year	525,271	525,271	525,271	-
Budgeted cash balance, end of year	\$ 222,271	\$ 523,002	\$ 523,002	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Fire Marshall - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Refunds and recoveries	\$ -	\$ 3,870	\$ 3,870	\$ -
Interest	-	62	62	-
State grant:				
State allotment	51,636	51,636	51,636	-
State grant	-	13,274	13,274	-
Total revenues	51,636	68,842	68,842	-
Expenditures:				
Current:				
Public safety				
Part-time salaries	20,000	20,054	20,054	-
Postage	1,500	-	-	-
Printing and publishing	500	-	-	-
Utilities	2,500	664	664	-
Capital outlay	39,527	644	644	-
FICA	1,990	1,545	1,545	-
Workmen's compensation	10	9	9	-
Membership dues	2,000	-	-	-
Operating expense	6,000	3,875	3,875	-
Non-capital purchases	10,000	1,090	1,090	-
Safety equipment	12,000	694	694	-
Office supplies	4,000	759	759	-
Training mileage and per diem	2,500	1,934	1,934	-
Total expenditures	102,527	31,268	31,268	-
Excess (deficiency) revenues over expenditures	(50,891)	37,574	37,574	-
Other financing sources (uses):				
Operating transfers in	2,000	2,000	2,000	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	2,000	2,000	2,000	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(48,891)	39,574	39,574	-
Budgeted cash balance, beginning of year	28,891	28,891	28,891	-
Budgeted cash balance, end of year	\$ (20,000)	\$ 68,465	\$ 68,465	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Corrections Gross Receipts Tax - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Interest	\$ -	\$ 2,508	\$ 2,508	\$ -
Taxes:				
Gross receipts tax	72,000	124,276	124,276	-
Total revenues	72,000	126,784	126,784	-
Expenditures:				
Current:				
General government				
Jail agreement	150,000	86,800	86,800	-
Part-time salaries	2,000	-	-	-
Training mileage	4,500	170	170	-
Care of prisoners	10,750	9,930	9,929	1
Juvenile detention expense	7,500	1,557	1,557	-
Workmen's compensation	10	-	-	-
FICA	240	-	-	-
Total expenditures	175,000	98,457	98,456	1
Excess (deficiency) revenues over expenditures	(103,000)	28,327	28,328	1
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	(8,715)	(8,715)	-
Total other financing sources (uses)	-	(8,715)	(8,715)	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(103,000)	19,612	19,613	1
Budgeted cash balance, beginning of year	319,485	319,485	319,485	-
Budgeted cash balance, end of year	\$ 216,485	\$ 339,097	\$ 339,098	\$ 1

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Governmental Gross Receipts Tax General - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
State shared taxes:				
General gross receipts	\$ 97,000	\$ 123,632	\$ 123,632	\$ -
Total revenues	97,000	123,632	123,632	-
Expenditures:				
Current:				
General government				
Contractual	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) revenues over expenditures	97,000	123,632	123,632	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	(159,333)	(159,333)	(159,333)	-
Total other financing sources (uses)	(159,333)	(159,333)	(159,333)	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(62,333)	(35,701)	(35,701)	-
Budgeted cash balance, beginning of year	473,580	473,580	473,580	-
Budgeted cash balance, end of year	\$ 411,247	\$ 437,879	\$ 437,879	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Special Hospital Gross Receipts Tax - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Gross receipts tax	\$ 420,000	\$ 248,033	\$ 248,033	\$ -
Total revenues	420,000	248,033	248,033	-
Expenditures:				
Current:				
Health and welfare				
Operating expense	370,300	108,329	108,329	-
Total expenditures	370,300	108,329	108,329	-
Excess (deficiency) revenues over expenditures	49,700	139,704	139,704	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	49,700	139,704	139,704	-
Budgeted cash balance, beginning of year	55,714	55,714	55,714	-
Budgeted cash balance, end of year	<u>\$ 105,414</u>	<u>\$ 195,418</u>	<u>\$ 195,418</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Legislature Appropriations - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Appropriations Revenue:				
Hospital #2260	\$ -	\$ -	\$ -	\$ -
Hospital Appropriation #340	-	226,981	226,981	-
Receipts	500,000	-	-	-
Hospital #393	-	-	-	-
Total revenues	500,000	226,981	226,981	-
Expenditures:				
Current:				
General government				
Contractual	(25,000)	-	0	-
Total expenditures	(25,000)	-	-	-
Excess (deficiency) revenues over expenditures	525,000	226,981	226,981	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	(400,000)	(400,000)	(400,000)	-
Total other financing sources (uses)	(400,000)	(400,000)	(400,000)	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	125,000	(173,019)	(173,019)	-
Budgeted cash balance, beginning of year	184,647	184,647	184,647	-
Budgeted cash balance, end of year	\$ 309,647	\$ 11,628	\$ 11,628	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Collaborative Health Council - Special Revenue Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
State grants:				
Grant funds	\$ 60,000	\$ 52,250	\$ 52,250	\$ -
Fees and reimbursements	-	-	-	-
Total revenues	60,000	52,250	52,250	-
Expenditures:				
Current:				
Health and welfare				
Contractual	67,500	55,750	55,750	-
Total expenditures	67,500	55,750	55,750	-
Excess (deficiency) revenues over expenditures	(7,500)	(3,500)	(3,500)	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(7,500)	(3,500)	(3,500)	-
Budgeted cash balance, beginning of year	7,500	7,500	7,500	-
Budgeted cash balance, end of year	\$ -	\$ 4,000	\$ 4,000	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Capital Improvements/Emergency - Capital Projects Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Refund or recoveries	\$ 15,000	\$ -	\$ -	\$ -
Fees and reimbursements	50,000	16,000	16,000	-
Investment interest	5,000	901	901	-
Total revenues	70,000	16,901	16,901	-
Expenditures:				
Current:				
General government				
Courthouse repairs	75,000	-	-	-
Buildings repair and maintenance	50,000	-	-	-
Contractual	25,000	16,163	16,163	-
Total expenditures	150,000	16,163	16,163	-
Excess (deficiency) revenues over expenditures	(80,000)	738	738	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	(80,000)	738	738	-
Budgeted cash balance, beginning of year	179,743	179,743	179,743	-
Budgeted cash balance, end of year	\$ 99,743	\$ 180,481	\$ 180,481	\$ -

The accompanying notes are an integral part of these financial statements

UNION COUNTY, NEW MEXICO

Debt Service - Debt Service Fund
 Schedule of Revenue, Expenditures and Changes in Budgetary Cash
 Budget and Actual (Non-GAAP Budgetary Basis)
 June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous:				
Refund or recoveries	\$ -	\$ -	\$ -	\$ -
Fees and reimbursements	-	-	-	-
Investment interest	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Debt Service:				
Principal	159,333	159,320	159,320	-
Interest	-	-	-	-
Total expenditures	159,333	159,320	159,320	-
Excess (deficiency) revenues over expenditures	(159,333)	(159,320)	(159,320)	-
Other financing sources (uses):				
Operating transfers in	159,333	159,333	159,333	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	159,333	159,333	159,333	-
Excess (deficiency) revenues and other financing sources (uses) over expenditures	-	13	13	-
Budgeted cash balance, beginning of year	1	1	1	-
Budgeted cash balance, end of year	\$ 1	\$ 14	\$ 14	\$ -

The accompanying notes are an integral part of these financial statements

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UNION COUNTY, NEW MEXICO

Budget Reconciliation
 Nonmajor Governmental Funds
 For the year ended June 30, 2010

	Special Revenue Funds			
	Farm and Range Fund	Recreation Fund	Clerk's Fees Fund	Indigent Hospital Fund
Excess (deficiency) of revenues over expenditures (GAAP Basis)	\$ 16	\$ 7	\$ 395	\$ (15,985)
Adjustments				
Receivables (net)		(1)		754
Accounts payable (net)			800	
Prepaid insurance				
Deferred Revenue				
Excess (deficiency) of revenues over expenditures (Budget Basis)	<u>\$ 16</u>	<u>\$ 6</u>	<u>\$ 1,195</u>	<u>\$ (15,231)</u>

	Special Revenue Funds			
	Capulin EMS Fund	Amistad and Hayden EMS Fund	Correction Fees Fund	DWI State Grant Fund
Excess (deficiency) of revenues over expenditures (GAAP Basis)	\$ 185	\$ 6,990	\$ (16,226)	\$ 9,815
Adjustments				
Receivables (net)				(8,228)
Accounts payable (net)	85		(13,495)	(950)
Prepaid insurance				
Deferred Revenue				1,824
Excess (deficiency) of revenues over expenditures (Budget Basis)	<u>\$ 270</u>	<u>\$ 6,990</u>	<u>\$ (29,721)</u>	<u>\$ 2,461</u>

	Special Revenue Funds			
	Correctional Gross Receipts Fund	General Gross Receipts Tax Fund	Special Hospital Gross Receipts Tax Fund	Legislature Appropriations
Excess (deficiency) of revenues over expenditures (GAAP Basis)	\$ 4,133	\$ (31,818)	\$ 141,413	\$ (400,000)
Adjustments				
Receivables (net)	481.00	(3,883.00)	(1,709.00)	226,981.00
Accounts payable (net)	14,999.00			
Prepaid insurance				
Deferred Revenue				
Excess (deficiency) of revenues over expenditures (Budget Basis)	<u>\$ 19,613</u>	<u>\$ (35,701)</u>	<u>\$ 139,704</u>	<u>\$ (173,019)</u>

The accompanying notes are an integral part of these financial statements

Special Revenue Funds

Capulin Fire District Fund	Sedan Fire District Fund	Amistad and Hayden Fire District Fund	Rabbit Ear Fire District Fund	Grenville Fire District Fund
\$ 41,820	\$ 27,546	\$ 12,860	\$ 24,617	\$ (5,784)
(52)	27,986	1,217	(2,260)	13,540
771	2,429	32,331	949	1,065
225	24	143	224	158
<u>\$ 42,764</u>	<u>\$ 57,985</u>	<u>\$ 46,551</u>	<u>\$ 23,530</u>	<u>\$ 8,979</u>

Special Revenue Funds

Re-appraisal Fund	Law Enforcement Grant Fund	Emergency Services General Gross Receipts Tax	GRT Reserve Fund	Fire Marshall Fund
\$ 2,977	\$ (210)	\$ (13,258)	\$ (2,033)	\$ 35,860
(146)		5,413	(236)	1,911
(1,316)		16,624		(197)
70				
<u>\$ 1,585</u>	<u>\$ (210)</u>	<u>\$ 8,779</u>	<u>\$ (2,269)</u>	<u>\$ 37,574</u>

Special Revenue Funds	Capital Projects Fund	Debt Service Fund	
Health Council	Capital Improvements/Emergency	Debt Service Fund	Total
\$ (5,250)	\$ 8,225	\$ 13	\$ (173,692)
	(43)		261,725.00
1,750.00	(7,444)		48,401
			774
			<u>1,894</u>
<u>\$ (3,500)</u>	<u>\$ 738</u>	<u>\$ 13</u>	<u>\$ 139,102</u>

SUPPORTING SCHEDULES

UNION COUNTY, NEW MEXICO
Schedule of Changes in Assets and Liabilities
Agency Funds
June 30, 2010

	Beginning of Year Balance	Additions	Deletions	End of Year Balance
<u>ASSETS</u>				
Cash - Clayton Municipal School	\$ 5,593	311,157	(306,472)	\$ 10,278
Cash - Des Moines Municipal School	1,356	268,721	(265,733)	4,344
Cash - Springer Municipal School	-	7,651	(7,268)	383
Cash - Luna Vo. Tech	-	2,070	(1,973)	97
Cash - Taxes paid in advance	-	72	-	72
Cash - Pre-billed livestock	106,109	-	(96,485)	9,624
Cash - Taxes paid under protest	-	0	-	-
Cash - Town of Clayton	3,344	115,936	(113,881)	5,399
Cash - Village of Des Moines	297	9,144	(9,248)	193
Cash - Village of Folsom	29	3,413	(3,440)	2
Cash - Village of Grenville	23	2,767	(2,789)	1
Cash - State of New Mexico	2,560	312,123	(309,640)	5,043
Other Trust accounts	258			258
Interest Receivable	-		-	-
Shared taxes receivable	35,317	4,724	(35,317)	4,724
Total assets	\$ 154,886	\$ 1,037,778	\$ (1,152,246)	\$ 40,418
<u>LIABILITIES</u>				
Deposits held for others	\$ 154,886	\$ 1,037,778	\$ (1,152,246)	\$ 40,418
Total liabilities	\$ 154,886	\$ 1,037,778	\$ (1,152,246)	\$ 40,418

UNION COUNTY, NEW MEXICO
 Bank Reconciliation - All Accounts
 For the Year Ended June 30, 2010

Bank Name	June 30, 2010 Bank Statement Balance	Outstanding Deposits	Outstanding Checks	June 30, 2010 Book Balance
The First National Bank of New Mexico - Clayton, New Mexico:				
Checking Account:				
Union County Treasurer	\$ 1,217,268		\$ (76,768)	\$ 1,140,500
Certificate of Deposits:				
Union County Treasurer	600,000			600,000
Union County Treasurer	600,000			600,000
Union County Treasurer	400,000			400,000
Union County Treasurer	300,000			300,000
Union County Treasurer	200,000			200,000
The Farmers and Stockmens Bank - Clayton, New Mexico:				
Checking Account:				
Union County Treasurer and Tax Coll - Reba Boyd - Treasurer	624,381	20,863	(1,043)	644,201
Union County Treasurer				
Certificate of Deposits:				
Union County Treasurer and Tax Coll	600,000			600,000
Union County Treasurer and Tax Coll	600,000			600,000
Union County Treasurer and Tax Coll	500,000			500,000
Union County Treasurer and Tax Coll	300,000			300,000
				-
Subtotal	5,941,649	20,863	(77,811)	5,884,701
Cash on hand	250			250
Total	\$ 5,941,899	\$ 20,863	\$ (77,811)	\$ 5,884,951
Governmental activities				\$ 5,849,257
Fiduciary funds				35,694
Total				\$ 5,884,951

UNION COUNTY, NEW MEXICO
 Tax Distribution
 For the Year Ended June 30, 2010

Detail Tax Distribution

County:		
General Fund	\$	1,114,301
Reappraisal		26,295
Hospital		533,472
Special:		
Luna Vocational Tech.		2,070
Municipalities		
Town of Clayton		115,937
Village of Des Moines		9,143
Village of Folsom		3,413
Village of Grenville		2,767
State:		
State Levy		148,599
Cattle Levy		161,505
Equine Levy		781
Sheep - Goat Levy		7
Schools:		
District 1 - Clayton		252,198
District 22 - Des Moines		268,723
District 49 - Springer		7,651
		<hr/>
	\$	<u>2,646,862</u>

STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF PLEDGED COLLATERAL
TO SECURE THE DEPOSITS OF PUBLIC FUNDS
June 30, 2010

The First National Bank of New Mexico
201 Main Street
Clayton, New Mexico 88415

Security	CUSIP	Maturity Date	Market Value	Par Value
FHLB	276785UA8	4/1/2014	\$ 222,316.00	\$ 200,000.00
FHLB	085279PH4	8/1/2017	322,475.00	300,000.00
FHLB	085279PK7	8/1/2019	156,775.13	150,000.00
FHLB	433866DF4	4/15/2023	51,439.72	50,000.00
FHLB	433866PH0	4/15/2016	259,010.83	250,000.00
FHLB	781336AF9	6/1/2011	138,133.80	135,000.00
FHLB	922382BZ8	8/1/2016	101,152.83	95,000.00
FHLB	891400LL5	7/15/2011	73,371.12	70,000.00
FHLB	013595LM3	8/1/2022	104,651.67	100,000.00
FHLB	013595LM3	8/1/2022	156,977.50	150,000.00
FHLB	311441JE0	9/1/2011	\$ 127,735.83	\$ 125,000.00
Total			<u>\$ 1,714,039.43</u>	<u>\$ 1,625,000.00</u>

The pledged securities are held in safekeeping at the Federal Home Loan Bank of Dallas at 8500 Freeport Parkway South, Suite 100, Irving Texas.

Farmer's & Stockmen's Bank
P.O. Box 488
Clayton, New Mexico 88415

Security	CUSIP	Maturity Date	Market Value	Par Value
FHLB	3133XDTA9	12/10/2010	\$ 306,210.00	\$ 300,000.00
FHLB	3133XDTA9	12/10/2010	489,936.00	480,000.00
FFCB	31331X2Q4	9/4/2013	442,880.00	400,000.00
Espanola PSD 45 Rio Al	296628BV1	7/1/2012	154,725.00	150,000.00
Total			<u>\$ 1,393,751.00</u>	<u>\$ 1,330,000.00</u>

The pledged securities are held in safekeeping at the Federal Home Loan Bank of Dallas at 8500 Freeport Parkway South, Suite 100, Irving Texas.

UNION COUNTY, NEW MEXICO
 Tax Roll Reconciliation - Changes in Property Taxes Receivable
 For the Year Ended June 30, 2010

Property taxes receivable, beginning of year	\$ 83,471
Changes to tax roll:	
Total taxes charged to treasurer for fiscal year	2,654,085
Adjustments:	
Increases in taxes receivable	30,561
Charge off of taxes receivables	(34,495)
	<hr/>
Total receivables prior to collection	2,733,622
Collections for fiscal year ended June 30, 2010	2,646,862
	<hr/>
State P & I Fund	16,318
Property taxes receivable, end of year	<u>103,078</u>
	<hr/>
Net property tax receivable, end of year	<u>\$ 103,078</u>
Property taxes receivable by years:	
2009	\$ 77,906
2008	20,269
2007	3,647
2006	899
2005	39
2004	1
2003	1
2002	1
Administration	<u>315</u>
Total	<u>\$ 103,078</u>

**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**

R. Kelly McFarland

Certified Public Accountant
A Professional Corporation

Member American Institute
of Certified Public Accountants



314 South 2nd Street • Post Office Box 1044 • Tucumcari, New Mexico 88401 • (575) 461-1195

Fax: (575) 461-1198 • www.mcfarlandcpa.com • Email: mcfarland@mcfarlandcpa.com

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

Members of the Board of Union County Commissioner
Union County
Clayton, NM
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, NM

I was engaged to audit the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds of Union County, New Mexico, and the financial statements of each of the County's nonmajor governmental and fiduciary funds presented as supplementary information in the combining and individual fund financial statements and related budgetary comparisons as of and for the year ended June 30, 2010, and have issued my report thereon dated November 12, 2010 in which I disclaim an opinion of the financial statements resulting from limitations in the scope of my audit such that I was unable to apply auditing procedures to satisfy myself about the County's Capital Asset Fund, beginning balances of all funds as the prior years audit was an adverse opinion due to inadequate records, misclassification of revenues and unrecorded material revenues and expenses. The limitation in the scope of my audit precludes the conduct of my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses: Finding Nos. 2010-01; 2010-03; 2010-06; 2010-07; 2010-08; 2008-02; and, 2008-04.

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. I consider the deficiencies described in the accompanying Schedule of Findings and Response to be significant deficiencies: Findings Nos. 2010-02; 2010-05; 2008-01;

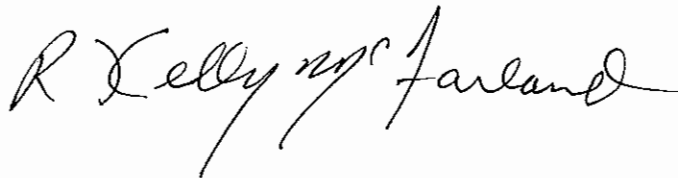
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union County, New Mexico's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2010-09; 2010-08; 2006-05; 2007-10; and 2008-08.

I also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16 and pursuant to Section 12-6-5 NMSA 1978, which are described in the accompanying Schedule of Findings and Responses as items: Nos. 2010-04 and 2010-05.

Union County, New Mexico's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Responses. I did not audit the County's response and, accordingly, I express no opinion on it.

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

A handwritten signature in black ink, reading "R Kelly M Farland". The signature is written in a cursive style with a large, sweeping initial "R".

November 12, 2010

Schedule of Findings and Responses

**CURRENT YEAR FINDINGS
INTERNAL CONTROL OVER FINANCIAL REPORTING**

Finding 2010-01

Documentation of Payroll and Cash Disbursement Procedures

Condition - I noted that internal control procedures for payroll and cash disbursements do not include the use of checklists to ensure the completeness of these processes or some documentation that the process has been reviewed by another person.

Criteria - One of the elements of the COSO Integrated Framework of Internal Control is the monitoring function. Monitoring ensures that control activities, designed to ensure management's objectives are achieved to mitigate risk of misstatement or misappropriation, continue to operate effectively. Monitoring includes the use of checklists, completed by the preparer and the reviewer to ensure the accuracy of procedures, the completeness of the process is accomplished and that key controls are performed.

Effect - The failure to implement a monitoring process places Union County Government at risk of inaccurately prepared reports, improperly prepared payroll, budgetary compliance, a breakdown in internal controls and misstatement of the financial statements.

Cause - Management has not formally identified the key controls necessary to ensure accuracy and completeness of reports, compliance with laws and regulations and integrated these into the system of internal controls.

Recommendation - I recommend that management identify the key controls for payroll and cash disbursements processes. These key controls should be incorporated into a checklist to be signed or initialed by the preparer and reviewer for each process.

Management's Response - Management concurs with the recommendation.

Finding 2010-02

Reconciliation of Payroll Reports to Financial Reporting

Condition - I noted an instance in which an employee's salary was reflected as \$46,681 on the computer prepared payroll summary; however, the general ledger reflects a salary of \$46,653. This indicates the payroll reports have not been reconciled to the general ledger.

Criteria - Internal control processes require the accuracy of reporting of financial information.

Effect - Union County is at risk for misstatement of the financial statements, compliance with the budget, inaccurate reporting of payroll and payroll taxes to federal and state governments. County Government is also at risk for fines for payroll reporting errors and time consuming amendments to payroll reports inaccurately prepared.

Schedule of Findings and Responses

Finding 2010-02

Reconciliation of Payroll Reports to Financial Reporting, continued

Cause - The monitoring process as discussed in Finding 2010-01 does not include procedures to reconcile payroll reports to the general ledger.

Recommendation - I recommend that key control procedures discussed in Finding 2010-01 include the reconciliation of the computer prepared payroll reports to the amounts recorded in the general ledger. Management should bring this to the attention of Triadic, the software provider, to assist in determining why payroll is improperly reported.

Management's Response - Management concurs with the recommendation.

Finding 2010-03

Grant Accounting

Condition - A ledger of reimbursable grant receivables is not maintained. I noted reimbursable grants from the prior year in the amount of \$102,227 that were not recognized for fiscal year 2009 that were received in fiscal year 2010.

Criteria - Generally Accepted Accounting Principles require that reimbursable type grant receivables be recognized on the books of account, when the criteria for recognition have been met.

Effect - Financial statements are misstated as information is not available to record grant receivables when GAAP basis financial statements are prepared.

Cause- As the books of account are maintained on a cash basis, receivables are not recorded when billed to the grantor. Grant proceeds are recognized as revenue when received. A process to control the billed grants receivable has not been developed.

Recommendation - Since the cash basis accounting system is not structured to recognize receivables, I recommend grant reimbursements receivable be maintained in a separate accounts receivable ledger. This ledger should be available for review by the auditor to facilitate the recording of grant receivables. The ledger should also be used to account for grant proceeds received in advance, that do not meet the criteria for revenue recognition. The advance unearned grants proceeds must be available for the auditor as well, to assist you in recording deferred revenues for the conversion of your cash basis system to accrual.

Management's Response - Management concurs with the recommendation.

Schedule of Findings and Responses

Finding 2010-04

Negative Cash Balances

Condition - The Grenville Fire Department had a negative cash balance of \$14,306 in its share of the County pooled demand deposit accounts at June 30, 2010. Deposits in July of 2010 brought the balance positive from receipt of allotments from the State Fire Marshall.

Criteria - Each County fund is a self balancing set of accounts with its own budget. Expenditures in excess of the resources of the fund must necessarily be borrowed from other funds in the pooled demand deposit account. The loan from one fund to another should be approved by the Board of Commissioners.

Effect - The Grenville Fire Department used the resources of other county departments to earn interest on CD as the CD purchased was in excess of the funds resources.

Cause - The Treasurer "over invested" to purchase a CD for the Grenville Fire Department as a result of an automatic renewal of the CD.

Recommendation - I recommend the Treasurer develop a control system over CD investments and renewals. Additionally, I recommend that departments and Fire Departments in particular, provide the Treasurer with a projection of cash requirements on a monthly basis, or at least notify the Treasurer when expenditures of a fund may exceed usual expenditures, to enable the Treasurer to maximize the investment of County Funds and preclude negative cash balances.

Management's Response - Management concurs with the recommendation.

Finding 2010-05

Allocation of Interest Income

Condition - Interest earned by the County's pooled checking account is primarily allocated to the general fund, rather than to all the funds who earn the interest. Interest income of the year amounted to \$62,328.

Criteria - A substantial number of County Funds are legally restricted for specific purposes; therefore, interest earned on investments must be allocated to the fund that earns the interest.

Effect - Interest earnings of other County Funds is effectively transferred to the General Fund with out an approved budget.

Cause - The Treasurer does not have a method of properly allocating the interest earnings of each fund.

Recommendation - I recommend the Treasurer contact the software provider, Triadic, to request a report providing the average checking account balances for all funds on a monthly or quarterly basis, in Excel form. Using this Excel report, the Treasurer can easily allocate the interest on the basis of average balances.

Management's Response - Management concurs with the recommendation.

**Union County New Mexico
For the Year Ended June 30, 2010**

Schedule of Findings and Responses

Finding 2010-06

New Mexico Finance Authority Intercept Payments

Condition - Payments on New Mexico Finance Authority loans (intercept payments), withheld from tax revenues and related expenditures for debt service in the amount of \$70,081 were not recorded or included in the FY 2010 budget.

Criteria - Loan payments withheld from tax revenues by the New Mexico Department of Taxation and Revenue are no different than payments for which checks are written. Generally accepted accounting principles require the recording of all expenditures and revenues of the government, which are also subject to normal budgetary requirements.

Effect - Revenues of the withheld tax revenues and expenditures of the loan payments were not recorded, misstating the financial statements.

Cause - The cash basis accounting system does not have a method of recording revenues not received in cash or expenses not paid in cash.

Recommendation - I recommend that management discuss with software provider, Triadic, a method of recording intercept payments or record the revenues and payments by journal entry.

Management's Response - Management concurs with the recommendation.

Finding 2010-07

Revenue Classification

Condition - Material revenues, primarily from grants and loans were recorded in accounts classified as "reimbursements" or miscellaneous, rather than the proper revenue account for particular revenue. Among these amounts was a loan from the New Mexico Finance Authority in the amount of \$1,020,378.

Criteria - Generally accepted accounting principles require that revenues be recorded in such a manner as to identify the source of the revenue for management and budgetary control.

Effect - Revenues are not classified such that users of the financial statements can effectively use the financial information. Additionally, the improper revenue classification does not facilitate the preparation of financial statements in accordance with generally accepted accounting principles.

Cause - Accounts have not been set up during the budget process to record grant and loan proceeds. Additional revenues are therefore credited to a miscellaneous revenue account or "reimbursements".

Recommendation - I recommend that revenue accounts be set up during the budget process for anticipated revenues. If additional grants are awarded after the beginning of the year, a budget resolution will be necessary to budget the revenue which may require an appropriate revenue account. New revenue accounts to properly reflect the loan proceeds from new loans may be necessary as well for loans received after the initial budget is prepared.

Management's Response - Management concurs with the recommendation.

**Union County New Mexico
For the Year Ended June 30, 2010**

Schedule of Findings and Responses

Finding 2010-08

Bank Loans - Hospital Revenue Loans

Condition - During FY 2010, Union County Government adopted ordinances authorizing a loan to Clayton Health Systems, Inc., the nonprofit operator of the County Hospital, of up to \$1,000,000 and a separate loan of \$300,000 from the First National Bank of New Mexico. The \$1,000,000 loan was secured by the proceeds of a loan from the New Mexico Finance Authority, pending at the time. Both loans were further secured by the Special County Hospital Gross Receipts Tax. Neither loan was not offered to the New Mexico Finance Authority or for public bid, nor was an interest rate or other costs provided in the resolutions. Although the intent was for Clayton Health Systems, Inc. to repay the loans, the liability of Union County for repayment is not limited by explicit language. The Resolutions require that "proceeds which are currently held by Union County (Special County Hospital Gross Receipts Tax).....and those proceeds which are received by Union County each month thereafter shall be promptly paid over upon receipt by Union County each month by instruments made jointly payable to Clayton Health Systems, Inc. and The First National Bank of New Mexico.... until paid in full."

In December of 2007, Union County Government entered into a Memorandum of Understanding (MOU) with Clayton Health Systems, Inc., (CHS) in which Union County agreed to "pay to CHS an amount equal to that portion of the applicable Operating Agreement Payment, constituting the payment due pursuant to the 2007 Loan Agreement." There is no identified revenue source for the payment. Although the intent of the parties was for the payment to be a subsidy to CHS, the language of the MOU does not reiterate that Union County has no liability for the 2007 Loan Agreement obligation; however, the payment to Clayton Health Systems, Inc., as provided in the MOU, is budgeted as debt service in the FY 2010 budget, rather than a subsidy to CHS.

Finally, the Union County Government has pledged a portion of its gross receipts tax toward payment of the bonds as permitted by Section 4-62-1 through 4-62-10, but only if the loans are in default. So long as payments on the bonds by CHS are current, the County has no obligation to make any payments on the bonds.

In general, County officials are confused as to the responsibility of Union County for revenue loans from the New Mexico Finance Authority, secured solely by the revenues to the hospital, by the non profit operator, Clayton Health Services, Inc.

Criteria - Article IX of the New Mexico Constitution places certain restrictions on County Governments to incur indebtedness. Specifically, the Constitution limits the County to incurring indebtedness to general obligations bonds.

Chapter 4, NMSA 1978 authorizes county governments to issue revenues bonds to finance Hospitals and other improvements. Revenue bonds are collectible only from the pledged revenues, not from other sources. Counties are specifically authorized to issue revenue bonds to for certain purposes; however, the revenues Counties are authorized to pledge are limited by Section 4-62-1, NMSA 1978. The County pledged the Special County Hospital Gross Receipts Tax to secure the loans from First National Bank of New Mexico; however, Section 4-62-1. J appears to only authorize the pledging of the County Hospital Emergency Gross Receipts Tax, a separate tax authorized by another statute.

Schedule of Findings and Responses

Finding 2010-08

Bank Loans - Hospital Revenue Loans, continued

Section 4-62-4 appears to authorize the sale of revenue bonds only to the New Mexico Finance Authority.

GASB Codification C65 provides that Conduit Debt Obligations are limited-obligation revenue bonds issued for the purpose of providing capital financing for a specific third party, not included in the financial reporting entity. GASB Accounting Standards permit optional reporting of the debt on the financial statements of the issuer or only disclosure of the transaction in the financial statements of the issuer. Loan guarantees are reported in accordance with GASB Codification C50.150

Effect - The loan transactions of Union County are very complex in the legal requirements for issuing the debt as well as the equally complex accounting requirements to account for the debt. The County may have compliance violations in participating in a bank loan that was not offered to the New Mexico Finance Authority or put out to public bid as well as pledging revenue from the Special County Hospital Gross Receipts Tax that may not be authorized.

Additionally, as the County has chosen not to reflect the conduit debt on its financial statements, budgeting the payments to Clayton Health Services, as debt service is inconsistent with not reporting the debt. Preparation of government wide financial statements are made more difficult as the debt service budgeted cannot be applied to the NMFA Hospital loans as the debt is not recorded.

Finally, management must carefully consider its relationship with CHS as the closer the relationship becomes, the more likely is the prospect of CHS becoming a component unit of the County Government. Additionally, as the loan agreements have gone to great lengths to ensure that Union County is not responsible for debt of the hospital, inadvertent language in agreements and actions of the County with the hospital could obligate the County for obligations of CHS.

Cause - The County does not appear to have had advisors on these transactions that solely represented the interests of Union County or who understood all facets of the incredibly complex transaction to properly advise the County Officials. The advisors appear to also represent Clayton Health Services, Inc. and the lender, whose interest may not be the same as County Government.

Recommendation - I recommend management request a legal opinion from the County's legal counsel to determine if state statutes were violated in authorizing the loan from the First National Bank of New Mexico and if the County had the authority to pledge the revenues of the Special Hospital Gross Receipts Tax. Additionally, I recommend that Union County adopt procedures for issuing debt which provide for the advice and review of competent counsel that only represents the interest of the County, to ensure compliance with state statutes and limits the obligations of County Government. Finally, I recommend a review of the accounting requirements by a CPA familiar with state statutes and the accounting requirements to advise the County on proper accounting for complex debt issues.

Management's Response - Management concurs with the recommendation.

**Union County New Mexico
For the Year Ended June 30, 2010**

Schedule of Findings and Responses

**COMPLIANCE AND OTHER MATTERS
CURRENT YEAR FINDINGS**

Finding 2010-09

Timely Submission of Fire Fund Carryover Requests

Condition - The request to carryover unexpended Fire Protection Fund amounts to the 2011 fiscal year were not timely filed.

Criteria - The New Mexico Fire Marshall's office in their FY 2011 letter advises that requests to carryover any unexpended funds must be submitted in writing by August 16, 2010.

Effect - The County Fire Departments are at risk for not being permitted to carryover unexpended funds to the FY 2011 year.

Cause - As discussed in Finding 2010-01, County Government does not use written checklists and planning documents to ensure timely submission of reports.

Recommendation - I recommend written checklists be developed for budgeting procedures, to include the carryover of fire funds to ensure the timely submission of requests for carryover. I further recommend the development of a suspense calendar, which all reports could be reflected to ensure timely submission.

Management's Response - Management concurs with the recommendation.

**Union County New Mexico
For the Year Ended June 30, 2010**

Schedule of Findings and Responses

COMPLIANCE AND OTHER MATTERS

PRIOR YEAR FINDINGS – Unresolved and repeated in this report

Finding 2006-05

Property Tax Schedule

Condition -The Treasurer is unable to prepare the "Property Tax Schedule" as required the NM State Auditor Rule which reflects: the property tax levy, amount collected in current year, amount collected to date, distributed in current year, distributed to date, current amount uncollectible, to date amount uncollectible and receivable at year end, al by entity.

Criteria - New Mexico State Auditor Rule Section 2.2.2.12 D (2) requires this information to be presented as a supplementary schedule on the annual audit report.

Effect - The financial statements are not in compliance with the requirements of the New Mexico State Auditor.

Cause - The software system used by County Government does not readily provide the information to prepare the report.

Recommendation - I recommend the County Treasurer request assistance from the software provider, Triadic, to design a report to prepare the Property Tax Schedule.

Managements Response - Management concurs with the recommendation. Some progress has been made in obtaining the information to prepare the report.

Finding 2008-01

Financial Statements and Disclosures

Condition - The auditor prepares the financial statements. The staff lacks accounting knowledge and training to prepare the financial statements. The auditor was required to gather the information to convert the cash basis general ledger to the accrual basis.

Criteria - Auditing Standards, SAS 109 and 112 establish standards for management to establish internal controls to ensure all accounting processes, including financial reporting and effective oversight.

Effect - As County personnel do not have the ability to prepare the financial statements, there is a risk of misstatement of the financial statements.

Cause - County personnel have not received adequate accounting training.

Partially cleared - The staff provided the auditors with most of the required data to convert the cash basis system to accrual. The Yellow Book, (Government Auditing Standards) permits the auditor to prepare the financial statements as long as the client has the accounting knowledge to be responsible for financials. One of the members of the Board of Commissioners is a former Bank Director and has had training in reviewing financial statements.

**Union County New Mexico
For the Year Ended June 30, 2010**

Schedule of Findings and Responses

Finding 2008-01

Financial Statements and Disclosures, continued

Recommendation - I recommend that accounting personnel take advantage of any training provided by the Association of Counties or the Department of Finance and Administration, to continue to improve and increase accounting knowledge.

Management Response - Management concurs with the recommendation.

Finding 2008-02

Accounting deficiencies

During the prior fiscal year, the following deficiencies regarding the County's accounting activity were noted:

Condition - The County failed to record transactions related to expenditures for remodeling of the County Hospital, by Clayton Health Services, Inc., a nonprofit operator of the hospital.

Cleared - The County issued revenue loans to the NM Finance Authority, which constitutes conduit debt obligations pursuant to Section C65 of GASB Codification. The County is not required to record the expenditures as the remodeling is not an asset of the county pursuant to the definitions of assets as reflected in Appendix B, GASB Concepts Statement 4 as it does not exercise control of the capital assets. Further, as the assets are recorded on the books of the nonprofit, Concepts 4 provides that the assets may not be simultaneously an asset of more than one entity.

Condition - Debt reserve funds held by NMFA related primarily to hospital revenue loans were not recorded.

Partially cleared - As discussed above, the revenue loans to NMFA do not constitute debt of the County Government; therefore, the related reserve funds would not be assets; however, Union County also has other loans, some of which may include debt reserve funds, held by NMFA. Amounts held by NMFA for related debt have not been recorded. In particular, NMFA deposits withheld for fiscal year 2010 loans.

Condition - Volunteer Fire Departments of the County maintain funds for the Fire Departments that are not controlled by the County Treasurer.

Not cleared - The Volunteer Fire Departments have considered their organizations to be non profit organizations for many years; however, the Departments apparently have never been incorporated or obtained a determination letter as a 501 (c) (4) organizations. Source of funds is unknown, but believed to be from dues of members and donations. For fiscal year 2010, I noted a bank account, apparently for the Grenville Fire Department in the amount of \$5380, styled in the name of the Union County Treasurer, that was not recorded or controlled by the County and in fact was unknown to the Treasurer.

Schedule of Findings and Responses

Finding 2008-02

Accounting deficiencies, continued

Condition - Management failed to prepare a schedule of receivables, payables and accrued wages by department.

Partially Cleared - Management provided auditors with most information to record accruals, except for grant receivables.

Condition - The County failed to reconcile the capital asset subsidiary ledger with the general ledger or to reconcile or record all capital outlay acquisitions to the subsidiary capital asset ledger.

Not cleared - See Finding 2008-04

Condition - Advances for intergovernmental projects not expended, were not recorded as deferred revenues. Requests for reimbursements were not filed timely, nor were reporting requirements to grantors filed by the deadlines.

Not cleared - This finding is repeated as Findings 2010-03 2010-09.

Criteria - Statements on Auditing Standards 109 provides that internal control is a process by which management and those charged with governance achieve reasonable assurance on the entity's objectives over financial reporting, effectiveness and efficiency of operations and compliance with laws and regulations. Appropriate controls over accounting processes are necessary for deficiency discussed above to achieve reasonable assurance the financial statements are not misstated.

Effect - The accounting deficiencies are not sufficient to preclude misstatement of the financial statements.

Cause - The County does not have in place systems and processes to provide reasonable assurance that financial statements are not misstated.

Recommendation - I recommend management develop processes and procedures to achieve its financial reporting objective. Specific recommendations on developing internal control processes are discussed at recommendations for Finding 2008-01.

With respect to accounts of Fire Departments not controlled by the Treasurer, I recommend, that the County adopt a policy to require that these organizations use a name that distinguishes them from a part of County Government. Additionally, the organization should make clear to anyone making donations that the Volunteer Fire Department is not a part of the County Government and that contributions the Volunteer organization are not tax deductible. Only donations made to the County Treasurer are tax deductible, if accepted by the County Commission. For the account apparently of Grenville Fire Department, I recommend the County Treasurer take control of this account, if or until, the Fire Department can provide proof satisfactory to the County Commission that the account is not the property of Union County.

Management's Response - Management concurs with the recommendation.

Schedule of Findings and Responses

Finding 2008-04

Deficiencies in capital asset records

In the prior fiscal year, the following deficiencies regarding capital assets were noted:

Condition - Capital outlay expenditures are not reconciled to the subsidiary capital asset ledger.

Not cleared. Capital outlay expenditures as reflected in the general ledger during Fiscal Year 2010 amounted to \$1,430,828 while additions to the capital asset subsidiary ledger were only \$672,220.

Condition - The County does not communicate with the Hospital nonprofit regarding amounts expended on hospital capital equipment purchased from mill levy funds or maintain a subsidiary ledger of mill levy equipment.

Not cleared. The auditor discussed with the County capital asset clerk and the hospital administrator a suggested method of coordinating this effort and identifying assets acquired from mill levy funds, separately from the nonprofit's own equipment.

Condition - Acquisition dates in the Capital Asset subsidiary ledger were incorrect.

Cleared. The acquisition dates were corrected.

Current year (FY 2010) Condition - During the current fiscal year, the County conducted a complete inventory of capital assets and adjusted the capital asset ledger by the sum of \$10,107,298. The differences in the assets identified in the inventory and the original balances as reflected in the capital asset ledger were not reconciled.

The County's policy is to include in the capital asset inventory assets with a cost of over \$750.

Criteria - Title 2 , Chapter 20 Part 1, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Controls* of the New Mexico State Administrative Code, requires governments to implement systematic and well documented systems to account for capital assets.

Section 12-6-10 NMSA 1978 requires governments to capitalize only chattels and equipment with a cost of over \$5000.

Effect - Because reconciliations of capital assets records have not been performed, it is not possible to rely on the balances of capital assets reflected in the capital asset ledger.

Cause - The County has not implemented a system of controls to account for its capital assets. In addition, GASB 34 has never been fully implemented. Infrastructure assets prior to July 1, 2004, the effective date of recognition required by Phase 3 governments, have been included on the capital asset subsidiary ledger.

Recommendation - Accounting for capital assets is a major undertaking, such that in my view, the County is not adequately staffed to develop the control system, perform the reconciliations

Schedule of Findings and Responses

Finding 2008-04

Deficiencies in capital asset records, continued

and perform annual inventory of the capital assets, as well as address their current duties. I recommend that County Government engage an outside consultant experienced in accounting systems for local governments in accordance with GASB 34. The consultant could be a CPA or perhaps another government, who uses the Triadic system. The process should begin with structuring the system of controls and reconciliation processes, to include the use of the Triadic computer system, to develop an effective method of accounting for capital assets. The process should also focus on the infrastructure assets required to be recorded by GASB 34. The County may also want to consider the modified approach, which provides alternatives to depreciation for infrastructure assets. Finally, I recommend the County update its capitalization policy to comply with the \$5000 minimum as provided by statute. The policy should apply prospectively as of June 17, 2005. Capital assets acquired prior to this date should not be removed from the capital asset list. The State Auditor encourages governments to maintain a separate list of accountable assets costing less than \$5000.

Management's response - Management concurs with the recommendation.

Finding 2007-10

Bank Depositories

Condition - County bank deposits were not deposited to the area banks in the ratio as provided by state law by an amount of \$430,220 or 7.24% of total deposit.

Criteria - Section 6-10-36 NMSA 1978 requires local governments to deposit funds to banks within the County, in the ratio that each bank's deposits bear to the total deposits for all County banks.

Effect - The County is not in compliance with state law.

Cause - The Treasurer does not have an effective monitoring system in place to assure compliance.

Recommendation - I recommend the Treasurer develop a worksheet to determine the ratio requirements on a monthly or quarterly basis. The proper deposit ratio can be achieved at the end of an accounting period by transferring the required deposits from one bank to another, based on the worksheet ratio monitoring.

Management concurs with the recommendation.

**Union County New Mexico
For the Year Ended June 30, 2010**

Schedule of Findings and Responses

Finding 2008-08

Procurement Violations

During the prior fiscal year, the following procurement violations were noted:

Condition - County Government did not participate in the procurement process for hospital improvements which were contracted by Clayton Health Services, Inc., a nonprofit operating the hospital.

Cleared - This condition is considered cleared as the hospital remodeling was performed by Clayton Health Services, Inc., pursuant to the operating agreement with the County for hospital operations.

Condition - Procurement by the hospital nonprofit using mill levy funds was not supervised by County Management to ensure compliance with the NM Procurement code. For fiscal year 2010 Mill Levy proceeds of \$24,000 were disbursed to the Clayton Health Services, Inc., on the basis of a detailed request by the Hospital. While the list included prices paid, it did not include evidence as to the best obtainable price.

Condition - Competitive sealed bids for fuel and a fuel tank were not obtained (fiscal year 2009).

For the 2010 fiscal year, the County did not request bids for fuel until February 2010, but, had no response from any vendor. Fuel was purchased using a credit card at a local vendor, determined to be the best available price. A second request for fuel bids was not sent out. Management was of the understanding that the fuel purchases were from a state purchase approved vendor, but, did not provide the auditor with such evidence at the time of audit. No other procurement violations were noted.

Condition - Written quotes were not obtained for police care radios and five laptops.

Cleared - No instances were noted in which written quotes required by County Policy were not obtained.

Criteria - Section 13-1-102 NMSA requires all procurement be made by competitive sealed bid except for small purchases, sole source procurement, emergency procurement certain antipoverty programs and existing federal (GSA) contracts. Section 13-1-131 requires that if no bids are received on the first request for bids, then a second bid request should be made. If no bids are received a second time, the government may negotiate for the best obtainable price.

Section 4-48B-13 provides that mill levy funds used by a County hospital, leased pursuant to the Hospital Funding Act, are still subject to state law regarding procurement.

Effect - County Government is in technical violation of the Procurement Code.

Recommendation - Due to the volatile prices of fuel, fuel vendors are reluctant to bid fuel for a fixed price. I recommend that the County contact the State of New Mexico General Services Department for assistance in bidding fuel or other difficult to bid items for assistance. Fuel or

Schedule of Findings and Responses

Finding 2008-08

Procurement Violations, continued

other items purchased using an existing state purchase contract must be fully documented. I also recommend that for procurement using Mill Levy funds that the Hospital provide all the documentation as required by the County's Procurement Policy, or have available for examination by the auditor.

Management concurs with the recommendation.

Schedule of Findings and Responses

COMPLIANCE AND OTHER MATTERS
PRIOR YEAR FINDINGS – Resolved and not repeated in this report

Finding 2007-09

Performing Physical Inventory of Capital Assets.

Condition - A physical inventory of capital assets was not performed.

Cleared - An inventory was performed during the current year.

Finding 2008-05

Capital Assets - Inventory Control Numbers

Condition - Tangible personal property was not identified by an inventory control tax number.

Cleared - Tags were placed on County property over \$5,000.

Finding 2008-12

Travel and Per Diem

Condition - Per Diem rate was calculated incorrectly.

Condition - Travel vouchers were not signed by department head or supervisor.

Condition - Travel expenses were reimbursed for employees who did not provide proper receipts.

Cleared - All per diem exceptions of the prior year were cleared.

Finding 2008-13

Special Revenue Funds Authority

Condition - The Fire Marshall Fund was created without authority.

Cleared - The County Commission authorized the Fire Marshall Fund by County Resolution 98-19.

**Union County New Mexico
For the Year Ended June 30, 2010**

Schedule of Findings and Responses

Finding 2006-09

Budgetary Compliance

Condition - Expenditures from the conduit County hospital revenue loans to Clayton Health Systems, Inc. were not budgeted.

Cleared. As these expenditures were made by Clayton Health Systems, Inc., pursuant to the Operating Agreement between the non profit and the County as provided by Section 4-48B NMSA 1978, budgeting by the County was not required.

Condition - Expenditures of the County Volunteer Fire Department organizations were unknown to County Government, but were not budgeted.

Cleared - Management believes these organizations are not a part of County Government, but, are private organizations. See finding 2008-02

EXIT CONFERENCE

An exit conference was held in which these matters were discussed on November 13, 2010 with County Commission Chairman, Richard Arguello, County Treasurer, Kay Arnett, County Manager, Angie Gonzales and R. Kelly McFarland, CPA, in attendance in the County Manager's Office in Clayton, New Mexico.

FINANCIAL STATEMENT PRESENTATION

The auditing firm, R. Kelly McFarland, CPA, PC, prepared the financial statements of Union County as of June 30, 2010, from the books and records of the County. The financial statements, including notes and disclosures were reviewed and accepted by County Government Management.