

**STATE OF NEW MEXICO
UNION COUNTY**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2016

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UNION COUNTY
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**STATE OF NEW MEXICO
UNION COUNTY
OFFICIAL ROSTER
JUNE 30, 2016**

Elected Officials

Justin Bennett Commission Chairman
Walter C. Hall..... Commission Member
W. Carr Vincent..... Commission Member
Frankie Aragon Assessor
Mary Lou Harkins..... Clerk
James Lobb Sheriff
Brandy Thompson..... Treasurer
Leslie Taylor Probate Judge

Administrative Staff

Angie Gonzales..... County Manager

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www.fierrocpa.comIndependent Auditors' ReportTimothy Keller, State Auditor
and
Board of County Commissioners
Union County
Clayton, New Mexico**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Union County, New Mexico (County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the County's nonmajor governmental funds and the budgetary comparisons for all the nonmajor funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Union County General Hospital, a component unit of the County, which represent 57.85 percent, 47.53 percent, and 68.56 percent, respectively, of the assets, net position and revenues of the County and Union County General Hospital. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Union County General Hospital, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Union County, as of June 30, 2016, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for all the nonmajor governmental funds for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require the schedule of the County's proportionate share of the net pension liability and the schedule of the County's contributions on pages ninety-three through ninety-seven be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the County's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of vendor information for purchases exceeding \$60,000 (excluding GRT) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Fierro & Fierro, P.A." in a cursive script.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

October 28, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
UNION COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

| | Primary Government | |
|---|------------------------------------|---------------------------|
| | <u>Governmental Activities</u> | <u>Component Unit</u> |
| Assets | | |
| Cash | \$ 4,761,246 | \$ 3,094,255 |
| Receivables, net | 442,461 | 2,351,492 |
| Inventories | - | 170,148 |
| Prepaid expenses | 47,525 | 87,340 |
| Restricted cash | 95,365 | 1,491,414 |
| Restricted investments | 67,314 | - |
| Other assets | - | 24,056 |
| Capital assets: | | |
| Land and construction in progress | 348,347 | 361,242 |
| Other capital assets, net of depreciation | <u>6,148,584</u> | <u>9,228,367</u> |
| Total capital assets | <u>6,496,931</u> | <u>9,589,609</u> |
| Total assets | 11,910,842 | 16,808,314 |
| Deferred Outflows of Resources | | |
| Pension related | <u>337,703</u> | - |
| Total assets and deferred outflows of resources | <u>\$ 12,248,545</u> | <u>\$ 16,808,314</u> |
| Liabilities | | |
| Accounts payable | \$ 242,704 | 429,878 |
| Accrued salaries | 33,602 | 128,379 |
| Accrued interest payable | 4,096 | - |
| Accrued payroll taxes | - | 6,314 |
| Estimated third-party payor settlements | - | 1,639,456 |
| Long-term liabilities: | | |
| Due within one year | 167,632 | 788,124 |
| Due in more than one year | 877,679 | 5,736,808 |
| Net pension liability | <u>1,942,285</u> | - |
| Total liabilities | 3,267,998 | 8,728,959 |
| Deferred Inflows of Resources | | |
| Pension related | 61,337 | - |
| Net Position | | |
| Net investment in capital assets | 5,510,839 | 3,184,741 |
| Restricted for: | | |
| Debt service | 162,679 | - |
| State mandated per statutes | 198,272 | - |
| Temporary - hospital | - | 50,000 |
| Unrestricted | <u>3,047,420</u> | <u>4,844,614</u> |
| Total net position | <u>8,919,210</u> | <u>8,079,355</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 12,248,545</u> | <u>\$ 16,808,314</u> |

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

STATE OF NEW MEXICO
UNION COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | Component Unit |
| | | | | | Governmental Activities | |
| Primary Government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 1,110,076 | \$ 48,514 | \$ 515,385 | \$ 35,503 | \$ (510,674) | - |
| Public safety | 1,540,975 | 50,376 | 526,358 | - | (964,241) | - |
| Public works | 1,658,168 | 5,135 | 454,221 | 110,000 | (1,088,812) | - |
| Health and welfare | 1,294,404 | 27,500 | 73,579 | - | (1,193,325) | - |
| Interest on long-term debt | 29,100 | - | - | - | (29,100) | - |
| Total primary government | <u>\$ 5,632,723</u> | <u>\$ 131,525</u> | <u>\$ 1,569,543</u> | <u>\$ 145,503</u> | (3,786,152) | - |
| Component Unit: | | | | | | |
| Business-type activities: | | | | | | |
| Health and welfare | <u>\$ 12,713,372</u> | <u>\$ 6,597,083</u> | <u>\$ 1,123,698</u> | <u>\$ -</u> | | \$ (4,992,591) |
| General revenues: | | | | | | |
| Gross receipts taxes | | | | | 1,034,613 | 4,819,779 |
| Property taxes, levied for general purposes | | | | | 1,354,276 | - |
| Property taxes, levied for hospital operations | | | | | 645,627 | 735,101 |
| Public service taxes | | | | | 807,160 | - |
| Interest income | | | | | 32,516 | - |
| Donations | | | | | 455,900 | - |
| <i>Special item</i> - (Loss) on disposal of assets | | | | | (89,174) | - |
| Total general revenues and special items | | | | | <u>4,240,918</u> | <u>5,554,880</u> |
| Changes in net position | | | | | 454,766 | 562,289 |
| Net position, beginning of year | | | | | <u>8,464,444</u> | <u>7,517,066</u> |
| Net position, end of year | | | | | <u>\$ 8,919,210</u> | <u>\$ 8,079,355</u> |

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
UNION COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

| | <u>General Fund</u> | <u>Road Fund</u> | <u>Hospital Mill Levy Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|----------------------|--|---|---|
| ASSETS | | | | | |
| Cash | \$ 1,577,348 | \$ 178,026 | \$ 213,625 | \$ 2,792,247 | \$ 4,761,246 |
| Receivables, net | 106,304 | 54,782 | 35,028 | 246,347 | 442,461 |
| Prepaid expenses | 24,611 | 5,464 | 5,487 | 11,963 | 47,525 |
| Restricted: | | | | | |
| Cash | - | 15,135 | - | 80,230 | 95,365 |
| Investments | - | 67,314 | - | - | 67,314 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 1,708,263</u> | <u>\$ 320,721</u> | <u>\$ 254,140</u> | <u>\$ 3,130,787</u> | <u>\$ 5,413,911</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 22,576 | \$ 11,794 | \$ 157,990 | \$ 50,344 | \$ 242,704 |
| Accrued salaries | 19,775 | 11,151 | - | 2,676 | 33,602 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | 42,351 | 22,945 | 157,990 | 53,020 | 276,306 |
| Deferred Inflows of Resources: | | | | | |
| Unearned revenues | 49,901 | - | 25,602 | 1,278 | 76,781 |
| Fund Balances: | | | | | |
| Nonspendable | 24,611 | 5,464 | 5,487 | 11,963 | 47,525 |
| Restricted for: | | | | | |
| Debt service | - | 82,449 | - | 80,230 | 162,679 |
| State mandated per statutes | - | - | - | 249,260 | 249,260 |
| Committed for: | | | | | |
| One twelfth budget reserve | 496,635 | 118,374 | - | - | 615,009 |
| Subsequent years' expenditures | 509,540 | 38,240 | 65,061 | 1,689,249 | 2,302,090 |
| Assigned | - | 53,249 | - | 1,045,795 | 1,099,044 |
| Unassigned | 585,225 | - | - | (8) | 585,217 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | 1,616,011 | 297,776 | 70,548 | 3,076,489 | 5,060,824 |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,708,263</u> | <u>\$ 320,721</u> | <u>\$ 254,140</u> | <u>\$ 3,130,787</u> | <u>\$ 5,413,911</u> |

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

STATE OF NEW MEXICO
UNION COUNTY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

| | | |
|---|----|-------------------------|
| Total fund balances governmental funds (page seven) | \$ | 5,060,824 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 6,496,931 |
| Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis. | | 76,781 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | (2,987,596) |
| Accrued interest payable on long-term debt as of year-end is reflected as such within the statement of net assets. Governmental funds recognize the interest as it becomes due. | | (4,096) |
| Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds: | | |
| Deferred outflows of resources related to pension of \$337,703 is equal to 2016 employer contributions related to pensions. | | 337,703 |
| Deferred inflows of resources related to pensions. | | <u>(61,337)</u> |
| Net position of governmental activities (page five) | \$ | <u><u>8,919,210</u></u> |

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

STATE OF NEW MEXICO
UNION COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | General Fund | Road Fund | Hospital Mill Levy Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|-------------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Gross receipts taxes | \$ - | \$ - | \$ - | \$ 1,034,613 | \$ 1,034,613 |
| Property taxes | 1,326,709 | - | 646,874 | 30,188 | 2,003,771 |
| Public service taxes | 136,262 | 615,250 | 55,648 | - | 807,160 |
| Intergovernmental: | | | | | |
| Federal | 163,385 | 1,968 | - | 73,619 | 238,972 |
| State | 387,503 | 452,213 | - | 617,731 | 1,457,447 |
| Local | - | - | - | 7,506 | 7,506 |
| Charges for services | 45,940 | 5,138 | 27,500 | 51,449 | 102,527 |
| Licenses and permits | 649 | - | - | - | 649 |
| Interest | 20,663 | 1,641 | 1,121 | 9,088 | 32,513 |
| Miscellaneous | 100 | - | - | 16,698 | 16,798 |
| Total revenues | 2,081,211 | 1,076,210 | 731,143 | 1,840,892 | 5,729,456 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 1,080,331 | - | - | 29,433 | 1,109,764 |
| Public safety | 619,678 | - | - | 515,943 | 1,135,621 |
| Public works | 137,552 | 1,282,394 | - | - | 1,419,946 |
| Health and welfare | - | - | 549,558 | 608,472 | 1,158,030 |
| Capital outlay | 44,431 | 68,300 | 328,662 | 155,830 | 597,223 |
| Debt service: | | | | | |
| Principal | - | 70,504 | - | 62,385 | 132,889 |
| Interest and other charges | - | 10,029 | - | 19,717 | 29,746 |
| Total expenditures | 1,881,992 | 1,431,227 | 878,220 | 1,391,780 | 5,583,219 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | 199,219 | (355,017) | (147,077) | 449,112 | 146,237 |
| Other Financing Sources (Uses): | | | | | |
| Loan proceeds | - | - | - | 80,605 | 80,605 |
| Transfers in | 186,130 | 400,000 | - | 110,447 | 696,577 |
| Transfers (out) | (498,030) | (6,000) | - | (192,547) | (696,577) |
| Total other financing sources (uses) | (311,900) | 394,000 | - | (1,495) | 80,605 |
| Special Item: | | | | | |
| Proceeds from disposal of assets | 85 | 3,858 | - | 38,444 | 42,387 |
| Net change in fund balances | (112,596) | 42,841 | (147,077) | 486,061 | 269,229 |
| Fund balances, beginning of year | 1,728,607 | 254,935 | 217,625 | 2,590,428 | 4,791,595 |
| Fund balances, end of year | <u>\$ 1,616,011</u> | <u>\$ 297,776</u> | <u>\$ 70,548</u> | <u>\$ 3,076,489</u> | <u>\$ 5,060,824</u> |

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

**STATE OF NEW MEXICO
UNION COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

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

| | | |
|---|------------------|--------------------------|
| Net change in fund balances total governmental funds (page nine) | | \$ 269,229 |
| Governmental funds report capital outlay as expenditures in the amount of \$597,223; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense, in the amount of \$837,250. The net adjustment is \$240,027. | | (240,027) |
| Some of the County's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred revenue in the funds. At June 30, 2015, deferred property taxes amounted to \$80,649. The deferred property taxes for the current fiscal year amounted to \$76,781; therefore the net adjustment is \$3,868. | | (3,868) |
| Accrued interest expense not due within thirty days after year-end is not considered in the current period and is not reported in the governmental funds. The decrease of the accrued interest liability from the previous year decreases the interest expense within the statement of activities. | | 825 |
| Compensated absences are recorded within the government-wide financial statements and not included within the governmental funds as the liability does not consume current resources. The increase of compensated absences liability from the previous year increases the expenses within the statement of activities. | | (7,610) |
| The issuance of loan proceeds is recorded as other financing sources in the governmental funds; however, it is recorded as a long-term liability within the statement of net position. | | 80,605 |
| The repayment of principal of long-term consumes the current financial resources of the governmental funds; however, it is not recorded as an expense within the statement of activities. | | 132,889 |
| Governmental funds report pension contributions as expenditures; however, in the statement of activities, the cost of pension benefits earned net of employees' contribution is reported as pension expense: | | |
| Pension contributions | \$337,703 | |
| Cost of benefits earned net of employee contributions (pension expense) | <u>(114,980)</u> | <u>222,723</u> |
| Net change in governmental activities net position - government-wide financial statements (page six) | | <u><u>\$ 454,766</u></u> |

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

**STATE OF NEW MEXICO
UNION COUNTY
GENERAL FUND**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance with Final Budget Over (Under) |
|---|---------------------|---------------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original Budget | Final Budget | | | | |
| Revenues: | | | | | | |
| Property taxes | \$ 1,180,000 | \$ 1,180,000 | \$ 1,329,145 | \$ (2,436) | \$ 1,326,709 | \$ 149,145 |
| Public service taxes | 238,120 | 238,120 | 142,801 | (6,539) | 136,262 | (95,319) |
| Intergovernmental: | | | | | | |
| Federal | 135,000 | 135,000 | 163,385 | - | 163,385 | 28,385 |
| State | 350,000 | 350,000 | 352,000 | 35,503 | 387,503 | 2,000 |
| Charges for services | 31,500 | 31,500 | 45,699 | 241 | 45,940 | 14,199 |
| Licenses and permits | 500 | 500 | 649 | - | 649 | 149 |
| Interest | 23,500 | 23,500 | 20,663 | - | 20,663 | (2,837) |
| Miscellaneous | 46,500 | 46,500 | 100 | - | 100 | (46,400) |
| Total revenues | 2,005,120 | 2,005,120 | 2,054,442 | 26,769 | 2,081,211 | 49,322 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 1,198,477 | 1,198,477 | 1,135,033 | (54,702) | 1,080,331 | 63,444 |
| Public safety | 643,777 | 648,777 | 636,698 | (17,020) | 619,678 | 12,079 |
| Public works | 151,491 | 151,491 | 140,036 | (2,484) | 137,552 | 11,455 |
| Capital outlay | 5,000 | - | - | 44,431 | 44,431 | - |
| Total expenditures | 1,998,745 | 1,998,745 | 1,911,767 | (29,775) | 1,881,992 | 86,978 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | 6,375 | 6,375 | 142,675 | 56,544 | 199,219 | 136,300 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 185,000 | 185,030 | 208,128 | (21,998) | 186,130 | 23,098 |
| Transfers (out) | (658,000) | (658,030) | (498,030) | - | (498,030) | 160,000 |
| Total other financing sources (uses) | (473,000) | (473,000) | (289,902) | (21,998) | (311,900) | 183,098 |
| Special Item: | | | | | | |
| Proceeds from sale of capital assets | - | - | 85 | - | 85 | 85 |
| Net change | (466,625) | (466,625) | (147,142) | \$ 34,546 | \$ (112,596) | 319,483 |
| Cash balance, beginning of year | 1,724,490 | 1,724,490 | 1,724,490 | | | - |
| Cash balance, end of year | <u>\$ 1,257,865</u> | <u>\$ 1,257,865</u> | <u>\$ 1,577,348</u> | | | <u>\$ 319,483</u> |
| Explanation of Differences: | | | | | | |
| Change in receivables | | | | \$ 23,907 | | |
| Change in prepaid expenses | | | | (6,260) | | |
| Change in accounts payable | | | | (5,729) | | |
| Change in accrued salaries | | | | 42,056 | | |
| Change in unearned revenues | | | | 2,570 | | |
| Change due from other funds | | | | (21,998) | | |
| | | | | <u>\$ 34,546</u> | | |

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

STATE OF NEW MEXICO

UNION COUNTY

ROAD FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016**

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary |
|--|--------------------|-------------------|---------------------------------|----------------------------------|----------------------------|--|
| | Original Budget | Final Budget | | | | Basis Variance With Final Budget Over (Under) |
| Revenues: | | | | | | |
| Public service taxes | \$ 510,000 | \$ 610,000 | \$ 618,070 | \$ (2,820) | \$ 615,250 | \$ 8,070 |
| Intergovernmental: | | | | | | |
| Federal | 251 | 251 | 1,968 | - | 1,968 | 1,717 |
| State | 450,000 | 450,000 | 452,213 | - | 452,213 | 2,213 |
| Charges for services | - | - | 5,138 | - | 5,138 | 5,138 |
| Interest | 1,000 | 1,000 | 890 | 751 | 1,641 | (110) |
| Miscellaneous | 1,000 | 1,000 | 3,858 | (3,858) | - | 2,858 |
| Total revenues | 962,251 | 1,062,251 | 1,082,137 | (5,927) | 1,076,210 | 19,886 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public works | 1,264,090 | 1,382,290 | 1,334,341 | (51,947) | 1,282,394 | 47,949 |
| Capital outlay | 25,000 | 75,000 | 68,300 | - | 68,300 | 6,700 |
| Debt service: | | | | | | |
| Principal | 135,000 | 70,500 | 70,504 | - | 70,504 | (4) |
| Interest and other charges | 14,000 | 10,300 | 10,029 | - | 10,029 | 271 |
| Total expenditures | 1,438,090 | 1,538,090 | 1,483,174 | (51,947) | 1,431,227 | 54,916 |
| (Deficiency) of revenues over expenditures before other financing sources (uses) | (475,839) | (475,839) | (401,037) | 46,020 | (355,017) | 74,802 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 450,000 | 450,000 | 400,000 | - | 400,000 | (50,000) |
| Transfers (out) | - | (20,000) | (6,000) | - | (6,000) | 14,000 |
| Total other financing sources (uses) | 450,000 | 430,000 | 394,000 | - | 394,000 | (36,000) |
| Special Item: | | | | | | |
| Proceeds from disposal of assets | - | - | - | 3,858 | 3,858 | - |
| Net change | (25,839) | (45,839) | (7,037) | \$ 49,878 | \$ 42,841 | 38,802 |
| Cash balance, beginning of year | 185,063 | 185,063 | 185,063 | | | - |
| Cash balance, end of year | <u>\$ 159,224</u> | <u>\$ 139,224</u> | <u>\$ 178,026</u> | | | <u>\$ 38,802</u> |
| Explanation of Differences: | | | | | | |
| Change in receivables | | | | \$ (2,820) | | |
| Change in prepaid expenses | | | | 1,546 | | |
| Change in accounts payable | | | | 26,142 | | |
| Change in accrued salaries | | | | 24,259 | | |
| Collection of debt service held by third party | | | | 751 | | |
| | | | | <u>\$ 49,878</u> | | |

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

STATE OF NEW MEXICO
UNION COUNTY
HOSPITAL MILL LEVY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|--------------------|------------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original Budget | Final Budget | | | | |
| Revenues: | | | | | | |
| Property taxes | \$ 560,000 | \$ 605,000 | \$ 647,852 | \$ (978) | \$ 646,874 | \$ 42,852 |
| Public service taxes | 115,000 | 115,000 | 58,628 | (2,980) | 55,648 | (56,372) |
| Interest | - | - | 1,121 | - | 1,121 | 1,121 |
| Miscellaneous | - | - | 27,500 | - | 27,500 | 27,500 |
| Total revenues | 675,000 | 720,000 | 735,101 | (3,958) | 731,143 | 15,101 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Health and welfare | 825,000 | 550,000 | 546,537 | 3,021 | 549,558 | 3,463 |
| Capital outlay | - | 275,000 | 175,490 | 153,172 | 328,662 | 99,510 |
| Total expenses | 825,000 | 825,000 | 722,027 | 156,193 | 878,220 | 102,973 |
| Net change | (150,000) | (105,000) | 13,074 | \$ (160,151) | \$ (147,077) | 118,074 |
| Cash balance, beginning of year | 200,551 | 200,551 | 200,551 | | | - |
| Cash balance, end of year | <u>\$ 50,551</u> | <u>\$ 95,551</u> | <u>\$ 213,625</u> | | | <u>\$ 118,074</u> |
| Explanation of Differences: | | | | | | |
| Change in receivables | | | | \$ (5,205) | | |
| Change in prepaid expenses | | | | 212 | | |
| Change in accounts payable | | | | (156,405) | | |
| Change in unearned revenues | | | | 1,247 | | |
| | | | | <u>\$ (160,151)</u> | | |

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

COMPONENT UNIT FINANCIAL STATEMENT

STATE OF NEW MEXICO
UNION COUNTY
COMPONENT UNIT - UNION COUNTY GENERAL HOSPITAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

| | |
|--|----------------------------|
| Cash Flows From Operating Activities: | |
| Change in net position | \$ 562,289 |
| Adjustments to Reconcile the Change in Net Position to Net Cash Provided by Operating Activities: | |
| Depreciation and amortization | 705,551 |
| Provision for bad debts | 1,625,089 |
| Changes in Operating Assets and Liabilities: | |
| Patient accounts receivable | (1,064,091) |
| Other receivables | (1,162,605) |
| Inventories | 85,937 |
| Prepaid expenses and other current assets | (2,421) |
| Accounts payable and accrued expenses | (299,592) |
| Accrued payroll and related liabilities | 63,123 |
| Estimated third party payor settlements | <u>(106,598)</u> |
| Net cash provided by operating activities | 406,682 |
| Cash Flows From Investing Activities: | |
| Purchases of property and equipment, net of disposals | (269,644) |
| (Increase) in assets limited as to use | (159,382) |
| Decrease in other assets | <u>99,872</u> |
| Net cash (used) by investing activities | (329,154) |
| Cash Flows From Financing Activities: | |
| Debt borrowings | 1,171,793 |
| Net repayments of debt borrowings | <u>(1,672,462)</u> |
| Net cash (used) by financing activities | <u>(500,669)</u> |
| Net (decrease) in cash and cash equivalents | (423,141) |
| Cash and cash equivalents, beginning of year | <u>3,517,396</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 3,094,255</u></u> |
| Non-cash transactions: | |
| Equipment financed with capital lease | <u><u>\$ 170,336</u></u> |

FIDUCIARY FINANCIAL STATEMENT

STATE OF NEW MEXICO
UNION COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

| | Agency Funds |
|---------------------------|-----------------|
| Assets: | |
| Cash | \$ 2,715,542 |
| Receivables: | |
| Property taxes | 57,606 |
| Public service taxes | 3,468 |
| Interest | 501 |
| Total receivables | 61,575 |
| Total assets | \$ 2,777,117 |
| Liabilities: | |
| Deposits held for others | \$ 82,969 |
| Due to other taxing units | 61,575 |
| Taxes paid under protest | 2,632,573 |
| Total liabilities | \$ 2,777,117 |

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Union County, New Mexico (County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

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 Sections 4-9-1 and 4-9-2 of the New Mexico Statutes Annotated, 1978 Compilation. The County operates under the commission-manager form of government and provides the following services as authorized in the grant of powers: public safety (sheriff, fire, emergency medical, etc.), public works (highways and streets), sanitation, health and welfare services, public improvements, and general administration services. The County's basic financial statements include all activities and accounts of the County's *financial reporting entity*.

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based on the application of these criteria, Union County General Hospital is considered a component unit of Union County. The financial statements of Union County General Hospital have been included in the County's financial statements as a *discretely presented* component unit. The Hospital is reported as a proprietary fund type. The County is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2016. Complete financial statements for the hospital can be obtained from the hospital's administrative office. Please address those requests to the Chief Executive Officer, Union County General Hospital, 301 Harding, Clayton, New Mexico 88415.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been eliminated from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for services for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. The County has no business-type activities.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

The net cost (by function of governmental activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). The County does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Separate financial statements are provided for the governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The County's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since, by definition, these assets are being held of the benefit of a third party (other state and local governments and individuals) and cannot be used to address activities or obligations of the government, these funds are not incorporated into government-wide statements.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

The government-wide focus is more on the sustainability of the County, as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental activities as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, includes property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

In addition to assets, the statement of financial position will, at times, report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future reporting period(s); therefore, is not recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will, at times, report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future reporting period(s); therefore, will not be recognized as an inflow of resources (revenue) until that time.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Property, franchise, sales and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept.

Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The County reports the following major governmental funds:

The *general fund* is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *road fund* accounts for the operation and maintenance of the County roads. Financing is primarily from state shared revenues from motor vehicle taxes. The authority for this fund is given by Sections 7-1-6.9 and 7-1-6.26 NMSA 1978.

The *hospital mill levy fund* accounts for the four and one quarter mill levy tax revenues, which are used for the maintenance and purchase of capital equipment for the County's hospital. The authority for this fund is given by County Resolution 93-2.

The County maintains twenty-four other individual governmental funds that are considered nonmajor funds; twenty-three are classified as special revenue funds, and one is classified as capital projects fund. A description of each nonmajor governmental fund is as follows:

Special Revenue Funds

The *farm and range fund* accounts for the maintenance, improvements and animal control of federal land under Section 10 of the Taylor Grazing Act of 6-28-34. The Taylor Grazing Co-Op Agreement provides funds that are to be used strictly for the maintenance, improvements, and animal control of this federal land. The authority for the fund is given by Section 6-11-6 NMSA 1978.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Special Revenue Funds (continued)

The *recreation fund* accounts for the operations and maintenance of county owned recreation facilities. Financing is provided by the County's share of cigarette tax. State law requires the use of these cigarette taxes be used for recreation purposes. The authority for the fund is given by Section 7-12-15 NMSA 1978.

The *county clerk's fee fund* accounts for the charges for services collected to be used for purchase of special equipment associated with the County Clerk's office. The authority for the fund is given by Section 14-8-12.2A, NMSA 1978.

The *indigent hospital fund* accounts for the revenues received from state gross receipts taxes for hospital service for indigent citizens of the County. The authority for the fund is given by Section 7-20E-9, NMSA 1978.

The *Capulin fire fund* accounts for state fire protection revenues that are to be expended only for the maintenance of its fire department. The authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

The *Sedan fire fund* accounts for state fire protection revenues that are to be expended only for the maintenance of its fire department. The authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

The *Amistad/Hayden fire fund* accounts for state fire protection revenues that are to be expended only for the maintenance of its fire department. The authority for the fund is given by Sections 59A-53-5 and 59A--53-8, NMSA 1978.

The *Rabbit Ear fire fund* accounts for state fire protection revenues that are to be expended only for the maintenance of its fire department. The authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

The *Grenville fire fund* accounts for state fire protection revenues that are to be expended only for the maintenance of its fire department. The authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

The *Capulin ems fund* accounts for the operations and maintenance of medical service equipment within the EMS district. The authority for the fund is given by Section 24-10A-1, NMSA 1978.

The *Amistad/Hayden ems fund* accounts for the operations and maintenance of medical service equipment within the EMS district. The authority for the fund is given by Section 24-10A-1, NMSA 1978.

The *Folsom ems fund* accounts for the operations and maintenance of medical service equipment within the EMS district. The authority for the fund is given by Section 24-10A-1, NMSA 1978.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Special Revenue Funds (continued)

The *fire marshal fund* accounts for the revenues received and the expenditures thereof from the governmental service agreement with NM Energy, Natural Minerals Research Department to coordinate wild land fire management activities in the County. The authority for the fund is given by County Resolution 98-19.

The *correctional gross receipts fund* accounts for gross receipts taxes received and reserved for the expenditures to the Town of Clayton for the housing of County inmates. The authority for the fund is given by County Gross Receipts Tax Ordinance number 28.

The *corrections fund* accounts for revenues and expenditures for the operation and maintenance of the County's corrections facilities. The authority for the fund is given by Section 35-3-25, NMSA 1978.

The *DWI grant fund* accounts for the revenues and expenditures for the intervention, prevention, education, and support of the local DWI program. The authority for the fund is given by Section 11-6A-3, NMSA 1978.

The *reappraisal fund* is for recipients of revenue produced through ad valorem levies required to pay counties an administrative charge to offset collection costs. Expenditures are made pursuant to a property valuation program approved by the County commissioners. The authority for the fund is given by Section 7-38-38.1, NMSA 1978.

The *emergency services general GRT fund* accounts for gross receipts taxes received and reserved for expenditures for emergency communications center and emergency medical services. The authority for the fund is given by Section 7-20E-22, NMSA 1978 and Ordinance number 27.

The *county hospital GGRT fund* accounts for the one-quarter of one percent gross receipts taxes received and reserved for the acquisition or construction of land or buildings and for operations and maintenance of the County hospital. The authority for the fund is given by County Resolution 98-19.

The *general gross receipts tax special fund* accounts for the excise tax equal to one-eighth of one percent (.125%) of the gross receipts reported and the expenditures of said taxes as deemed necessary by the County. The authority for the fund is given by the County Gross Receipts Tax Ordinance number 24.

The *gross receipts tax reserve fund* accounts for the excise tax equal to one-sixteenth of one percent (.0625%) of the gross receipts reported and the expenditures of said taxes as deemed necessary by the County. The authority for the fund is given by the County Gross Receipts Tax Ordinance number 31.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Special Revenue Funds (continued)

The *law enforcement fund* accounts for the County's state distribution of law enforcement protection funds to be used for the repair and /or replacement of law enforcement equipment. The authority for the fund is given by Section 29-13-1, NMSA 1978.

The *legislative appropriations fund* accounts for the revenues and expenditures from special appropriations received from the New Mexico Legislature. The authority for the fund is given by County resolution.

Capital Projects Fund

The *capital improvements/emergency fund* accounts for funds from federal, state and local sources for capital projects throughout the County. The authority for this fund is given by County resolution.

D. Budgets

Budgets for all funds are prepared by management and approved by the local commission and the New Mexico Department of Finance and Administration. The County Manager is responsible for preparing the budget from requests submitted by elected officials and department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the County Commissioners for approval by resolution. The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is, therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local commission approval.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

If a transfer between “funds” or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the County’s cash and certificates of deposit are stated at cost, which approximates fair value. State statutes authorize the County to invest in certificates of deposit, obligations of the state and the U.S. government, and the New Mexico State Treasurer’s investment pool. Cash and certificates of deposit are reported at book value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

2. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund balance. Long-term advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventories

Inventories are recorded using first-in, first-out cost method. The costs of inventories in governmental fund types are recorded as expenditures when purchased, therefore, the inventory amount is not available for appropriation.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

5. Restricted Assets

Certain long-term assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as *deposits held in trust for others*.

6. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

7. Capital Assets

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated cost. Contributed capital assets are recorded at estimated fair market value at the time received. Purchased computer software is recorded at historical cost. The County defines capital assets as assets with an initial, individual cost or donated value of more than \$5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| Assets | Years |
|--|-------|
| Infrastructure | 10-80 |
| Buildings and other improvements | 15-40 |
| Machinery and equipment (including computer software) | 5-10 |
| Hospital equipment | 5-10 |

8. Compensated Absences

County employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

8. Compensated Absences (continued)

A liability for amounts earned, but not payable from available expendable resources, is reported in the government-wide financial statements.

County employee may accumulate limited amounts of sick leave; however, such accumulation is not paid upon termination. Therefore, the accumulated sick leave liability is not recorded.

9. Deferred Inflows of Resources - Unearned Revenues

Deferred outflows of resources represent consumption of resources of net assets that is applicable to future reporting periods that are reported in a separate section after assets in the statement of financial position.

Deferred inflows of resources represent acquisition of net assets by the County that is applicable to a future reporting period. The deferred inflows are reported in the separate section after liabilities in the statement of financial position.

10. Short-Term Obligations

No short-term debt occurred during the current fiscal year.

11. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities within the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

12. Net Position (continued)

Net investment in capital assets – This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position – This category reflects the portion of net position that have third party limitations on their use.

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

13. Fund Equity Reservation and Designations

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items, inventories or long-term interfund advances/loans; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board of commissioners – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board of commissioners removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the County’s “intent” to be used for specific purposes, but are neither restricted nor committed. The board of commissioners, and County manager, has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

**STATE OF NEW MEXICO
UNION COUNTY**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

13. Fund Equity Reservation and Designations (continued)

Unassigned fund balance – The fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the County's policy to first use externally restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order, as needed.

F. Other Matters

1. Presentation

Certain reclassifications of prior year information have been made to conform to the current year presentation.

2. Cash Flows

For the purpose of the statement of cash flows, the County considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

New Mexico state statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank 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 of America 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.

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

2. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash (continued)

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and that are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

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

As of June 30, 2016, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

| | Per Institution | Reconciling Items | Per Financial Statements |
|-----------------------------------|-----------------|----------------------|-----------------------------|
| Cash on hand | \$ - | \$ 250 | \$ 250 |
| First National Bank of New Mexico | 3,299,661 | (123,845) | 3,175,816 |
| Farmer's & Stockmen's Bank | 4,301,831 | (1,109) | 4,300,722 |
| | \$ 7,601,492 | \$ (124,704) | \$ 7,476,788 |

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

| | |
|--|--------------|
| Statement of Net Position: | |
| Cash | \$ 4,761,246 |
| Statement of fiduciary assets and liabilities - agency funds | 2,715,542 |
| Total cash reported on financial statements | \$ 7,476,788 |

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the County. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the County carrying value of the deposits (demand and certificates of deposit).

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

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

2. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

| | First National Bank of New Mexico | Farmer's & Stockmen's Bank |
|--|---|-------------------------------|
| Total deposit in bank | \$ 2,292,001 | \$ 2,660,273 |
| Certificates of deposit | 1,007,660 | 1,641,558 |
| Total deposits | 3,299,661 | 4,301,831 |
| FDIC coverage | (250,000) | (250,000) |
| Uninsured public funds | 3,049,661 | 4,051,831 |
| Pledged securities | 1,741,386 | 2,300,000 |
| Uninsured and uncollateralized public funds | 1,308,275 | 1,751,831 |
| Collateral requirements (50% of uninsured public funds) | 1,524,831 | 2,025,916 |
| Over (under collateralization) | \$ 216,556 | \$ 274,085 |

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits, time deposit, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$7,101,492 of the County's bank balances of \$7,601,492 was exposed to custodial credit risk as follows:

| | First National Bank of New Mexico | Farmer's & Stockmen's Bank | Total |
|--|---|-------------------------------|--------------|
| Uninsured and collateral held by pledging bank's trust department or an agent not in the County's name | \$ 3,049,661 | \$ 4,051,831 | \$ 7,101,492 |

3. RESTRICTED ASSETS

The County has restricted cash and investments for particular purposes. A description of the assets restricted, and the purpose of the restriction is described as:

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

3. RESTRICTED ASSETS (continued)

Investments Held by Fiscal Agent

As required by note agreements with the New Mexico Finance Authority (NMFA), the County has cash held and invested with the NMFA. For the fiscal year ended June 30, 2016, the NMFA has invested the funds held in the debt service and debt reserve pools.

NMFA – Debt Service Pool

The County has \$15,318 invested with the NMFA debt service pool. At June 30, 2016, the pool was composed of short-term, high-credit-quality money market instruments.

NMFA – Debt Reserve Pool

The County has \$67,314 invested with the NMFA debt reserve pool. At June 30, 2016, the pool was composed of 3.19% short-term high quality money market instruments and 96.81% fixed income US government securities.

NMFA – Program Fund

The County has \$80,047 invested with the NMFA program fund. At June 30, 2016, the fund was composed of 15.34% cash and short-term high quality money market instruments and 84.66% fixed income US government securities.

Interest Rate Risk

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The NMFA debt reserve pool fund weighted average maturity is 1.649 years or 602 days. The NMFA program fund weighted average maturity is .513 years or 187 days.

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

4. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2016, consisted of the following:

| | Governmental Activities |
|---------------------------------|----------------------------|
| Accounts receivable: | |
| Charges for services | \$ 573 |
| Allowance for doubtful accounts | - |
| Total | 573 |

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. RECEIVABLES, NET (continued)

| | Governmental Activities |
|---------------------------------|----------------------------|
| Taxes receivable: | |
| Gross receipts taxes | \$ 183,950 |
| Property taxes | 87,043 |
| Public service taxes | 74,771 |
| Allowance for doubtful accounts | - |
| Total | 345,764 |
| Intergovernmental receivables: | |
| Homeland security grant | 45,300 |
| State appropriations | 34,431 |
| Town of Clayton | 11,973 |
| Correction fees | 3,404 |
| DWI grant | 1,016 |
| Allowance for doubtful accounts | - |
| Total | 96,124 |
| Receivables, net | \$ 442,461 |

The County's policy is to provide for uncollectible accounts based upon expected defaults.

5. PROPERTY TAX

A tax is imposed upon all property located within Union County subject to valuation for property taxation purposes under Article 36, Chapter 7 NMSA 1978. By April 1st of each year, the County Assessor mails a notice to each property owner informing him of the net value of his property that has been valued for property evaluation purposes by the assessor.

A property owner may protest the value or classification determined for his property for property taxation purposes, the allocation of value of his property to a particular governmental unit, or a denial of a claim for an exemption, or for a limitation on increase in value. No later than September 1st of each year, the secretary of finance and administration shall, by written code, set the property tax rates for the governmental units sharing in the tax in accordance with the property tax code. After receipt of the rate-setting order and the order imposing the tax, but no later than October 1st of each tax year, the County Assessor shall prepare a property tax schedule for all property subject to property taxation in the County. A copy of the property tax schedule prepared by the assessor shall be delivered to the County Treasurer on October 1st of each tax year.

Upon receipt of the property tax schedule, the County Treasurer shall prepare and mail property tax bills. Tax bill shall be mailed no later than November 1st of each tax year.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

5. PROPERTY TAX (continued)

Property taxes are payable to the County Treasurer in two equal installments due on November 10th of the year in which the tax bill was prepared and mailed, and on April 10th of the following year. Property taxes that are not paid within thirty days after the date on which they are due are delinquent. Delinquent taxes are subject to penalties and interest. A lien against the real property for taxes is effective from January 1st of the tax year that the taxes are imposed.

The lien runs in favor of the state and secures the payment of taxes on real property and any penalty and interest that may become due. The lien continues until the taxes and any penalty and interest are paid.

The County Treasurer has the responsibility and authority for collection of taxes and any penalties or interest due under the property tax code. The County Treasurer distributes the receipts from collected taxes to each government unit in an amount and in a manner determined in accordance with the law and with the regulation of the Department of Finance and Administration.

Per NMSA 7-37-7-(B)(1), the County is permitted to levy taxes for general operating purposes up to \$11.85 per \$1,000 of taxable value for both residential and non-residential property, taxable value being defined as one third of the fully assessed value. In addition, the County is allowed to levy taxes for payments of bond principal and interest in amounts approved by County voters.

The County's operating tax rate to finance general government services for 2015 was \$9.139 per \$1,000 for non-residential property and \$6.919 per \$1,000 for residential property.

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016, is as follows:

| | Balance 06/30/15 | Increases | Decreases | Balance 06/30/16 |
|---|---------------------|-------------------|---------------------|---------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 19,685 | \$ - | \$ - | \$ 19,685 |
| Construction in progress | - | 328,662 | - | 328,662 |
| Total other capital assets, not being depreciated | 19,685 | 328,662 | - | 348,347 |
| Other capital assets, being depreciated: | | | | |
| Buildings | 4,667,750 | - | - | 4,667,750 |
| Improvements | 1,130,807 | - | (5,881) | 1,124,926 |
| Infrastructure | 11,153,235 | - | - | 11,153,235 |
| Equipment | 8,428,905 | 722,136 | (332,779) | 8,818,262 |
| Total other capital assets, being depreciated | 25,380,697 | 722,136 | (338,660) | 25,764,173 |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,971,607) | (128,636) | - | (2,100,243) |
| Improvements | (304,572) | (50,993) | 5,881 | (349,684) |
| Infrastructure | (11,153,235) | - | - | (11,153,235) |
| Equipment | (5,553,524) | (657,621) | 198,718 | (6,012,427) |
| Total accumulated depreciation | (18,982,938) | (837,250) | 204,599 | (19,615,589) |
| Other capital assets, net | 6,397,759 | (115,114) | (134,061) | 6,148,584 |
| Total capital assets, net | <u>\$ 6,417,444</u> | <u>\$ 213,548</u> | <u>\$ (134,061)</u> | <u>\$ 6,496,931</u> |

Depreciation expense was charged to functions (programs) as follows:

| | |
|--------------------|-------------------|
| General government | \$ 60,714 |
| Public safety | 402,256 |
| Public works | 237,906 |
| Health and welfare | 136,374 |
| | <u>\$ 837,250</u> |

7. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2016, were as follows:

| | Balance 06/30/15 | Additions | Deletions | Balance 06/30/16 | Amounts Due Within One Year |
|--------------------------|---------------------|-------------------|---------------------|---------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Notes payable | \$ 1,038,197 | \$ 80,605 | \$ (132,710) | \$ 986,092 | \$ 136,029 |
| Compensated absences | 51,609 | 58,663 | (51,053) | 59,219 | 31,603 |
| | <u>\$ 1,089,806</u> | <u>\$ 139,268</u> | <u>\$ (183,763)</u> | <u>\$ 1,045,311</u> | <u>\$ 167,632</u> |

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

7. LONG-TERM OBLIGATIONS (continued)

Note Payable – New Mexico Finance Authority #2

On August 14, 2009, the County borrowed \$666,975 from the New Mexico Finance Authority for the purchase of a three motor graders for the road department. The loan is to be repaid from the motor vehicle tax revenues received from the state of New Mexico. The note matures May 1, 2019. The annual payment is approximately \$80,535 with accrued interest at rates of 3.092% and a .250% annual administrative charge.

The following is a schedule of the annual payments required for the note:

| Due in Fiscal Year Ending June 30: | Principal | Interest | Total |
|---------------------------------------|-------------------|------------------|-------------------|
| 2017 | \$ 72,515 | \$ 8,020 | \$ 80,535 |
| 2018 | 74,973 | 5,562 | 80,535 |
| 2019 | 77,648 | 2,888 | 80,536 |
| | <u>\$ 225,136</u> | <u>\$ 16,470</u> | <u>\$ 241,606</u> |

Note Payable – New Mexico Finance Authority #5

On August 19, 2011, the County borrowed \$464,870 from the New Mexico Finance Authority for the construction of the new main station for the Rabbit Ear Fire District. The loan is to be repaid from the annual distribution of fire protection funds received from the state of New Mexico. The note matures May 1, 2032. The annual payment is approximately \$31,890 with accrued interest rates at 3.027% per annum, and a .25% annual administrative charge.

The following is a schedule of the annual payments required for the note:

| Due in Fiscal Year Ending June 30: | Principal | Interest | Total |
|---------------------------------------|-------------------|-------------------|-------------------|
| 2017 | \$ 18,185 | \$ 12,095 | \$ 30,280 |
| 2018 | 18,698 | 11,731 | 30,429 |
| 2019 | 19,287 | 11,297 | 30,584 |
| 2020 | 19,950 | 10,794 | 30,744 |
| 2021 | 20,687 | 10,221 | 30,908 |
| 2022-2026 | 117,166 | 40,077 | 157,243 |
| 2027-2031 | 147,718 | 18,862 | 166,580 |
| 2032 | 34,218 | 1,027 | 35,245 |
| | <u>\$ 395,909</u> | <u>\$ 116,104</u> | <u>\$ 512,013</u> |

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

7. LONG-TERM OBLIGATIONS (continued)

Note Payable – New Mexico Finance Authority #6

On June 1, 2012, the County borrowed \$253,750 from the New Mexico Finance Authority for the construction of an addition to the fire station for the Sedan Fire District. The loan is to be repaid from the annual distribution of fire protection funds received from the state of New Mexico. The note matures May 1, 2023. The annual payment is approximately \$34,200, with accrued interest rates at 1.940% per annum, and a .25% annual administrative charge.

The following is a schedule of the annual payments required for the note:

| Due in Fiscal Year Ending June 30: | Principal | Interest | Total |
|---------------------------------------|-------------------|------------------|-------------------|
| 2017 | \$ 30,053 | \$ 4,138 | \$ 34,191 |
| 2018 | 30,360 | 3,832 | 34,192 |
| 2019 | 30,767 | 3,425 | 34,192 |
| 2020 | 31,268 | 2,923 | 34,191 |
| 2021 | 31,850 | 2,342 | 34,192 |
| 2022-2023 | 65,804 | 2,578 | 68,382 |
| | <u>\$ 220,102</u> | <u>\$ 19,238</u> | <u>\$ 239,340</u> |

Note Payable – New Mexico Finance Authority #7

On July 22, 2011, the County borrowed \$121,800 from the New Mexico Finance Authority for the purchase of an initial attack fire truck for the Capulin Fire District. The loan is to be repaid from the annual distribution of fire protection funds received from the state of New Mexico. The note matures May 1, 2020. The annual payment is approximately \$17,315 with accrued interest rates at 2.626% per annum and a .25% administrative charge.

The following is a schedule of the annual payments required for the note:

| Due in Fiscal Year Ending June 30: | Principal | Interest | Total |
|---------------------------------------|------------------|-----------------|------------------|
| 2017 | \$ 15,276 | \$ 1,930 | \$ 17,206 |
| 2018 | 15,768 | 1,472 | 17,240 |
| 2019 | 16,332 | 999 | 17,331 |
| 2020 | 16,964 | 509 | 17,473 |
| | <u>\$ 64,340</u> | <u>\$ 4,910</u> | <u>\$ 69,250</u> |

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

7. LONG-TERM OBLIGATIONS (continued)

Note Payable – New Mexico Finance Authority #8

On May 20, 2016, the County borrowed \$80,605 from the New Mexico Finance Authority for the purchase of a 2,000 gallon wildland tanker truck for the Sedan Fire District. The loan is to be repaid from the annual distribution of fire protection funds received from the state of New Mexico. The note matures May 1, 2027. The first payment is due May 1, 2018. The annual payment for the first six years is approximately \$690. The annual payment for the last four years is approximately \$19,299. The note accrues interest at .100%.

The following is a schedule of the annual payments required for the note:

| Due in Fiscal Year Ending June 30: | Principal | Interest | Total |
|---------------------------------------|------------------|---------------|------------------|
| 2017 | \$ - | \$ - | \$ - |
| 2018 | 600 | 157 | 757 |
| 2019 | 600 | 80 | 680 |
| 2020 | 600 | 79 | 679 |
| 2021 | 600 | 79 | 679 |
| 2022-2026 | 58,925 | 330 | 59,255 |
| 2027 | 19,280 | 19 | 19,299 |
| | <u>\$ 80,605</u> | <u>\$ 744</u> | <u>\$ 81,349</u> |

Compensated Absences

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:

- leave or compensation is attributable to services already rendered.
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

In the past, approximately forty-nine percent has been paid by the General Fund and fifty-one percent by the Road Fund.

8. UNEARNED REVENUES

The County has recorded unearned revenues of \$49,901, \$25,602 and \$1,278 within the governmental general, hospital mill levy and re-appraisal funds, respectively. These amounts represent non-current property taxes.

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UNION COUNTY
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9. OPERATING LEASES

The County has entered into a lead agreement to lease a computer system. The agreement includes the use of the computer software and support. The agreement is renewable annually. The County expects that in the normal course of business, the computer agreement will continue to be required. For the fiscal year ended June 30, 2016, the County expended \$47,578 for the computer agreement.

The County leases four motor graders and a Caterpillar loader from a third party under a governmental operating lease agreement. The lease term is for eighty-four months ending October 2020. In the event no funds or insufficient are appropriated and budgeted, or otherwise not available in any fiscal year for rental payments; upon notification to the Lessor, the operating lease agreement will terminate on the last day of the fiscal year, for which appropriations were received without penalty or expense to the County. Future minimum operating lease commitments are as follows:

| Year Ending June 30, | Governmental Activities |
|-------------------------|----------------------------|
| 2017 | \$ 161,482 |
| 2018 | 121,177 |
| 2019 | 108,601 |
| 2020 | 54,301 |
| | \$ 445,561 |

10. TRANSFERS

Transfers

| | Transfers In | | | Totals |
|--------------------------|-----------------|--------------|--------------------------------|------------|
| | General Fund | Road Fund | Other Governmental Funds | |
| Transfers (out): | | | | |
| General Fund | \$ - | \$ 400,000 | \$ 98,030 | \$ 498,030 |
| Road Fund | - | - | 6,000 | 6,000 |
| Other Governmental Funds | 186,130 | - | 6,417 | 192,547 |
| | \$ 186,130 | \$ 400,000 | \$ 110,447 | \$ 696,577 |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend. Transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11. DEFICIT BALANCES

The Capulin EMS fund had a deficit fund balance of \$8 at June 30, 2016. This deficit balance will be reduced from revenues received in the next fiscal year.

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12. CONDUIT DEBT OBLIGATIONS AND HOSPITAL OPERATIONS

Pursuant to Section 4-48B-1 NMSA 1978, the County 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 requires CHS to operate the hospital to provide health care services to County residents. The County provides the health care facility and certain equipment for the use of CHS 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 the CHS for hospital maintenance and hospital equipment. The term of the agreement extends through November 1, 2029. CHS is a separate legal entity; however, it is considered a component unit of the County.

The County has entered into a series of four special limited obligation loan agreements with the New Mexico Finance Authority to provide financial assurance to CHS for the remodeling and construction of the County hospital. As of June 30, 2016, the four loans outstanding balances are as follows:

| <u>Year of Agreement</u> | <u>Amount</u> |
|--------------------------|---------------------|
| 2005 | \$ 2,140,023 |
| 2007 | 1,016,697 |
| 2009 | 1,648,280 |
| 2015 | <u>1,171,793</u> |
| | <u>\$ 5,976,793</u> |

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 the County's general credit or taxing power and, accordingly, therefore, have not been reported in the accompanying financial statements, pursuant to GASB Codification Section C65.

However, the County remains contingently liable in the event of default to the extent of its third one-eighth 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 amount of the third one-eighth County Gross Receipts Tax is not obligated, 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 the loan payments.

The operating agreement between the County and CHS also requires CHS to pledge its revenues and to directly pay the principal and interest payments required under the loan agreement.

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NOTES TO FINANCIAL STATEMENTS
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12. CONDUIT DEBT OBLIGATIONS AND HOSPITAL OPERATIONS (continued)

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 one hundred thirty percent of the aggregate annual debt service requirements payable during the current fiscal year.

In 2007, the County and CHS entered into a memorandum of understanding in which the County agreed to provide a subsidy to CHS in the amount of the principal and interest payments on the 2007 loan agreement. For the current fiscal year, the County budgeted a payment of \$159,300 through its Governmental General Gross Receipts Tax Fund for this subsidy.

13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan description - The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Audit Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be at the following internet address: <http://saonm.org/> and using the Audit Report Search function for agency 366.

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NOTES TO FINANCIAL STATEMENTS
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13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

General Information about the Pension Plan (continued)

Benefits provided - For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at the following internet address:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions - The contribution requirements of defined benefit plan members and Union County are established in state statute Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 and 32 of the PERA FY15 annual audit report which can be located at the following internet address:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf.

PERA coverage options that apply to Union County are: municipal general and municipal police. Statutorily required contributions to the pension plan from Union County were \$160,182 and employer paid member benefits that were *picked up* by the employer were \$119,563 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11, NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. Union County's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY15 are included in the total contribution amounts.

**STATE OF NEW MEXICO
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13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

General Information about the Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued) -

In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Fund Municipal General Division

At June 30, 2016, Union County reported a liability of \$1,323,423 for its proportionate share of the net pension liability within the municipal general division. At June 30, 2015, Union County's proportion was .1298 percent, which was an increase of .0013 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, Union County recognized PERA Fund Municipal General Division pension expense of \$201,673. At June 30, 2016, Union County reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes of assumptions | \$ - | \$ 516 |
| Net difference between projected and actual earnings on pension plan investments | - | 4,186 |
| Net difference between projected and actual experience on pension plan investments | - | 29,314 |
| Union County contributions subsequent to the measurement date | 209,417 | - |
| | <u>\$ 209,417</u> | <u>\$ 34,016</u> |

\$209,417 reported as deferred outflows of resources related to pensions resulting from Union County's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

**STATE OF NEW MEXICO
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13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

PERA Fund Municipal General Division (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending | |
|-------------|-----------|
| 2017 | \$ 33,221 |
| 2018 | 33,221 |
| 2019 | 33,221 |
| 2020 | (72,971) |
| 2021 | (423) |
| Thereafter | - |

PERA Fund Municipal Police Division

At June 30, 2016, Union County reported a liability of \$618,862 for its proportionate share of the net pension liability within the municipal police division. At June 30, 2015, Union County's proportion was .1287 percent, which was an increase of .0028 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, Union County recognized PERA Fund Municipal Police Division pension expense of \$78,072. At June 30, 2016, Union County reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Changes of assumptions | \$ - | \$ 25,604 |
| Net difference between projected and actual earnings on pension plan investments | - | 1,717 |
| Union County contributions subsequent to the measurement date | 128,286 | - |
| | \$ 128,286 | \$ 27,321 |

\$128,286 reported as deferred outflows of resources related to pensions resulting from Union County's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

PERA Fund Municipal Police Division (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending | |
|-------------|----------|
| 2017 | \$ 3,621 |
| 2018 | 3,621 |
| 2019 | 3,621 |
| 2020 | (33,380) |
| 2021 | (381) |
| Thereafter | - |

Actuarial assumptions - As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

| | |
|------------------------------|---|
| Actuarial valuation date | June 30, 2014 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of pay, open |
| Amortization period | Solved for based on statutory rates |
| Asset valuation method | Fair value |
| Actuarial assumptions: | |
| • Investment rate of return | 7.75% annual rate, net of investment expense |
| • Projected benefit payment | 100 years |
| • Payroll growth | 3.50% annual rate |
| • Projected salary increases | 3.50% to 14.25% annual rate |
| • Includes inflation at | 3.00% annual rate |
| • Mortality Assumption | RP-2000 Mortality Tables (combined table for healthy post-retirements, Employee Table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA. |
| • Experience Study Dates | July 1, 2008 to June 30, 2013 |

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

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Actuarial assumptions (continued) – The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| All Funds Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|-------------------|---|
| US Equity | 21.10% | 5.00% |
| International Equity | 24.80% | 5.20% |
| Private Equity | 7.00% | 8.20% |
| Core and Global Fixed Income | 26.10% | 1.85% |
| Fixed Income Plus Sectors | 5.00% | 4.80% |
| Real Estate | 5.00% | 5.30% |
| Real Assets | 7.00% | 5.70% |
| Absolute Return | 4.00% | 4.15% |
| Total | 100.00% | |

Discount rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Union County's proportionate share of the net pension liability to changes in the discount rate - The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present Union County's net pension liability in each PERA Fund Division that Union County participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

| | 1% Decrease 6.75% | Current Discount Rate 7.75% | 1% Increase 8.75% |
|---|----------------------|-----------------------------------|----------------------|
| PERA Fund Municipal General Division | | | |
| Union County's proportionate share of the net pension liability | \$ 2,253,265 | \$ 1,323,423 | \$ 550,323 |
| PERA Fund Municipal Police Division | | | |
| Union County's proportionate share of the net pension liability | \$ 1,022,013 | \$ 618,862 | \$ 288,141 |

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at:

<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>

14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

The County contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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 RCHA effective date, in which event, the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RCHA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment 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, New Mexico 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RCHA 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 RCHA 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 RCHA or viewed on their website at www.nmrcha.state.nm.us.

**STATE OF NEW MEXICO
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14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

Funding Policy (continued)

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees.

For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plans 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The County's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$30,766, \$27,766 and \$26,912, respectively, which equal the required contributions for each year.

15. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The County pays an annual premium to New Mexico Self-Insured fund for its general insurance coverage and all risk of loss is transferred.

16. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

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16. CONTINGENT LIABILITIES (continued)

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's legal counsel that resolution of these matters will not have a material, adverse effect on the financial condition of the County.

17. CONSTRUCTION COMMITMENTS

Governmental Activities – As of June 30, 2016, the County has a construction contract in progress with total costs of \$328,662. The renovation project is funded through mill levy taxes. The remaining construction commitments are \$581,257.

18. SUBSEQUENT EVENTS

Union County's Hospital – Related Debt Refinancing

At its meeting on June 23, 2016, the New Mexico Finance Authority approved the refinancing of an outstanding loan to Union County for the benefit of Union County General Hospital. Appearing before the New Mexico Finance Authority, on behalf of Union County, was Angie Gonzales, County Manager.

The refinancing of this loan will reduce expenses of Union County General Hospital. Based on current interest rates, the refinancing is anticipated to result in savings of approximately \$149,552.85 after accounting for costs and expenses. The refinancing will yield, based on current conditions, net present value savings as a percentage of refunded principal of approximately 7.99%, versus the threshold of 3% to 4% used by many state and local governments, including the state of New Mexico. The savings will be used to shorten the term of the loan.

As a result of the reduction in interest in interest rates on the new loan, the principal amount of the loan was able to be reduced by approximately \$17,228. There is no extension of the final maturity date of May 2026. The re-financing will close on November 18, 2016, at which time the interest rate on the loan was set and savings finalized.

Union County has three additional loans from the New Mexico Finance Authority that were incurred to finance the expansion of Union County General Hospital. When permitted by contract to refinance these loans and subject to prevailing market conditions and the availability of more favorable interest rates, the County will seek to refinance each of such loans with the New Mexico Finance Authority for a reduction in interest expense.

STATE OF NEW MEXICO
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19. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS

A. Organization

Clayton Health Systems, Inc. (the Corporation), dba Union County General Hospital (the Hospital) is a not-for-profit acute care hospital located in Clayton, New Mexico. The Hospital is a 25-bed licensed facility providing acute care to residents of the Clayton, New Mexico region. The primary interest of the Hospital is to provide medical services to the residents of Clayton, Union County, and the surrounding area. The Hospital is a component unit of Union County (County) and the Board of County Commissioners appoints the members to the Board of Trustees of the Hospital. The Hospital does not have component units as defined by Governmental Accounting Standards Board (GASB) *Codification*, Section 2300.106(a)(2).

The Corporation operates the Hospital through an operating agreement with the County. The agreement was first entered into by the Corporation and the County on June 28, 1996. Since then, the agreement has been amended several times. With the most recent update in August 2014, the agreement is now set to expire on August 11, 2019. The County owns the real property and certain personal property (mainly equipment) used in the operations of the Hospital. The Corporation generally owns the working capital arising out of the operations of the Hospital.

A management company manages the operations of the Hospital for the Corporation pursuant to a management agreement. Under the provisions of this agreement, the management company has the authority and responsibility to conduct, supervise and manage the day-to-day operations of the Hospital. As a not-for-profit entity, the Hospital is generally not subject to state or federal income taxes but is subject to form 990 and related state forms. The tax years of 2013 through 2015 remain open and subject to possible examination by appropriate government agencies in the United States and New Mexico.

B. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Hospital is presented to assist in the understanding of the financial statements. The financial statements and notes are the representations of the Hospital's management who is responsible for their integrity and objectivity. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to healthcare entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The more significant of the Hospital's accounting policies are described below.

Basis of Presentation - The Hospital's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange takes place, while those from government-mandated non-exchange transactions (principally county appropriations) are recognized when all applicable eligibility requirements are met.

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DISCLOSURES RELATED TO COMPONENT
19. UNIT FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued) - Operating revenues and expenses include exchange transactions and program-specific government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program-specific (such as county appropriations), ad valorem taxes, investment income, losses on sales of capital assets, changes in unrealized losses of certificate of deposit, and other income and expenses are included in non-operating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available. The Hospital prepares its financial statements as a business-type activity in conformity with applicable GASB pronouncements.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid debt instruments, when present, with a short-term maturity or subject to withdrawal upon request. The Hospital routinely invests its surplus operating funds in interest-bearing funds such as highly liquid obligations, mutual funds and money market accounts.

Patient Accounts Receivable and Allowance - Patient accounts receivable represent the amount billed but uncollected for services provided to patients. Such receivables are carried at the billed amount less estimates for contractual discounts and allowances as well as for doubtful accounts. Management determines the allowance for doubtful accounts by examining aging categories by payer and by using historical experience applied to the aging. Individual accounts receivable are written off when deemed uncollectible. Recoveries of patient accounts receivable previously written off are recorded when received. Delinquent status is based on how recently payments have been received. The Hospital does not accrue interest on past-due accounts.

Management believes that the allowances for doubtful accounts and contractual allowances are adequate. Because of the uncertainty regarding the ultimate collectability of patient accounts receivable, there is a possibility that recorded estimates of the allowance for doubtful accounts and contractual allowances may change in the near term.

Inventories - Inventories are consistently reported from year-to-year at cost, generally determined by replacement value, which is not in excess of market.

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DISCLOSURES RELATED TO COMPONENT
19. UNIT FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies (continued)

Restricted Cash - Restricted cash can include donor restricted funds; amounts designated by the Board of Trustees for replacement or purchase of property and equipment, and other specific purposes, and amounts held by bond trustees under indenture agreements. Amounts, if any, required to meet current liabilities of the Hospital are reclassified as current assets in the balance sheet.

Property and Equipment - Property and equipment are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 5 to 40 years for buildings and improvements and 5 to 20 years for equipment. Interest cost incurred on borrowed funds, net of related interest earnings, is capitalized during periods of construction of capital assets as a component of acquiring those assets.

Other Assets - Other assets include debt issue costs and certain pledged receivables. For pledges receivable that are considered collectible, no allowance has been established. For those considered to be questionable as to collection, an allowance has been established.

Compensated Absences - The Hospital's employees earn vacation benefits at varying rates depending on years of service. Employees also earn sick leave benefits based on varying rates depending on years of service. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However, accumulated vacation benefits are paid to an employee upon either termination or retirement.

Risk Management - The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance and/or equivalent risk-pool coverage is purchased for claims arising from such matters.

Net Position - The Hospital follows GAB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Accordingly, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is referred to as net position. Net position is categorized as follows:

- Net Investment in Capital Assets - Is intended to reflect the portion of net position that is associated with capital assets less outstanding capital asset related debt, if any. The Hospital has no capital asset related debt at fiscal year-end.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

DISCLOSURES RELATED TO COMPONENT

19. UNIT FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies (continued)

Net Position (continued) -

- Restricted Net Position - Restricted net position results when constraints placed on an asset's use are either externally imposed by donors, creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - Represents net position not otherwise classified as invested in capital assets or restricted net position.

Change in Net Position - The accompanying statements of revenues, expenses, and changes in net position may include unrealized gains and losses on investments other than trading securities and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets).

Net Patient Service Revenues - The Hospital has agreements with third party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per day, discharge or visit, reimbursed costs, discounted charges and per diem payments. Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third party payers and others, including estimated retroactive adjustments under reimbursement agreements with third party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care - The Hospital generally accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient service revenues and then written off entirely as an adjustment to net patient service revenues.

County Revenues and Reimbursements - The County from time-to-time will provide the Hospital with working capital in the form of the gross receipts tax (GRT) program. During the year ended June 30, 2016, the County provided \$363,794 to the Hospital under this program. Other transactions of the GRT program allow the County to reimburse the Hospital for qualified expenditures paid for by the Hospital.

These expenditures are funded by the County with revenues from a mill levy pursuant to the Hospital Funding Act. Mill levy revenue for the year ended June 30, 2016 was \$735,101. This reimbursement program will continue as funds are available. The Hospital also received \$159,233 in 2016 from the County to pay NMFA loan #7.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

DISCLOSURES RELATED TO COMPONENT

19. UNIT FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies (continued)

Donor - Restricted Assets - Unconditional promises to give cash and other assets to the Hospital are reported at fair market value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are generally reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in statement of operations as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met within the same year, are received and reported as unrestricted contributions in the accompanying financial statements.

Statements of Cash Flows - For purposes of the statements of cash flows, all highly liquid investments with original maturities of three months or less, are considered to be cash equivalents. Cash paid for interest expense during the year ended June 30, 2016 was \$182,667.

Budget Process - The Hospital's budget is prepared on a basis consistent with generally accepted accounting principles (GAAP), using an estimate of the anticipated revenues and expenditures. Budgets are approved and amended by the Board of Trustees. Formal budgetary integration is employed as a management control device during the year. Since the Hospital is a proprietary entity and does not receive legislative appropriations, the budget is not a binding budget.

Fair Value of Financial Instruments - Financial instruments include various cash equivalents, receivables, and payables. The carrying amount of those financial instruments has been estimated by management to approximate fair value due to their short maturity.

Concentrations of Credit and Market Risk - Financial instruments that potentially expose the Hospital to concentrations of credit and market risk, consist primarily of cash and cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Hospital has not experienced any losses on its cash equivalents. The Hospital's investments do not represent significant concentrations of market risk, since the Hospital's investment portfolio is adequately diversified among issuers.

Recent Accounting Pronouncements – In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-2, *Leases*, to make leasing activities more transparent and comparable. This new standard will require all leases with terms of more than 12 months be recognized by lessees as a right-of-use asset and a corresponding lease liability on the balance sheet. It will apply to both capital (or finance) leases and operating leases. In addition, ASU 2016-2 requires retrospective application to leases that exist at the beginning of the earliest comparative period presented. Management has not yet evaluated the effects of the new standard. The standard is effective for fiscal years beginning after December 15, 2019. Early application is permitted.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

DISCLOSURES RELATED TO COMPONENT

19. UNIT FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies (continued)

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications have no effect on the changes in net position.

C. Net Patient Service Revenues

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare: Payments for acute care services rendered to Medicare program beneficiaries are based on allowable costs under Medicare's Critical Access program for inpatient and certain outpatient services. Other outpatient services are reimbursed under established fee schedules. The Hospital became designated as a Critical Access Hospital effective March 19, 2001. The Hospital is paid for the cost reimbursable services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2016, cost reports through June 30, 2014 have been audited or otherwise are a final settlement. Management believes that the estimated settlement liability of \$1,639,456 is adequate to settle open cost reports and provide an allowance for other related matters.

Medicaid: On June 1, 1998, the Hospital began participation in the New Mexico Medicaid managed care program. Under the managed care program, inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined per diem amounts. Outpatient services are reimbursed under prospectively determined fee schedules and discounts from established charges.

Other: Payments for services rendered to other than Medicare and Medicaid patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations, and preferred provider organizations that provide for various discounts from established rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2015 cost reports have not been prepared. Management believes that estimated settlement amounts accrued for at June 30, 2016 are adequate to provide for the settlement of all open cost reports. Estimates are continually monitored and reviewed, and as settlements are made or more information becomes available to improve estimates, differences are reflected in current operations.

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

**DISCLOSURES RELATED TO COMPONENT
19. UNIT FINANCIAL STATEMENTS (continued)**

C. Net Patient Service Revenues (continued)

Patient service revenues for the year ended June 30, 2016, summarized by service area, are as follows:

| | | |
|---|----|--------------|
| Inpatient acute care | \$ | 4,890,409 |
| Outpatient acute care | | 14,194,857 |
| Home health services | | 186,614 |
| Total acute and clinic services | | 19,271,880 |
| | | |
| Less deductions from revenue (including supplementals) | | (12,726,763) |
| Net patient service revenues | \$ | 6,545,117 |

Safety Net Care Pool Program (SNCP): Senate Bill 314 amended and repealed various sections of existing statute to comply with federally approved changes to the Sole Community Provider Funds. The law provides for a county-imposed tax of one-twelfth percent of gross receipts be permanently transferred to the *Safety Net Care Pool Fund* and expended pursuant to the Indigent Hospital and County Health Care Act. The law allows counties to budget for expenditure on ambulance services, burial expenses, and hospital or medical expenses for indigent residents of their county. The law requires that qualifying hospitals receiving payment from the Safety Net Care Pool file a quarterly report on all indigent health care funding with the Human Services Department (HSD), and the County Commission, and the HSD to submit a quarterly report to the Legislative Finance Committee containing the previous quarter's Safety Net Care Pool Fund receipts and the disposition of funds.

All SNCP hospitals are to complete an application to the State by December 31st for funding based upon prior year indigent costs. State funding for SNCP is currently limited. Based upon information previously provided, the State authorized an additional payment of \$856,202 to which the Hospital has established a receivable at June 30, 2016.

D. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients and third-party payers. Patient accounts receivable from government agencies represent only the concentrated group of credit risk for the Hospital, and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payers, including individuals involved in diverse activities subject to differing economic conditions and do not represent any concentrated credit risks to the Hospital. Management believes that estimates made for the allowance for contractual adjustments and uncollectible accounts are adequate.

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

**DISCLOSURES RELATED TO COMPONENT
19. UNIT FINANCIAL STATEMENTS (continued)**

D. Concentrations of Credit Risk

Concentration of patient accounts receivable at June 30, 2016 is as follows:

| | |
|---|--------------------------|
| Medicare | \$ 1,209,980 |
| Medicaid | 147,878 |
| Other third-party payers | 757,873 |
| Self pay, collections, DME and other | <u>2,051,816</u> |
| Gross patient accounts receivable | 4,167,547 |
| Less allowances for contractual adjustments and uncollectible accounts | <u>(3,415,154)</u> |
| Net patient accounts receivable | <u><u>\$ 752,393</u></u> |

E. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned. In accordance with Section 6-10-17, NMSA, 1978 compilation, the Hospital is required to obtain collateral in an amount equal to one-half of the deposited public money in excess of \$250,000 and 102 percent for repurchase agreements. As of June 30, 2016, the Hospital was in compliance with the state regulations.

Restricted cash is stated at fair market value (which approximates cost) and are comprised of the following at June 30, 2016:

| | |
|---------------------------|----------------------------|
| Certificates of deposit | \$ 181,779 |
| Deposits and money market | <u>1,309,635</u> |
| Restricted cash | <u><u>\$ 1,491,414</u></u> |

At June 30, 2016, the Hospital had deposits and investments with the following maturities:

| | Fair Value | Maturities in Years | |
|----------|----------------------------|----------------------------|--------------------|
| | | Less Than 1 | 1-5 |
| CDs | \$ 181,779 | \$ 181,779 | \$ - |
| Deposits | <u>1,309,635</u> | <u>1,309,635</u> | <u>-</u> |
| Total | <u><u>\$ 1,491,414</u></u> | <u><u>\$ 1,491,414</u></u> | <u><u>\$ -</u></u> |

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

**DISCLOSURES RELATED TO COMPONENT
19. UNIT FINANCIAL STATEMENTS (continued)**

E. Cash and Cash Equivalents (continued)

Interest Rate Risk - as a means of limiting its exposure to fair market losses arising from rising interest rates, the Hospital's practice is to invest in certificates of deposit with maturities of less than five years.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk - The Hospital places no limit on the amount that may be invested in any one issuer.

F. Other Receivables

Other receivables as of June 30, 2016 are comprised of the following:

| | |
|------------------------------|----------------------------|
| Taxes receivable | \$ 517,675 |
| Grants and other receivables | 225,222 |
| Safety net care pool program | <u>856,202</u> |
| Total other receivables | <u><u>\$ 1,599,099</u></u> |

At times the Hospital may advance working capital to physicians in the form of advances. These advances to physicians are generally comprised of physician income guarantees and/or business loans to those physicians requiring assistance to begin a local practice. The income guarantees are generally entered into with certain physicians whereby the Hospital may guarantee the physician's income for a specified period of time. These agreements are structured so that if a physician maintains a practice in the area for a specified period of time, the income guarantee advances are forgiven. As of June 30, 2016, the Hospital has only minor agreements with physicians.

G. Restricted Cash

Restricted cash as of June 30, 2016 is comprised of the following:

| | |
|---|----------------------------|
| Cash and cash equivalents designated by the Board | \$ 321,370 |
| Cash and cash equivalents held in trust for debt service | <u>1,170,044</u> |
| Total restricted cash | <u><u>\$ 1,491,414</u></u> |

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

**DISCLOSURES RELATED TO COMPONENT
19. UNIT FINANCIAL STATEMENTS (continued)**

H. Property and Equipment

| | Balance 06/30/15 | Additions | Disposals and Retirements | Balance 06/30/16 |
|--|---------------------|---------------------|------------------------------|---------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Construction in progress | \$ 51,035 | \$ 310,207 | \$ - | \$ 361,242 |
| Land improvement | 6,750 | 5,000 | - | 11,750 |
| Total capital assets not being depreciated | 57,785 | 315,207 | - | 372,992 |
| <i>Capital assets being depreciated:</i> | | | | |
| Major equipment - hospital | 947,528 | 182,295 | - | 1,129,823 |
| Major equipment - clinic | 7,984 | - | - | 7,984 |
| Buildings and improvements | 11,475,245 | 14,945 | (73,366) | 11,416,824 |
| E H R equipment | 552,699 | 900 | - | 553,599 |
| Total capital assets being depreciated | 12,983,456 | 198,140 | (73,366) | 13,108,230 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Major equipment - hospital | 268,911 | 164,746 | - | 433,657 |
| Major equipment - clinic | 3,061 | - | - | 3,061 |
| Buildings and improvements | 2,697,790 | 421,364 | - | 3,119,154 |
| E H R equipment | 225,201 | 110,540 | - | 335,741 |
| Total accumulated depreciation | 3,194,963 | 696,650 | - | 3,891,613 |
| Total capital assets being depreciated, net | 9,788,493 | (498,510) | (73,366) | 9,216,617 |
| Total capital assets, net | <u>\$ 9,846,278</u> | <u>\$ (183,303)</u> | <u>\$ (73,366)</u> | <u>\$ 9,589,609</u> |

I. Long-Term Liabilities

Changes in business-type activities obligations during the year ended June 30, 2016 are as follows:

| | Balance 06/30/15 | Additions | Deletions | Balance 06/30/16 | Amounts Due Within One Year |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------------------|
| <i>Business-Type Activities:</i> | | | | | |
| Notes payable | \$ 6,383,135 | \$ 1,171,793 | \$ 1,595,228 | \$ 5,959,700 | \$ 536,533 |
| Capital lease | 353,066 | 170,336 | 77,234 | 446,168 | 131,527 |
| Compensated absences | 95,022 | 273,158 | 248,116 | 120,064 | 120,064 |
| | <u>\$ 6,831,223</u> | <u>\$ 1,615,287</u> | <u>\$ 1,920,578</u> | <u>\$ 6,525,932</u> | <u>\$ 788,124</u> |

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

**DISCLOSURES RELATED TO COMPONENT
19. UNIT FINANCIAL STATEMENTS (continued)**

I. Long-Term Liabilities (continued)

As of June 30, 2016 the Hospital had different forms of debt borrowings as follows:

| | |
|--|--------------|
| Note payable to NMFA, payable in monthly installments of \$23,402, including interest of 1.9%, matures May 2025, collateralized by Hospital revenues and County tax revenues. | \$ 2,140,023 |
| Note payable to NMFA, payable in monthly installments of \$11,149, including interest of 4.1%, matures May 2026, collateralized by Hospital revenues and County tax revenues. | 1,153,700 |
| Note payable to NMFA, payable in monthly installments of \$13,271, including interest of 4.1%, matures May 2027, collateralized by Hospital revenues and County tax revenues. | 1,016,697 |
| Note payable to NMFA, payable in monthly installments of \$14,075, including interest of 4.0%, matures May 2029, collateralized by Hospital revenues and County tax revenues. | 1,648,280 |
| Capital lease obligation payable to a financing company; payable in monthly installments of \$6,786, including interest of 4.281%, matures April 2020, collateralized by Hospital equipment. | 280,563 |
| Capital lease obligation payable to a financing company; payable in monthly installments of \$5,015, including interest of 4.281%, matures April 2019, collateralized by Hospital equipment. | 165,605 |
| | 6,404,868 |
| Less current maturities | (668,060) |
| Total | \$ 5,736,808 |

Future principal maturities for debt borrowings for the next succeeding five years are: \$668,060 in 2017; \$662,881 in 2018; \$671,741 in 2019; \$622,650 in 2020; \$578,335 in 2021; and \$3,201,201 thereafter.

New Mexico Finance Authority - On April 1, 2005, the County entered into a loan agreement with the New Mexico Finance Authority (NMFA) for \$3,836,690. The loan, funded from previously issued NMFA Public Project Revolving Fund Revenue Bonds, was entered into by the County on behalf of the Corporation in order to finance the costs of improvements to the Union County General Hospital.

The loan is secured by the net pledged revenues of the Corporation and the County's tax revenues. Concurrent with this loan agreement, the Corporation entered into an amended and restated operating agreement with the County to require loan payments in the amounts equal to all debt service payments required under the County's loan agreement with NMFA. Upon the expiration of the operating agreement, or upon earlier termination, the Corporation is required to surrender all improvements to the County. This agreement requires certain trust funds to be established with a trustee. Accordingly, these funds are included as restricted cash as referred to in Note 19G.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

DISCLOSURES RELATED TO COMPONENT

19. UNIT FINANCIAL STATEMENTS (continued)

I. Long-Term Liabilities (continued)

On July 21, 2006, the Corporation and the County re-entered into generally the same operating agreement in order to extend borrowings under this arrangement with the County and NMFA in the amount of \$1,836,505. On September 1, 2007, another similar agreement was entered into with NMFA in the amount of \$2,093,796, again for the purpose of cost improvements to the Hospital. On October 16, 2009, the final agreement was entered into with NMFA in the amount of \$2,260,338 in order to finish funding the building of hospital improvements. In October 2015, the borrowing from 2006 was paid off with a new agreement for \$1,171,793.

Line of Credit - The Hospital has a line of credit with a local bank that has agreed to provide a revolving commitment of up to \$125,000. As of June 30, 2016, borrowings on this line of credit were \$0. Interest on the line of credit borrowings is charged at the bank lending rate. Any borrowings on the line of credit are collateralized by a Hospital's certificate of deposit.

J. Commitments and Contingencies

Construction-in-Progress - As of June 30, 2016, the Hospital has \$361,242 recorded as construction-in-progress representing costs capitalized for various remodeling, major repair, and expansion projects on the Hospital's premises. Commitments for construction completion as of June 30, 2016 were considered minor.

Health Insurance Portability and Accountability Act - The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management believes that the operations of the Hospital are in compliance with HIPAA regulations.

Healthcare Reform - The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increase with respect to investigations and allegations concerning possible violations of fraud and abuse statues and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

DISCLOSURES RELATED TO COMPONENT
19. UNIT FINANCIAL STATEMENTS (continued)

J. Commitments and Contingencies (continued)

Medical Malpractice Coverage and Claims - The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium. Accounting principles require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported or unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, no such accrual is considered necessary at this time.

Employee Health Insurance - Under the plan, the Hospital is responsible for the first \$30,000 of medical expenses (the specific deductible) for each participant in the plan. Stop Loss Insurance has been purchased for coverage above \$30,000 as well as other administrative services. A Preferred Provider Organization (PPO) provides a national network of healthcare providers. As of June 30, 2016, there is no anticipated IBNR remaining for which the Hospital would be at risk.

Other - The Hospital may from time-to-time be involved in litigation, regulatory investigations and other matters that arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2016 have been appropriately allowed for and will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

K. Retirement Plan

The Hospital has an *incentive retirement plan* under Section 403(b) of the Internal Revenue Code for which all employees are eligible after 90 days of initial and consecutive employment. Under this plan, employees may elect to defer a portion of their income for which the Hospital has elected to match up to 3.5%. In the fiscal year ended June 30, 2016, the Hospital's expense to fund their share of the plan was \$31,360.

The Hospital also offers its employees a cafeteria plan under Section 125 of the Internal Revenue Code. Employees who elect to participate in the plan make contributions through a reduction in salary and are allowed to choose among various investment alternatives offered by a funding agency selected by the Hospital.

The investments of the cafeteria plan and earnings thereon are held by fiduciaries for the benefit of the employees. Accordingly, the plan assets and liabilities to the participants are excluded from the Hospital's financial statements.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

DISCLOSURES RELATED TO COMPONENT
19. UNIT FINANCIAL STATEMENTS (continued)

L. Charity Care and Community Benefit Expense

The Hospital maintains records to identify and monitor the level of charity care and community service it provides. These records include: the amount of charges foregone, (based on established rates), for services and supplies furnished under its charity care and community service policies, the estimated cost of those services and supplies, and statistics quantifying the level of charity care as a percentage of expenses of the Hospital as a whole. The following is a summary of the Hospital's charity care and community benefit expense for the year ended June 30, 2016, in terms of services to the poor and benefits to the broader community:

| | |
|---|----------------------------|
| Benefits for the poor: | |
| Traditional charity care | \$ 314,251 |
| Unpaid Medicaid program charges | <u>398,542</u> |
| Total quantifiable benefits for the poor | 712,793 |
| Benefits for the broader community: | |
| Unpaid Medicaid program charges | <u>4,158,551</u> |
| Total quantifiable community benefits | <u><u>\$ 4,871,344</u></u> |

M. Subsequent Events

Management evaluated the effect of subsequent events on the financial statements through October 7, 2016, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL OTHER
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO
UNION COUNTY
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2016**

Special Revenue Funds

| | Farm and Range Fund | Recreation Fund | Clerk's Fees Fund | Indigent Hospital Fund | Capulin Fire Fund | Sedan Fire Fund | Amistad/Hayden Fire Fund | Rabbit Ear Fire Fund | Grenville Fire Fund |
|--|---------------------------|--------------------|-------------------------|------------------------------|-------------------------|-----------------------|--------------------------------|----------------------------|---------------------------|
| <u>ASSETS</u> | | | | | | | | | |
| Cash and cash equivalents | \$ 300 | \$ 89 | \$ 20,172 | \$ 415,740 | \$ 4,672 | \$ 156,559 | \$ 143,692 | \$ 57,646 | \$ 76,618 |
| Receivables, net | - | - | 94 | 49,054 | - | - | - | - | - |
| Prepaid expenses | - | - | - | - | 2,167 | 2,712 | 2,167 | 2,550 | 2,367 |
| Restricted: | | | | | | | | | |
| Cash | - | - | - | - | 76 | 80,102 | - | 52 | - |
| Total assets | <u>\$ 300</u> | <u>\$ 89</u> | <u>\$ 20,266</u> | <u>\$ 464,794</u> | <u>\$ 6,915</u> | <u>\$ 239,373</u> | <u>\$ 145,859</u> | <u>\$ 60,248</u> | <u>\$ 78,985</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 21,776 | \$ 962 | \$ 1,697 | \$ 1,646 | \$ 1,837 | \$ 342 |
| Accrued salaries | - | - | - | 268 | - | - | - | - | - |
| Total liabilities | - | - | - | 22,044 | 962 | 1,697 | 1,646 | 1,837 | 342 |
| Deferred Inflows of Resources: | | | | | | | | | |
| Unearned revenues | - | - | - | - | - | - | - | - | - |
| Fund Balances: | | | | | | | | | |
| Nonspendable | - | - | - | - | 2,167 | 2,712 | 2,167 | 2,550 | 2,367 |
| Restricted for: | | | | | | | | | |
| Debt service | - | - | - | - | 76 | 80,102 | - | 52 | - |
| State mandated per statutes | - | - | 1,266 | 158,750 | - | - | - | - | - |
| Committed for: | | | | | | | | | |
| Subsequent years' expenditures | 300 | - | 19,000 | 284,000 | 3,710 | 154,862 | 142,046 | 55,809 | 76,276 |
| Assigned | - | 89 | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - | - |
| Total fund balances | <u>300</u> | <u>89</u> | <u>20,266</u> | <u>442,750</u> | <u>5,953</u> | <u>237,676</u> | <u>144,213</u> | <u>58,411</u> | <u>78,643</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 300</u> | <u>\$ 89</u> | <u>\$ 20,266</u> | <u>\$ 464,794</u> | <u>\$ 6,915</u> | <u>\$ 239,373</u> | <u>\$ 145,859</u> | <u>\$ 60,248</u> | <u>\$ 78,985</u> |

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

**STATE OF NEW MEXICO
UNION COUNTY
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2016**

| | Special Revenue Funds | | | | | | | | |
|--|------------------------|-----------------------------------|-----------------------|-------------------------|--|-----------------------------|----------------------|---------------------|---------------------------------------|
| | Capulin EMS Fund | Amistad/ Hayden EMS Fund | Folsom EMS Fund | Fire Marshal Fund | Corrections Gross Receipts Fund | Corrections Fees Fund | DWI Grant Fund | Reappraisal Fund | Emergency Services GGRT Fund |
| <u>ASSETS</u> | | | | | | | | | |
| Cash and cash equivalents | \$ 27 | \$ 170 | \$ 39,073 | \$ 180,740 | \$ 70,232 | \$ 903 | \$ 2,932 | \$ 63,753 | \$ 9,704 |
| Receivables, net | - | - | - | - | 24,527 | 3,404 | - | 1,444 | 81,800 |
| Prepaid expenses | - | - | - | - | - | - | - | - | - |
| Restricted assets: | | | | | | | | | |
| Cash | - | - | - | - | - | - | - | - | - |
| Total assets | <u>\$ 27</u> | <u>\$ 170</u> | <u>\$ 39,073</u> | <u>\$ 180,740</u> | <u>\$ 94,759</u> | <u>\$ 4,307</u> | <u>\$ 2,932</u> | <u>\$ 65,197</u> | <u>\$ 91,504</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ 35 | \$ - | \$ 74 | \$ 81 | \$ 12,881 | \$ - | \$ 1,609 | \$ 264 | \$ 7,140 |
| Accrued salaries | - | - | - | 408 | - | - | 889 | 178 | 933 |
| Total liabilities | 35 | - | 74 | 489 | 12,881 | - | 2,498 | 442 | 8,073 |
| Deferred Inflows of Resources: | | | | | | | | | |
| Unearned revenues | - | - | - | - | - | - | - | 1,278 | - |
| Fund Balances: | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - |
| Restricted for: | | | | | | | | | |
| Debt service | - | - | - | - | - | - | - | - | - |
| State mandated per statutes | - | 170 | 34,599 | - | - | - | - | 53,402 | 1,073 |
| Committed for: | | | | | | | | | |
| Subsequent years' expenditures | - | - | 4,400 | 180,251 | 65,000 | - | 434 | 10,075 | 82,358 |
| Assigned | - | - | - | - | 16,878 | 4,307 | - | - | - |
| Unassigned | (8) | - | - | - | - | - | - | - | - |
| Total fund balances | (8) | 170 | 38,999 | 180,251 | 81,878 | 4,307 | 434 | 63,477 | 83,431 |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 27</u> | <u>\$ 170</u> | <u>\$ 39,073</u> | <u>\$ 180,740</u> | <u>\$ 94,759</u> | <u>\$ 4,307</u> | <u>\$ 2,932</u> | <u>\$ 65,197</u> | <u>\$ 91,504</u> |

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

**STATE OF NEW MEXICO
UNION COUNTY
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2016**

| | Special Revenue Funds | | | | | Capital Projects Fund | | Total Other Government Funds |
|--|---------------------------|---|--------------------------|------------------------|---------------------------------|-----------------------------|--------------------------------------|------------------------------|
| | County Hospital GGRT Fund | General Gross Receipts Tax Special Fund | GRT Reserve Fund | Law Enforcement Fund | Legislative Appropriations Fund | Total Special Revenue Funds | Capital Improvements/ Emergency Fund | |
| <u>ASSETS</u> | | | | | | | | |
| Cash and cash equivalents | \$ 517,675 | \$ 351,594 | \$ 429,733 | \$ 2,496 | \$ 10,493 | \$ 2,555,013 | \$ 237,234 | \$ 2,792,247 |
| Receivables, net | 49,051 | 24,527 | 12,264 | 182 | - | 246,347 | - | 246,347 |
| Prepaid expenses | - | - | - | - | - | 11,963 | - | 11,963 |
| Restricted assets: | | | | | | | | |
| Cash | - | - | - | - | - | 80,230 | - | 80,230 |
| Total assets | <u>\$ 566,726</u> | <u>\$ 376,121</u> | <u>\$ 441,997</u> | <u>\$ 2,678</u> | <u>\$ 10,493</u> | <u>\$ 2,893,553</u> | <u>\$ 237,234</u> | <u>\$ 3,130,787</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 50,344 | \$ - | \$ 50,344 |
| Accrued salaries | - | - | - | - | - | 2,676 | - | 2,676 |
| Total liabilities | - | - | - | - | - | 53,020 | - | 53,020 |
| Deferred Inflows of Resources: | | | | | | | | |
| Unearned revenues | - | - | - | - | - | 1,278 | - | 1,278 |
| Fund Balances: | | | | | | | | |
| Nonspendable | - | - | - | - | - | 11,963 | - | 11,963 |
| Resericted for: | | | | | | | | |
| Debt service | - | - | - | - | - | 80,230 | - | 80,230 |
| State mandated per statutes | - | - | - | - | - | 249,260 | - | 249,260 |
| Committed for: | | | | | | | | |
| Subsequent years' expenditures | 499,500 | 34,300 | - | 2,678 | - | 1,614,999 | 74,250 | 1,689,249 |
| Assigned | 67,226 | 341,821 | 441,997 | - | 10,493 | 882,811 | 162,984 | 1,045,795 |
| Unassigned | - | - | - | - | - | (8) | - | (8) |
| Total fund balances | <u>566,726</u> | <u>376,121</u> | <u>441,997</u> | <u>2,678</u> | <u>10,493</u> | <u>2,839,255</u> | <u>237,234</u> | <u>3,076,489</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 566,726</u> | <u>\$ 376,121</u> | <u>\$ 441,997</u> | <u>\$ 2,678</u> | <u>\$ 10,493</u> | <u>\$ 2,893,553</u> | <u>\$ 237,234</u> | <u>\$ 3,130,787</u> |

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

STATE OF NEW MEXICO
UNION COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Special Revenue Funds | | | | | | | | |
|---|---------------------------|--------------------|------------------------|------------------------------|-------------------------|-----------------------|--------------------------------|----------------------------|---------------------------|
| | Farm and Range Fund | Recreation Fund | Clerk's Fee Fund | Indigent Hospital Fund | Capulin Fire Fund | Sedan Fire Fund | Amistad/Hayden Fire Fund | Rabbit Ear Fire Fund | Grenville Fire Fund |
| Revenues: | | | | | | | | | |
| Gross receipts taxes | \$ - | \$ - | \$ - | \$ 276,069 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Property taxes | - | - | - | - | - | - | - | - | - |
| Intergovernmental: | | | | | | | | | |
| Federal | 40 | - | - | - | - | - | - | - | - |
| State | - | - | - | - | 49,309 | 90,415 | 49,309 | 110,803 | 50,161 |
| Local | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | 6,920 | - | - | - | - | - | - |
| Interest | 1 | - | 60 | 1,229 | 85 | 650 | 509 | 247 | 257 |
| Miscellaneous | - | - | - | - | 150 | - | 1,000 | 3,575 | - |
| Total revenues | 41 | - | 6,980 | 277,298 | 49,544 | 91,065 | 50,818 | 114,625 | 50,418 |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | - | - | 3,229 | - | - | - | - | - | - |
| Public safety | - | - | - | - | 33,865 | 50,214 | 43,643 | 31,170 | 21,354 |
| Health and welfare | - | - | - | 191,120 | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | - | 14,850 | 29,791 | - | 17,744 | - |
| Interest and other charges | - | - | - | - | 2,321 | 5,005 | - | 12,391 | - |
| Total expenditures | - | - | 3,229 | 191,120 | 51,036 | 85,010 | 43,643 | 61,305 | 21,354 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | 41 | - | 3,751 | 86,178 | (1,492) | 6,055 | 7,175 | 53,320 | 29,064 |
| Other Financing Sources (Uses): | | | | | | | | | |
| Loan proceeds | - | - | - | - | - | 80,605 | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers (out) | - | - | - | - | - | - | - | (1,100) | - |
| Total other financing sources (uses) | - | - | - | - | - | 80,605 | - | (1,100) | - |
| Special Item: | | | | | | | | | |
| Proceeds from disposal of assets | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | 41 | - | 3,751 | 86,178 | (1,492) | 86,660 | 7,175 | 52,220 | 29,064 |
| Fund balances, beginning of year | 259 | 89 | 16,515 | 356,572 | 7,445 | 151,016 | 137,038 | 6,191 | 49,579 |
| Fund balances, end of year | <u>\$ 300</u> | <u>\$ 89</u> | <u>\$ 20,266</u> | <u>\$ 442,750</u> | <u>\$ 5,953</u> | <u>\$ 237,676</u> | <u>\$ 144,213</u> | <u>\$ 58,411</u> | <u>\$ 78,643</u> |

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

**STATE OF NEW MEXICO
UNION COUNTY**
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Special Revenue Funds | | | | | | | | |
|---|------------------------|-----------------------------------|-----------------------|-------------------------|--|-----------------------------|----------------------|---------------------|---------------------------------------|
| | Capulin EMS Fund | Amistad/ Hayden EMS Fund | Folsom EMS Fund | Fire Marshal Fund | Corrections Gross Receipts Fund | Corrections Fees Fund | DWI Grant Fund | Reappraisal Fund | Emergency Services GGRT Fund |
| Revenues: | | | | | | | | | |
| Gross receipts taxes | \$ - | \$ - | \$ - | \$ - | \$ 137,808 | \$ - | \$ - | \$ - | \$ 137,808 |
| Property taxes | - | - | - | - | - | - | - | 30,188 | - |
| Intergovernmental: | | | | | | | | | |
| Federal | - | - | - | - | - | - | - | - | 73,579 |
| State | 8,127 | - | - | 49,309 | - | - | 77,898 | - | - |
| Local | - | - | 7,506 | - | - | - | - | - | - |
| Charges for services | - | - | 15,461 | 500 | 5,187 | 16,325 | 720 | 6,336 | - |
| Interest | 12 | 1 | 119 | 656 | 179 | 76 | 141 | 173 | 165 |
| Miscellaneous | - | - | - | - | - | - | - | - | 11,973 |
| Total revenues | <u>8,139</u> | <u>1</u> | <u>23,086</u> | <u>50,465</u> | <u>143,174</u> | <u>16,401</u> | <u>78,759</u> | <u>36,697</u> | <u>223,525</u> |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | - | - | - | - | - | - | - | 26,204 | - |
| Public safety | 8,270 | - | 15,636 | 53,015 | 105,767 | 46,640 | 79,499 | - | - |
| Health and welfare | - | - | - | - | - | - | - | - | 258,119 |
| Capital outlay | - | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - |
| Interest and other charges | - | - | - | - | - | - | - | - | - |
| Total expenditures | <u>8,270</u> | <u>-</u> | <u>15,636</u> | <u>53,015</u> | <u>105,767</u> | <u>46,640</u> | <u>79,499</u> | <u>26,204</u> | <u>258,119</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | (131) | 1 | 7,450 | (2,550) | 37,407 | (30,239) | (740) | 10,493 | (34,594) |
| Other Financing Sources (Uses): | | | | | | | | | |
| Loan proceeds | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | 6,447 | 23,000 | - | - | 75,000 | - | - |
| Transfers (out) | - | - | - | - | - | - | (75,000) | - | (6,447) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>6,447</u> | <u>23,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(6,447)</u> |
| Special Item: | | | | | | | | | |
| Proceeds from disposal of assets | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | (131) | 1 | 13,897 | 20,450 | 37,407 | (30,239) | (740) | 10,493 | (41,041) |
| Fund balances, beginning of year | 123 | 169 | 25,102 | 159,801 | 44,471 | 34,546 | 1,174 | 52,984 | 124,472 |
| Fund balances, end of year | <u>\$ (8)</u> | <u>\$ 170</u> | <u>\$ 38,999</u> | <u>\$ 180,251</u> | <u>\$ 81,878</u> | <u>\$ 4,307</u> | <u>\$ 434</u> | <u>\$ 63,477</u> | <u>\$ 83,431</u> |

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

**STATE OF NEW MEXICO
UNION COUNTY**
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Special Revenue Funds | | | | | Capital Projects Fund | | Total Other Governmental Funds |
|---|---------------------------|---|-------------------|----------------------|---------------------------------|-----------------------------|--------------------------------------|--------------------------------|
| | County Hospital GGRT Fund | General Gross Receipts Tax Special Fund | GRT Reserve Fund | Law Enforcement Fund | Legislative Appropriations Fund | Total Special Revenue Funds | Capital Improvements/ Emergency Fund | |
| Revenues: | | | | | | | | |
| Gross receipts taxes | \$ 275,987 | \$ 137,813 | \$ 69,128 | \$ - | \$ - | \$ 1,034,613 | \$ - | \$ 1,034,613 |
| Property taxes | - | - | - | - | - | 30,188 | - | 30,188 |
| Intergovernmental: | | | | | | | | |
| Federal | - | - | - | - | - | 73,619 | - | 73,619 |
| State | - | - | - | 22,400 | 110,000 | 617,731 | - | 617,731 |
| Local | - | - | - | - | - | 7,506 | - | 7,506 |
| Charges for services | - | - | - | - | - | 51,449 | - | 51,449 |
| Interest | 1,257 | 1,150 | 1,267 | 69 | 33 | 8,336 | 752 | 9,088 |
| Miscellaneous | - | - | - | - | - | 16,698 | - | 16,698 |
| Total revenues | <u>277,244</u> | <u>138,963</u> | <u>70,395</u> | <u>22,469</u> | <u>110,033</u> | <u>1,840,140</u> | <u>752</u> | <u>1,840,892</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | - | 29,433 | - | 29,433 |
| Public safety | - | - | - | 26,870 | - | 515,943 | - | 515,943 |
| Health and welfare | - | 159,233 | - | - | - | 608,472 | - | 608,472 |
| Capital outlay | - | - | - | 45,830 | 110,000 | 155,830 | - | 155,830 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | 62,385 | - | 62,385 |
| Interest and other charges | - | - | - | - | - | 19,717 | - | 19,717 |
| Total expenditures | <u>-</u> | <u>159,233</u> | <u>-</u> | <u>72,700</u> | <u>110,000</u> | <u>1,391,780</u> | <u>-</u> | <u>1,391,780</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | 277,244 | (20,270) | 70,395 | (50,231) | 33 | 448,360 | 752 | 449,112 |
| Other Financing Sources (Uses): | | | | | | | | |
| Loan proceeds | - | - | - | - | - | 80,605 | - | 80,605 |
| Transfers in | - | - | - | 6,000 | - | 110,447 | - | 110,447 |
| Transfers (out) | - | - | - | - | (110,000) | (192,547) | - | (192,547) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,000</u> | <u>(110,000)</u> | <u>(1,495)</u> | <u>-</u> | <u>(1,495)</u> |
| Special Item: | | | | | | | | |
| Proceeds from disposal of assets | - | - | - | 38,444 | - | 38,444 | - | 38,444 |
| Net change in fund balances | 277,244 | (20,270) | 70,395 | (5,787) | (109,967) | 485,309 | 752 | 486,061 |
| Fund balances, beginning of year | <u>289,482</u> | <u>396,391</u> | <u>371,602</u> | <u>8,465</u> | <u>120,460</u> | <u>2,353,946</u> | <u>236,482</u> | <u>2,590,428</u> |
| Fund balances, end of year | <u>\$ 566,726</u> | <u>\$ 376,121</u> | <u>\$ 441,997</u> | <u>\$ 2,678</u> | <u>\$ 10,493</u> | <u>\$ 2,839,255</u> | <u>\$ 237,234</u> | <u>\$ 3,076,489</u> |

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

**OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
UNION COUNTY
FARM AND RANGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION WITH GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|---------------------------------|------------------|-------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| Federal | \$ 25 | \$ 25 | \$ 40 | \$ - | \$ 40 | \$ 15 |
| Interest | - | - | 1 | - | 1 | 1 |
| Total revenues | 25 | 25 | 41 | - | 41 | 16 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public works | 284 | 284 | - | - | - | 284 |
| Net change | (259) | (259) | 41 | \$ - | \$ 41 | 300 |
| Cash balance, beginning of year | 259 | 259 | 259 | | | - |
| Cash balance, end of year | \$ - | \$ - | \$ 300 | | | \$ 300 |

Explanation of Differences:
None.

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

STATE OF NEW MEXICO
UNION COUNTY
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|---------------------------------|------------------|-------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Culture and recreation | - | - | - | - | - | - |
| Net change | - | - | - | \$ - | \$ - | - |
| Cash balance, beginning of year | 89 | 89 | 89 | | | - |
| Cash balance, end of year | \$ 89 | \$ 89 | \$ 89 | | | \$ - |

Explanation of Differences:

None.

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

STATE OF NEW MEXICO
UNION COUNTY
CLERK'S FEES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|------------------|----------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Charges for services | \$ 6,500 | \$ 6,500 | \$ 6,826 | \$ 94 | \$ 6,920 | \$ 326 |
| Interest | 100 | 100 | 60 | - | 60 | (40) |
| Total revenues | 6,600 | 6,600 | 6,886 | 94 | 6,980 | 286 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 8,000 | 8,000 | 3,229 | - | 3,229 | 4,771 |
| Capital outlay | 15,000 | 15,000 | - | - | - | 15,000 |
| Total expenditures | 23,000 | 23,000 | 3,229 | - | 3,229 | 19,771 |
| Net change | (16,400) | (16,400) | 3,657 | \$ 94 | \$ 3,751 | 20,057 |
| Cash balance, beginning of year | 16,515 | 16,515 | 16,515 | | | - |
| Cash balance, end of year | \$ 115 | \$ 115 | \$ 20,172 | | | \$ 20,057 |
| Explanation of Differences: | | | | | | |
| Change in accounts receivable | | | | \$ 94 | | |

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

STATE OF NEW MEXICO
UNION COUNTY
INDIGENT HOSPITAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|------------------|------------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Gross receipts taxes | \$ 250,000 | \$ 270,000 | \$ 271,337 | \$ 4,732 | \$ 276,069 | \$ 1,337 |
| Interest | 500 | 500 | 1,229 | - | 1,229 | 729 |
| Total revenues | 250,500 | 270,500 | 272,566 | 4,732 | 277,298 | 2,066 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Health and welfare | 550,000 | 550,000 | 169,076 | 22,044 | 191,120 | 380,924 |
| Net change | (299,500) | (279,500) | 103,490 | <u>\$ (17,312)</u> | <u>\$ 86,178</u> | 382,990 |
| Cash balance, beginning of year | 312,250 | 312,250 | 312,250 | | | - |
| Cash balance, end of year | <u>\$ 12,750</u> | <u>\$ 32,750</u> | <u>\$ 415,740</u> | | | <u>\$ 382,990</u> |
| Explanation of Differences: | | | | | | |
| Change in taxes receivables | | | | \$ 4,732 | | |
| Change in accounts payable | | | | (21,776) | | |
| Change in accrued salaries | | | | (268) | | |
| | | | | <u>\$ (17,312)</u> | | |

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

STATE OF NEW MEXICO
UNION COUNTY
CAPULIN FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|------------------|-----------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| State | \$ 39,100 | \$ 49,100 | \$ 49,309 | \$ - | \$ 49,309 | \$ 209 |
| Interest | 250 | 250 | 59 | 26 | 85 | (191) |
| Miscellaneous | 2,000 | 2,000 | 150 | - | 150 | (1,850) |
| Total revenues | 41,350 | 51,350 | 49,518 | 26 | 49,544 | (1,832) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 27,800 | 37,800 | 32,567 | 1,298 | 33,865 | 5,233 |
| Debt service: | | | | | | |
| Principal | 14,850 | 14,850 | 14,850 | - | 14,850 | - |
| Interest and other charges | 2,350 | 2,350 | 2,321 | - | 2,321 | 29 |
| Total expenditures | 45,000 | 55,000 | 49,738 | 1,298 | 51,036 | 5,262 |
| Net change | (3,650) | (3,650) | (220) | <u>\$ (1,272)</u> | <u>\$ (1,492)</u> | 3,430 |
| Cash balance, beginning of year | 4,892 | 4,892 | 4,892 | | | - |
| Cash balance, end of year | <u>\$ 1,242</u> | <u>\$ 1,242</u> | <u>\$ 4,672</u> | | | <u>\$ 3,430</u> |
| Explanation of Differences: | | | | | | |
| Change in prepaid expenses | | | | \$ (560) | | |
| Interest income earned by agent | | | | 26 | | |
| Change in accounts payable | | | | <u>(738)</u> | | |
| | | | | <u>\$ (1,272)</u> | | |

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

STATE OF NEW MEXICO
UNION COUNTY
SEDAN FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|---|------------------|-----------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| State | \$ 75,000 | \$ 90,000 | \$ 90,415 | \$ - | \$ 90,415 | \$ 415 |
| Interest | 500 | 500 | 550 | 100 | 650 | 50 |
| Total revenues | 75,500 | 90,500 | 90,965 | 100 | 91,065 | 465 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 63,800 | 65,800 | 52,537 | (2,323) | 50,214 | 13,263 |
| Capital outlay | 215,000 | 213,000 | - | - | - | 213,000 |
| Debt service: | | | | | | |
| Principal | 29,800 | 29,800 | 29,791 | - | 29,791 | 9 |
| Interest and other charges | 4,400 | 4,400 | 4,400 | 605 | 5,005 | - |
| Total expenditures | 313,000 | 313,000 | 86,728 | (1,718) | 85,010 | 226,272 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | (237,500) | (222,500) | 4,237 | 1,818 | 6,055 | 226,737 |
| Other Financing Sources (Uses): | | | | | | |
| Loan proceeds | 90,000 | 90,000 | - | 80,605 | 80,605 | (90,000) |
| Net change | (147,500) | (132,500) | 4,237 | \$ 82,423 | \$ 86,660 | 136,737 |
| Cash balance, beginning of year | 152,322 | 152,322 | 152,322 | | | - |
| Cash balance, end of year | \$ 4,822 | \$ 19,822 | \$ 156,559 | | | \$ 136,737 |
| Explanation of Differences: | | | | | | |
| Change in prepaid expenses | | | | \$ 40 | | |
| Interest income earned by agent | | | | 100 | | |
| Change in accounts payable | | | | 2,283 | | |
| Loan proceeds | | | | 80,000 | | |
| | | | | \$ 82,423 | | |

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

STATE OF NEW MEXICO
UNION COUNTY
AMISTAD/HAYDEN FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|------------------|------------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| State | \$ 39,100 | \$ 49,100 | \$ 49,309 | \$ - | \$ 49,309 | \$ 209 |
| Interest | 500 | 500 | 509 | - | 509 | 9 |
| Miscellaneous | 4,000 | 4,000 | 1,000 | - | 1,000 | (3,000) |
| Total revenues | 43,600 | 53,600 | 50,818 | - | 50,818 | (2,782) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 53,000 | 63,000 | 41,916 | 1,727 | 43,643 | 21,084 |
| Capital outlay | 125,000 | 115,000 | - | - | - | 115,000 |
| Total expenditures | 178,000 | 178,000 | 41,916 | 1,727 | 43,643 | 136,084 |
| Net change | (134,400) | (124,400) | 8,902 | <u>\$ (1,727)</u> | <u>\$ 7,175</u> | 133,302 |
| Cash balance, beginning of year | 134,790 | 134,790 | 134,790 | | | - |
| Cash balance, end of year | <u>\$ 390</u> | <u>\$ 10,390</u> | <u>\$ 143,692</u> | | | <u>\$ 133,302</u> |
| Explanation of Differences: | | | | | | |
| Change in prepaid expenses | | | | \$ (589) | | |
| Change in accounts payable | | | | <u>(1,138)</u> | | |
| | | | | <u>\$ (1,727)</u> | | |

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

STATE OF NEW MEXICO
UNION COUNTY
RABBIT EAR FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|---|------------------|------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| State | \$ 80,073 | \$ 105,073 | \$ 110,803 | \$ - | \$ 110,803 | \$ 5,730 |
| Interest | 100 | 100 | 206 | 41 | 247 | 106 |
| Miscellaneous | 2,000 | 2,000 | 3,575 | - | 3,575 | 1,575 |
| Total revenues | 82,173 | 107,173 | 114,584 | 41 | 114,625 | 7,411 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 49,750 | 36,650 | 30,206 | 964 | 31,170 | 6,444 |
| Debt service: | | | | | | |
| Principal | 17,750 | 39,750 | 17,744 | - | 17,744 | 22,006 |
| Interest and other charges | 12,400 | 13,500 | 12,391 | - | 12,391 | 1,109 |
| Total expenditures | 79,900 | 89,900 | 60,341 | 964 | 61,305 | 29,559 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | 2,273 | 17,273 | 54,243 | (923) | 53,320 | 36,970 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers (out) | - | - | (23,098) | 21,998 | (1,100) | (23,098) |
| Net change | 2,273 | 17,273 | 31,145 | \$ 21,075 | \$ 52,220 | 13,872 |
| Cash balance, beginning of year | 26,501 | 26,501 | 26,501 | | | - |
| Cash balance, end of year | \$ 28,774 | \$ 43,774 | \$ 57,646 | | | \$ 13,872 |
| Explanation of Differences: | | | | | | |
| Change in prepaid expenses | | | | \$ (270) | | |
| Interest income earned by agent | | | | 41 | | |
| Change in accounts payable | | | | (694) | | |
| Change in due to general fund | | | | 21,998 | | |
| | | | | \$ 21,075 | | |

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

STATE OF NEW MEXICO
UNION COUNTY
GRENVILLE FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|------------------|------------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| State | \$ 39,100 | \$ 49,100 | \$ 50,161 | \$ - | \$ 50,161 | \$ 1,061 |
| Interest | 200 | 200 | 257 | - | 257 | 57 |
| Total revenues | 39,300 | 49,300 | 50,418 | - | 50,418 | 1,118 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 36,000 | 37,500 | 20,983 | 371 | 21,354 | 16,517 |
| Capital outlay | 50,000 | 48,500 | - | - | - | 48,500 |
| Total expenditures | 86,000 | 86,000 | 20,983 | 371 | 21,354 | 65,017 |
| Net change | (46,700) | (36,700) | 29,435 | <u>\$ (371)</u> | <u>\$ 29,064</u> | 66,135 |
| Cash balance, beginning of year | 47,183 | 47,183 | 47,183 | | | - |
| Cash balance, end of year | <u>\$ 483</u> | <u>\$ 10,483</u> | <u>\$ 76,618</u> | | | <u>\$ 66,135</u> |
| Explanation of Differences: | | | | | | |
| Change in prepaid expenses | | | | \$ (277) | | |
| Change in accounts payable | | | | <u>(94)</u> | | |
| | | | | <u>\$ (371)</u> | | |

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

STATE OF NEW MEXICO
UNION COUNTY
CAPULIN EMS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Original Budget | Budget to GAAP Differences | Actual on GAAP Budget | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|------------------|--------------|---------------------------------|----------------------------------|-----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| State | \$ 8,500 | \$ 8,500 | \$ 8,127 | \$ - | \$ 8,127 | \$ (373) |
| Interest | 500 | 500 | 12 | - | 12 | (488) |
| Total revenues | 9,000 | 9,000 | 8,139 | - | 8,139 | (861) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 9,200 | 9,200 | 8,325 | (55) | 8,270 | 875 |
| Net change | (200) | (200) | (186) | <u>\$ (55)</u> | <u>\$ (131)</u> | 14 |
| Cash balance, beginning of year | 213 | 213 | 213 | | | - |
| Cash balance, end of year | <u>\$ 13</u> | <u>\$ 13</u> | <u>\$ 27</u> | | | <u>\$ 14</u> |
| Explanation of Differences: | | | | | | |
| Change in accounts payable | | | | <u>\$ (55)</u> | | |

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

STATE OF NEW MEXICO
UNION COUNTY
 AMISTAD/HAYDEN EMS FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 WITH RECONCILIATION TO GAAP
 FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|---------------------------------|------------------|---------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Interest | \$ - | \$ - | \$ 1 | \$ - | \$ 1 | \$ 1 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | - | - | - | - | - | - |
| Net change | - | - | 1 | <u>\$ -</u> | <u>\$ 1</u> | 1 |
| Cash balance, beginning of year | <u>169</u> | <u>169</u> | <u>169</u> | | | - |
| Cash balance, end of year | <u>\$ 169</u> | <u>\$ 169</u> | <u>\$ 170</u> | | | <u>\$ 1</u> |

Explanation of Differences:

None.

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

STATE OF NEW MEXICO
UNION COUNTY
FOLSOM EMS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|---|------------------|------------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| State | \$ 7,500 | \$ 7,500 | \$ 7,506 | \$ - | \$ 7,506 | \$ 6 |
| Charges for services | 9,250 | 23,750 | 18,431 | (2,970) | 15,461 | (5,319) |
| Interest | 250 | 250 | 119 | - | 119 | (131) |
| Total revenues | 17,000 | 31,500 | 26,056 | (2,970) | 23,086 | (5,444) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 28,550 | 31,050 | 15,808 | (172) | 15,636 | 15,242 |
| Capital outlay | - | 3,947 | - | - | - | 3,947 |
| Total expenditures | 28,550 | 34,997 | 15,808 | (172) | 15,636 | 19,189 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | (11,550) | (3,497) | 10,248 | (2,798) | 7,450 | 13,745 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | - | 6,447 | 6,447 | - | 6,447 | - |
| Net change | (11,550) | 2,950 | 16,695 | <u>\$ (2,798)</u> | <u>\$ 13,897</u> | 13,745 |
| Cash balance, beginning of year | 22,378 | 22,378 | 22,378 | | | - |
| Cash balance, end of year | <u>\$ 10,828</u> | <u>\$ 25,328</u> | <u>\$ 39,073</u> | | | <u>\$ 13,745</u> |
| Explanation of Differences: | | | | | | |
| Change in receivables | | | | \$ (2,970) | | |
| Change in accounts payable | | | | 172 | | |
| | | | | <u>\$ (2,798)</u> | | |

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

STATE OF NEW MEXICO
UNION COUNTY
FIRE MARSHAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|--|------------------|-----------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| State | \$ 39,100 | \$ 49,100 | \$ 49,309 | \$ - | \$ 49,309 | \$ 209 |
| Charges for services | - | - | 500 | - | 500 | 500 |
| Interest | 450 | 450 | 656 | - | 656 | 206 |
| Total revenues | 39,550 | 49,550 | 50,465 | - | 50,465 | 915 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 122,100 | 122,100 | 54,000 | (985) | 53,015 | 68,100 |
| Capital outlay | 45,000 | 45,000 | - | - | - | 45,000 |
| Total expenditures | 167,100 | 167,100 | 54,000 | (985) | 53,015 | 113,100 |
| (Deficiency) of revenues over expenditures before other financing sources (uses) | (127,550) | (117,550) | (3,535) | 985 | (2,550) | 114,015 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 23,000 | 23,000 | 23,000 | - | 23,000 | - |
| Net change | (104,550) | (94,550) | 19,465 | \$ 985 | \$ 20,450 | 114,015 |
| Cash balance, beginning of year | 161,275 | 161,275 | 161,275 | | | - |
| Cash balance, end of year | \$ 56,725 | \$ 66,725 | \$ 180,740 | | | \$ 114,015 |
| Explanation of Differences: | | | | | | |
| Change in accounts payable | | | | \$ (15) | | |
| Change in accrued salaries | | | | 1,000 | | |
| | | | | \$ 985 | | |

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

STATE OF NEW MEXICO
UNION COUNTY
CORRECTIONS GROSS RECEIPTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|------------------|------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Gross receipts taxes | \$ 125,000 | \$ 135,000 | \$ 135,441 | \$ 2,367 | \$ 137,808 | \$ 441 |
| Charges for services | 25,000 | 25,000 | 5,187 | - | 5,187 | (19,813) |
| Interest | 100 | 100 | 179 | - | 179 | 79 |
| Total revenues | 150,100 | 160,100 | 140,807 | 2,367 | 143,174 | (19,293) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 175,000 | 175,000 | 102,496 | 3,271 | 105,767 | 72,504 |
| Net change | (24,900) | (14,900) | 38,311 | \$ (904) | \$ 37,407 | 53,211 |
| Cash balance, beginning of year | 31,921 | 31,921 | 31,921 | | | - |
| Cash balance, end of year | \$ 7,021 | \$ 17,021 | \$ 70,232 | | | \$ 53,211 |
| Explanation of Differences: | | | | | | |
| Change in taxes receivables | | | | \$ 2,367 | | |
| Change in accounts payable | | | | (3,271) | | |
| | | | | \$ (904) | | |

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

STATE OF NEW MEXICO
UNION COUNTY
CORRECTIONS FEES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|------------------|-----------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Charges for services | \$ 20,000 | \$ 20,000 | \$ 12,921 | \$ 3,404 | \$ 16,325 | \$ (7,079) |
| Interest | 50 | 50 | 76 | - | 76 | 26 |
| Total revenues | 20,050 | 20,050 | 12,997 | 3,404 | 16,401 | (7,053) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 53,500 | 53,500 | 51,758 | (5,118) | 46,640 | 1,742 |
| Net change | (33,450) | (33,450) | (38,761) | <u>\$ (1,714)</u> | <u>\$ (30,239)</u> | (5,311) |
| Cash balance, beginning of year | 39,664 | 39,664 | 39,664 | | | - |
| Cash balance, end of year | <u>\$ 6,214</u> | <u>\$ 6,214</u> | <u>\$ 903</u> | | | <u>\$ (5,311)</u> |
| Explanation of Differences: | | | | | | |
| Change in receivables | | | | \$ 3,404 | | |
| Change in accounts payable | | | | (5,118) | | |
| | | | | <u>\$ (1,714)</u> | | |

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

STATE OF NEW MEXICO
UNION COUNTY
DWI GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|---|------------------|-----------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| State | \$ 76,000 | \$ 78,000 | \$ 77,898 | \$ - | \$ 77,898 | \$ (102) |
| Charges for services | 1,350 | 1,350 | 720 | - | 720 | (630) |
| Interest | 150 | 150 | 141 | - | 141 | (9) |
| Total revenues | <u>77,500</u> | <u>79,500</u> | <u>78,759</u> | <u>-</u> | <u>78,759</u> | <u>(741)</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 77,000 | 79,000 | 79,484 | 15 | 79,499 | (484) |
| Capital outlay | 500 | 500 | - | - | - | 500 |
| Total expenditures | <u>77,500</u> | <u>79,500</u> | <u>79,484</u> | <u>15</u> | <u>79,499</u> | <u>16</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | - | - | (725) | (15) | (740) | (725) |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 75,000 | 75,000 | 75,000 | - | 75,000 | - |
| Transfers (out) | (75,000) | (75,000) | (75,000) | - | (75,000) | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change | - | - | (725) | <u>\$ (15)</u> | <u>\$ (740)</u> | (725) |
| Cash balance, beginning of year | <u>3,657</u> | <u>3,657</u> | <u>3,657</u> | | | - |
| Cash balance, end of year | <u>\$ 3,657</u> | <u>\$ 3,657</u> | <u>\$ 2,932</u> | | | <u>\$ (725)</u> |
| Explanation of Differences: | | | | | | |
| Change in accounts payable | | | | \$ 63 | | |
| Change in accrued salaries | | | | 1,517 | | |
| | | | | <u>\$ 1,580</u> | | |

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

STATE OF NEW MEXICO
UNION COUNTY
REAPPRAISAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|------------------|-----------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Property taxes | \$ 27,400 | \$ 34,900 | \$ 30,228 | \$ (40) | \$ 30,188 | \$ (4,672) |
| Charges for services | 1,500 | 1,500 | 6,336 | - | 6,336 | 4,836 |
| Interest | 100 | 100 | 173 | - | 173 | 73 |
| Total revenues | 29,000 | 36,500 | 36,737 | (40) | 36,697 | 237 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 37,455 | 37,455 | 27,833 | (1,629) | 26,204 | 9,622 |
| Net change | (8,455) | (955) | 8,904 | \$ 1,589 | \$ 10,493 | 9,859 |
| Cash balance, beginning of year | 54,849 | 54,849 | 54,849 | | | - |
| Cash balance, end of year | \$ 46,394 | \$ 53,894 | \$ 63,753 | | | \$ 9,859 |
| Explanation of Differences: | | | | | | |
| Change in taxes receivables | | | | \$ (91) | | |
| Change in accounts payable | | | | (239) | | |
| Change in accrued salaries | | | | 1,868 | | |
| Change in unearned revenues | | | | 51 | | |
| | | | | \$ 1,589 | | |

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

STATE OF NEW MEXICO
UNION COUNTY
EMERGENCY SERVICES GRT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|--|------------------|------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Gross receipts taxes | \$ 125,000 | \$ 125,000 | \$ 135,441 | \$ 2,367 | \$ 137,808 | \$ 10,441 |
| Intergovernmental: | | | | | | |
| Federal | 24,650 | 51,650 | 34,295 | 39,284 | 73,579 | (17,355) |
| Local | - | - | - | 11,973 | 11,973 | - |
| Interest | 350 | 350 | 165 | - | 165 | (185) |
| Total revenues | 150,000 | 177,000 | 169,901 | 53,624 | 223,525 | (7,099) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Health and welfare | 271,629 | 271,629 | 260,161 | (2,042) | 258,119 | 11,468 |
| (Deficiency) of revenues over expenditures before other financing sources (uses) | (121,629) | (94,629) | (90,260) | 55,666 | (34,594) | 4,369 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers (out) | - | (6,447) | (6,447) | - | (6,447) | - |
| Net change | (121,629) | (101,076) | (96,707) | \$ 55,666 | \$ (41,041) | 4,369 |
| Cash balance, beginning of year | 106,411 | 106,411 | 106,411 | | | - |
| Cash balance, end of year | \$ (15,218) | \$ 5,335 | \$ 9,704 | | | \$ 4,369 |
| Explanation of Differences: | | | | | | |
| Change in receivables | | | | \$ 53,624 | | |
| Change in accounts payable | | | | (115) | | |
| Change in accrued salaries | | | | 2,157 | | |
| | | | | \$ 55,666 | | |

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

STATE OF NEW MEXICO
UNION COUNTY
SPECIAL COUNTY HOSPITAL GRT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|------------------|------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Gross receipts taxes | \$ 249,500 | \$ 269,500 | \$ 271,251 | \$ 4,736 | \$ 275,987 | \$ 1,751 |
| Interest | 500 | 500 | 1,257 | - | 1,257 | 757 |
| Total revenues | 250,000 | 270,000 | 272,508 | 4,736 | 277,244 | 2,508 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Health and welfare | 400,000 | 400,000 | - | - | - | 400,000 |
| Net change | (150,000) | (130,000) | 272,508 | \$ 4,736 | \$ 277,244 | 402,508 |
| Cash balance, beginning of year | 245,167 | 245,167 | 245,167 | | | - |
| Cash balance, end of year | \$ 95,167 | \$ 115,167 | \$ 517,675 | | | \$ 402,508 |
| Explanation of Differences: | | | | | | |
| Change in receivables | | | | \$ 4,736 | | |

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

STATE OF NEW MEXICO
UNION COUNTY
GENERAL GROSS RECEIPTS TAX SPECIAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|------------------|------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Gross receipts taxes | \$ 124,000 | \$ 134,000 | \$ 135,447 | \$ 2,366 | \$ 137,813 | \$ 1,447 |
| Interest | 1,000 | 1,000 | 1,150 | - | 1,150 | 150 |
| Total revenues | 125,000 | 135,000 | 136,597 | 2,366 | 138,963 | 1,597 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Health and welfare | 159,300 | 159,300 | 159,233 | - | 159,233 | 67 |
| Net change | (34,300) | (24,300) | (22,636) | \$ 2,366 | \$ (20,270) | 1,664 |
| Cash balance, beginning of year | 374,230 | 374,230 | 374,230 | | | - |
| Cash balance, end of year | \$ 339,930 | \$ 349,930 | \$ 351,594 | | | \$ 1,664 |
| Explanation of Differences: | | | | | | |
| Change in receivables | | | | \$ 2,366 | | |

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

**STATE OF NEW MEXICO
UNION COUNTY
GRT RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016**

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|------------------------------------|-------------------|-------------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Gross receipts taxes | \$ 50,000 | \$ 60,000 | \$ 67,945 | \$ 1,183 | \$ 69,128 | \$ 7,945 |
| Interest | - | - | 1,267 | - | 1,267 | 1,267 |
| Total revenues | 50,000 | 60,000 | 69,212 | 1,183 | 70,395 | 9,212 |
| Expenditures: | | | | | | |
| Debt service: | | | | | | |
| Principal | 45,000 | 45,000 | - | - | - | 45,000 |
| Interest | 5,000 | 5,000 | - | - | - | - |
| Total expenditures | 50,000 | 50,000 | - | - | - | 45,000 |
| Net change | - | 10,000 | 69,212 | <u>\$ 1,183</u> | <u>\$ 70,395</u> | 59,212 |
| Cash balance, beginning of year | 360,521 | 360,521 | 360,521 | | | - |
| Cash balance, end of year | <u>\$ 360,521</u> | <u>\$ 370,521</u> | <u>\$ 429,733</u> | | | <u>\$ 59,212</u> |
| Explanation of Differences: | | | | | | |
| Change in receivables | | | | <u>\$ 1,183</u> | | |

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

STATE OF NEW MEXICO
UNION COUNTY
LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|--|------------------|-----------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| State | \$ 22,400 | \$ 22,400 | \$ 22,400 | \$ - | \$ 22,400 | \$ - |
| Interest | - | - | 69 | - | 69 | 69 |
| Total revenues | 22,400 | 22,400 | 22,469 | - | 22,469 | 69 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | 4,400 | 23,900 | 26,870 | - | 26,870 | (2,970) |
| Capital outlay | 30,000 | 50,500 | 45,830 | - | 45,830 | 4,670 |
| Total expenditures | 34,400 | 74,400 | 72,700 | - | 72,700 | 1,700 |
| (Deficiency) of revenues over expenditures before other financing sources (uses) | (12,000) | (52,000) | (50,231) | - | (50,231) | 1,769 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | - | 20,000 | 6,000 | - | 6,000 | (14,000) |
| Special Item: | | | | | | |
| Proceeds from sale of assets | 7,000 | 47,000 | 38,262 | 182 | 38,444 | (8,738) |
| Net change | (5,000) | 15,000 | (5,969) | \$ 182 | \$ (5,787) | (20,969) |
| Cash balance, beginning of year | 8,465 | 8,465 | 8,465 | | | - |
| Cash balance, end of year | \$ 3,465 | \$ 23,465 | \$ 2,496 | | | \$ (20,969) |
| Explanation of Differences: | | | | | | |
| Change in receivables | | | | \$ 182 | | |

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

STATE OF NEW MEXICO
UNION COUNTY
LEGISLATIVE APPROPRIATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Actual on GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variance With Final Budget Over (Under) |
|---|------------------|------------|---------------------------------|----------------------------------|----------------------------|---|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| State | \$ 210,000 | \$ 210,000 | \$ 110,000 | \$ - | \$ 110,000 | \$ (100,000) |
| Interest | - | - | 33 | - | 33 | 33 |
| Total revenues | 210,000 | 210,000 | 110,033 | - | 110,033 | (99,967) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Capital outlay | 210,000 | 210,000 | 110,000 | - | 110,000 | 100,000 |
| (Deficiency) of revenues over expenditures and other financing sources (uses) | - | - | 33 | - | 33 | 33 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 110,000 | 110,000 | - | - | - | (110,000) |
| Transfers (out) | (110,000) | (110,000) | (110,000) | - | (110,000) | - |
| Total other financing sources (uses) | - | - | (110,000) | - | (110,000) | (110,000) |
| Net change | - | - | (109,967) | \$ - | \$ (109,967) | (109,967) |
| Cash balance, beginning of year | 120,460 | 120,460 | 120,460 | | | - |
| Cash balance, end of year | \$ 120,460 | \$ 120,460 | \$ 10,493 | | | \$ (109,967) |

Explanation of Differences:
None.

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

**OTHER CAPITAL PROJECTS FUND
BUDGETARY COMPARISON STATEMENT**

STATE OF NEW MEXICO
UNION COUNTY
 CAPITAL IMPROVEMENTS/EMERGENCY FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 WITH RECONCILIATION TO GAAP
 FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual on Budgetary Basis | Budget to GAAP Differences | Actual on GAAP Basis | Budgetary Basis Variances With Final Budget Over (Under) |
|------------------------------------|-------------------|-------------------|---------------------------------|----------------------------------|----------------------------|--|
| | Original | Final | | | | |
| Revenues: | | | | | | |
| Interest | \$ 751 | \$ 751 | \$ 752 | \$ - | \$ 752 | \$ 1 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 25,000 | 25,000 | - | - | - | 25,000 |
| Net change | (24,249) | (24,249) | 752 | \$ - | \$ 752 | 25,001 |
| Cash balance, beginning of year | 236,482 | 236,482 | 236,482 | | | - |
| Cash balance, end of year | <u>\$ 212,233</u> | <u>\$ 212,233</u> | <u>\$ 237,234</u> | | | <u>\$ 25,001</u> |
| Explanation of Differences: | | | | | | |
| None. | | | | | | |

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

**OTHER COMPONENT UNIT - UNION COUNTY GENERAL HOSPITAL
BUDGETARY COMPARISON STATEMENT**

STATE OF NEW MEXICO
UNION COUNTY
COMPONENT UNIT - UNION COUNTY GENERAL HOSPITAL
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL ON BUDGETARY (GAAP) BASIS
FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual | Variance With Final Budget Favorable (Unfavorable) |
|------------------------------------|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Operating Revenue | \$ 9,280,275 | \$ 9,280,275 | \$ 11,416,862 | \$ 2,136,587 |
| Operating Expenses: | | | | |
| Salaries and wages | 3,305,805 | 3,305,805 | 3,523,078 | (217,273) |
| Fringe benefits | 615,508 | 615,508 | 635,191 | (19,683) |
| Contract labor | 925,555 | 925,555 | 1,265,127 | (339,572) |
| Physicians fees | 648,785 | 648,785 | 1,421,876 | (773,091) |
| Purchased services | 1,015,061 | 1,015,061 | 1,605,931 | (590,870) |
| Legal fees | 80,551 | 80,551 | 150,609 | (70,058) |
| Supply expense | 1,210,619 | 1,210,619 | 1,032,625 | 177,994 |
| Utilities | 192,177 | 192,177 | 175,742 | 16,435 |
| Reparis and maintenance | 345,059 | 345,059 | 257,924 | 87,135 |
| Insurance expense | 378,442 | 378,442 | 368,076 | 10,366 |
| All other operating expenses | 998,180 | 998,180 | 830,267 | 167,913 |
| Leases and rentals | 82,782 | 82,782 | 558,708 | (475,926) |
| Depreciation | 765,597 | 765,597 | 705,551 | 60,046 |
| Interest expense | 285,885 | 285,885 | 182,667 | 103,218 |
| Total operating expenses | <u>10,850,006</u> | <u>10,850,006</u> | <u>12,713,372</u> | <u>(1,863,366)</u> |
| Operating income (loss) | (1,569,731) | (1,569,731) | (1,296,510) | 273,221 |
| Non-Operating Revenue: | | | | |
| Income derived from property taxes | 649,487 | 649,487 | 1,258,128 | 608,641 |
| Other non-operating income (loss) | <u>726,048</u> | <u>726,048</u> | <u>600,671</u> | <u>(125,377)</u> |
| Total non-operating revenue | <u>1,375,535</u> | <u>1,375,535</u> | <u>1,858,799</u> | <u>483,264</u> |
| Change in net position | <u>\$ (194,196)</u> | <u>\$ (194,196)</u> | 562,289 | <u>\$ 756,485</u> |
| Net position, beginning of year | | | <u>7,517,066</u> | |
| Net position, end of year | | | <u>\$ 8,079,355</u> | |

Note to Schedule:

Annual budgets are adopted as required by New Mexico statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with accounting principles generally accepted in the United States of America.

This is for informational purposes only because the Hospital is a proprietary entity and does not receive legislative appropriations; therefore, the budget is not a binding budget.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
UNION COUNTY
 SCHEDULE OF UNION COUNTY'S PROPORTIONATE SHARE OF
 THE NET PENSION LIABILITY OF PERA FUND
 MUNICIPAL FUND DIVISION
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
 LAST TEN FISCAL YEARS *

| | <u>2015</u> | <u>2016</u> |
|---|--------------|--------------|
| Union County's proportion of the net pension liability (asset) | .1285% | .1298% |
| Union County's proportionate share of the net pension liability (asset) | \$ 1,002,438 | \$ 1,323,423 |
| Union County's covered-employee payroll | \$ 1,043,018 | \$ 1,149,790 |
| Union County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 96.11% | 115.10% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.29% | 81.31% |

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

STATE OF NEW MEXICO
UNION COUNTY
 SCHEDULE OF UNION COUNTY'S CONTRIBUTIONS
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
 PERA FUND MUNICIPAL GENERAL DIVISION
 LAST TEN FISCAL YEARS *

| | <u>2015</u> | <u>2016</u> |
|--|----------------|----------------|
| Contractually required contribution | \$ 187,985 | \$ 209,417 |
| Contributions in relation to the contractually required contribution | <u>187,985</u> | <u>209,417</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Union County's covered-employee payroll | \$ 1,043,018 | \$ 1,149,790 |
| Contributions as a percentage of covered-employee payroll | 18.02% | 18.21% |

* This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, Union County will present information for those years for which information is available.

STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF UNION COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY OF PERA FUND
MUNICIPAL POLICE DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST TEN FISCAL YEARS *

| | <u>2015</u> | <u>2016</u> |
|---|-------------|-------------|
| Union County's proportion of the net pension liability (asset) | .1259% | .1287% |
| Union County's proportionate share of the net pension liability (asset) | \$ 410,420 | \$ 618,862 |
| Union County's covered-employee payroll | \$ 242,066 | \$ 268,548 |
| Union County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 169.55% | 232.18% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.29% | 81.31% |

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

STATE OF NEW MEXICO
UNION COUNTY
 SCHEDULE OF UNION COUNTY'S CONTRIBUTIONS
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
 PERA FUND MUNICIPAL POLICE DIVISION
 LAST TEN FISCAL YEARS *

| | <u>2015</u> | <u>2016</u> |
|--|---------------|---------------|
| Contractually required contribution | \$ 73,167 | \$ 78,072 |
| Contributions in relation to the contractually required contribution | <u>73,167</u> | <u>78,072</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Union County's covered-employee payroll | \$ 242,066 | \$ 266,548 |
| Contributions as a percentage of covered-employee payroll | 30.23% | 29.29% |

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, Union County will present information for those years for which information is available.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of benefit terms - The PERA fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit report. That report is available at the following internet address:

http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf

Changes of assumption - The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2015, is available at the following internet address:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>

The summary of key findings for the PERA fund (on page 2 of the report) states, *based on recent experience study for the five-year period ending June 30, 2014, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in an increase of \$410.0 million to fund liabilities and a decrease of 0.90% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 53 of the report.*

OTHER SCHEDULES REQUIRED BY SECTION 2.2.2 NMAC

STATE OF NEW MEXICO
UNION COUNTY
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES FOR THE AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Balance 06/30/15 | Increases/ Receipts | Decreases/ Disbursements | Balance 06/30/16 |
|---------------------------------|---------------------|------------------------|-----------------------------|---------------------|
| Property Tax Fund | | | | |
| Assets: | | | | |
| Cash | \$ 1,615,667 | \$ 2,162,696 | \$ 1,062,821 | \$ 2,715,542 |
| Property taxes receivable | 59,394 | 33,071 | 34,859 | 57,606 |
| Public service taxes receivable | 5,221 | 3,468 | 5,221 | 3,468 |
| Interest receivable | 545 | 501 | 545 | 501 |
| Total assets | <u>\$ 1,680,827</u> | <u>\$ 2,199,736</u> | <u>\$ 1,103,446</u> | <u>\$ 2,777,117</u> |
| Liabilities: | | | | |
| Deposits held for others | \$ 70,682 | \$ 1,075,108 | \$ 1,062,821 | \$ 82,969 |
| Due to other tax units | 64,615 | 1,059,781 | 1,062,821 | 61,575 |
| Taxes paid in protest | 1,545,530 | 1,087,043 | - | 2,632,573 |
| Total liabilities | <u>\$ 1,680,827</u> | <u>\$ 3,221,932</u> | <u>\$ 2,125,642</u> | <u>\$ 2,777,117</u> |

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

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2016**

| Financial Institution/ Account Description | Type of Account | Financial Institution Balance | Reconciling Items | Reconciled Balance |
|---|--------------------|-------------------------------------|----------------------|-----------------------|
| The First National Bank of New Mexico 201 Main Street Clayton, New Mexico 88415 | | | | |
| Union County Treasurer | Checking | \$ 2,292,001 | \$ (123,845) | \$ 2,168,156 |
| Union County Treasurer | CD | 543,307 | - | 543,307 |
| Union County Treasurer | CD | 464,353 | - | 464,353 |
| Total First National Bank of New Mexico | | <u>\$ 3,299,661</u> | <u>\$ (123,845)</u> | <u>\$ 3,175,816</u> |
| Farmer's & Stockmen's Bank P.O. Box 488 Clayton, New Mexico 88415 | | | | |
| Union County Treasurer | Checking | \$ 2,660,273 | \$ (1,109) | \$ 2,659,164 |
| Certificate of Deposit | CD | 519,313 | - | 519,313 |
| Certificate of Deposit | CD | 545,412 | - | 545,412 |
| Certificate of Deposit | CD | 576,833 | - | 576,833 |
| Total Farmer's & Stockmen's Bank | | <u>\$ 4,301,831</u> | <u>\$ (1,109)</u> | <u>\$ 4,300,722</u> |

STATE OF NEW MEXICO
UNION COUNTY
COMPONENT UNIT - UNION COUNTY GENERAL HOSPITAL
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2016

| Financial Institution/ Account Description | Type of Account | Financial Institution Balance | Reconciling Items | Reconciled Balance |
|---|--------------------|-------------------------------------|----------------------|-----------------------|
| The First National Bank of New Mexico 201 Main Street Clayton, New Mexico 88415 | | | | |
| Operating Account | Checking | \$ 652,825 | \$ (297,837) | \$ 354,988 |
| MMDA Cash Reserve | MMDA | 1,059,072 | - | 1,059,072 |
| MMDA Cash Reserve | MMDA | 139,590 | - | 139,590 |
| Certificate of Deposit | CD | 181,779 | - | 181,779 |
| Certificate of Deposit | CD | 500,000 | - | 500,000 |
| Total First National Bank of New Mexico | | <u>\$ 2,533,266</u> | <u>\$ (297,837)</u> | <u>\$ 2,235,429</u> |
| Farmer's & Stockmen's Bank P.O. Box 488 Clayton, New Mexico 88415 | | | | |
| Payroll | Checking | \$ 8,090 | \$ (5,722) | \$ 2,368 |
| Certificate of Deposit | CD | 1,175,428 | - | 1,175,428 |
| Total Farmer's & Stockmen's Bank of NM | | <u>\$ 1,183,518</u> | <u>\$ (5,722)</u> | <u>\$ 1,177,796</u> |
| Total cash in bank | | <u>\$ 3,716,784</u> | <u>\$ (303,559)</u> | <u>\$ 3,413,225</u> |
| Petty Cash | | <u>\$ -</u> | <u>\$ 2,400</u> | <u>\$ 2,400</u> |
| Restricted Cash: | | | | |
| MMDA Cash Reserve | | | | \$ 139,591 |
| Certificates of Deposit | | | | 181,779 |
| NMFA Prepaid Bond Reserve | | | | <u>1,170,044</u> |
| | | | | <u>\$ 1,491,414</u> |
| Reconciliation to Financial Statements: | | | | |
| Petty cash | | | | \$ 2,400 |
| Cash and cash equivalents | | | | 3,413,225 |
| NMFA Prepaid Bond Reserve | | | | <u>1,170,044</u> |
| | | | | <u>\$ 4,585,669</u> |
| Composed of: | | | | |
| Cash and cash equivalents | | | | \$ 3,094,255 |
| Restricted cash | | | | <u>1,491,414</u> |
| | | | | <u>\$ 4,585,669</u> |

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2016**

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

| Security | CUSIP | Maturity | Market Value |
|------------------------------|-----------|----------|---------------------|
| Loving NM Muni Sch Dist #10 | 547413DF8 | 07/15/19 | \$ 208,776 |
| Española NM Pub Sch Dist | 29662RAW8 | 09/01/21 | 264,617 |
| Albuquerque NM Mun SCD 012 | 013595LM3 | 08/01/22 | 555,283 |
| FLMC-Pool#:J20127 | 31306XD83 | 08/01/27 | 307,857 |
| GNMA Series 2016-24 Class AE | 38379UFP6 | 12/16/56 | 252,374 |
| SBAPSeries 2016-20E Class 1 | 83162CXU2 | 05/01/36 | 152,479 |
| Total | | | <u>\$ 1,741,386</u> |

The holder of the collateral pledged by First National Bank of New Mexico is the Federal Home Bank of Dallas, 8500 Freeport Parkway South, Suite 100, Irving, Texas.

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

| Security | CUSIP | Maturity | Market Value |
|-----------------------|------------|----------|---------------------|
| FHLB Letter of Credit | 3615000028 | 11/28/16 | <u>\$ 2,300,000</u> |

The holder of the collateral pledged by Farmer's and Stockmen's Bank is the Federal Home Loan Bank of Dallas, 8500 Freeport Parkway South, Suite 100, Irving, Texas.

STATE OF NEW MEXICO
UNION COUNTY
COMPONENT UNIT - UNION COUNTY GENERAL HOSPITAL
SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2016

| | First National Bank of New Mexico | Farmer's & Stockmen's Bank |
|---|---|----------------------------------|
| Total deposit in bank | \$ 2,533,266 | \$ 1,183,518 |
| Less FDIC insurance | (500,000) | (250,000) |
| Uninsured public funds | 2,033,266 | 933,518 |
| Pledged collateral held by pledging bank's agent, but not in the Hospital's name | 1,359,887 | 500,000 |
| Uninsured and uncollateralized public funds | \$ 673,379 | \$ 433,518 |
| Total pledged collateral | \$ 1,359,887 | \$ 500,000 |
| 50% pledged collateral requirement per state statute | 1,016,633 | 466,759 |
| Pledged collateral (under) over the requirement | \$ 343,254 | \$ 33,241 |

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

| Security | CUSIP | Maturity | Market Value |
|--------------------------------|-----------|------------|-----------------|
| FHLMC Pool j13885 | 312PTJ63 | 12/1/2025 | \$ 42,821 |
| Roy NM Sch Dist No 003 | 780040BC4 | 10/1/2016 | 15,265 |
| Roy NM Sch Dist No 003 | 780040BD2 | 10/1/2017 | 15,679 |
| Roy NM Sch Dist No 003 | 780040BE0 | 10/1/2018 | 16,093 |
| Roy NM Sch Dist No 003 | 780040BF7 | 10/1/2019 | 10,987 |
| FNA Series - 2012-M12 Class 1A | 3136A77J5 | 8/25/2022 | 1,034,934 |
| GNMA Series 2016-24 Class AE | 38379UFP6 | 12/16/1956 | 224,108 |
| | | Total | \$ 1,359,887 |

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

| Security | CUSIP | Maturity | Market Value |
|-----------------------|------------|----------|-----------------|
| FHLB Letter of Credit | 3615000026 | 11/04/16 | \$ 500,000 |

STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF TAX ROLL RECONCILIATION -
CHANGES IN PROPERTY TAXES RECEIVABLES
FOR THE YEAR ENDED JUNE 30, 2016

| | | |
|---|----|-----------------------|
| Property taxes receivable, beginning of year | \$ | 153,759 |
| Changes to Tax Roll: | | |
| Net taxes charged to treasurer for fiscal year | | 3,559,616 |
| Adjustments: | | |
| Increases in taxes receivable | | 562,863 |
| Charge off of taxes receivable | | <u>(20,693)</u> |
| Total receivables prior to collections | | 4,255,545 |
| | | |
| Collections for fiscal year ended June 30, 2016 | | <u>(4,110,896)</u> |
| | | |
| Property taxes receivable, end of the year | \$ | <u><u>144,649</u></u> |
| Property taxes receivable by years: | | |
| 2006 | \$ | 25 |
| 2007 | | 58 |
| 2008 | | 74 |
| 2009 | | 298 |
| 2010 | | 368 |
| 2011 | | 1,406 |
| 2012 | | 2,634 |
| 2013 | | 9,258 |
| 2014 | | 46,817 |
| 2014 | | <u>83,711</u> |
| | \$ | <u><u>144,649</u></u> |

STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF TAX COLLECTIONS AND DISTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

| Agency | Property Taxes Levied | Collected in Current Year | Collected To Date | Distributed in Current Year | Distributed To Date | Undistributed at Year End | County Receivable at Year End |
|-----------------------------|-----------------------------|------------------------------|----------------------|-----------------------------------|------------------------|---------------------------------|-------------------------------------|
| Union County: | | | | | | | |
| General advalorem: | | | | | | | |
| 2006-2014 | \$ 10,844,217 | \$ 37,991 | \$ 10,820,630 | \$ 37,991 | \$ 9,737,073 | \$ 1,083,557 | \$ 23,587 |
| 2015 | 1,608,088 | 1,575,507 | 1,575,507 | 1,291,154 | 1,291,154 | 284,353 | 32,581 |
| Total general advalorem | 12,452,305 | 1,613,498 | 12,396,137 | 1,329,145 | 11,028,227 | 1,367,910 | 56,168 |
| Non-Rendition fees: | | | | | | | |
| 2006-2014 | 27,607 | 25,957 | 27,607 | - | 1,650 | 25,957 | - |
| 2015 | - | - | - | - | - | - | - |
| Total non-rendition fees | 27,607 | 25,957 | 27,607 | - | 1,650 | 25,957 | - |
| Administrative fees: | | | | | | | |
| 2006-2014 | 9,725 | 92 | 9,536 | 92 | 9,536 | - | 189 |
| 2015 | 1,090 | 980 | 980 | 980 | 980 | - | 110 |
| Total administrative fees | 10,815 | 1,072 | 10,516 | 1,072 | 10,516 | - | 299 |
| Reappraisal Program: | | | | | | | |
| 2006-2014 | 254,184 | 937 | 253,576 | 937 | 232,930 | 20,646 | 608 |
| 2015 | 35,547 | 34,711 | 34,711 | 29,291 | 29,291 | 5,420 | 836 |
| Total reappraisal program | 289,731 | 35,648 | 288,287 | 30,228 | 262,221 | 26,066 | 1,444 |
| Hospital Bond: | | | | | | | |
| 2006-2014 | 5,264,641 | 19,521 | 5,252,622 | 19,521 | 4,749,330 | 503,292 | 12,019 |
| 2015 | 777,524 | 760,411 | 760,411 | 628,331 | 628,331 | 132,080 | 17,113 |
| Total hospital bond | 6,042,165 | 779,932 | 6,013,033 | 647,852 | 5,377,661 | 635,372 | 29,132 |
| Total Union County | 18,822,623 | 2,456,107 | 18,735,580 | 2,008,297 | 16,680,275 | 2,055,305 | 87,043 |
| Municipalities | | | | | | | |
| Town of Clayton: | | | | | | | |
| 2006-2014 | 1,126,940 | 12,799 | 1,117,581 | 7,414 | 1,112,197 | 5,384 | 9,359 |
| 2015 | 144,314 | 131,581 | 131,581 | 127,939 | 127,939 | 3,642 | 12,733 |
| Total Town of Clayton | 1,271,254 | 144,380 | 1,249,162 | 135,353 | 1,240,136 | 9,026 | 22,092 |
| Village of Des Moines: | | | | | | | |
| 2006-2014 | 82,924 | 517 | 82,445 | 468 | 82,396 | 49 | 479 |
| 2015 | 9,335 | 8,997 | 8,997 | 8,976 | 8,976 | 21 | 338 |
| Total Village of Des Moines | 92,259 | 9,514 | 91,442 | 9,444 | 91,372 | 70 | 817 |
| Village of Folsom: | | | | | | | |
| 2006-2014 | 36,960 | 126 | 36,842 | 126 | 36,842 | - | 118 |
| 2015 | 3,701 | 3,328 | 3,328 | 3,372 | 3,372 | (44) | 373 |
| Total Village of Folsom | 40,661 | 3,454 | 40,170 | 3,498 | 40,214 | (44) | 491 |
| Village of Grenville: | | | | | | | |
| 2006-2014 | 25,867 | 92 | 25,866 | 89 | 25,861 | 5 | 1 |
| 2015 | 3,877 | 3,835 | 3,835 | 3,834 | 3,834 | 1 | 42 |
| Total Village of Grenville | 29,744 | 3,927 | 29,701 | 3,923 | 29,695 | 6 | 43 |
| Total municipalities | 1,433,918 | 161,275 | 1,410,475 | 152,218 | 1,401,417 | 9,058 | 23,443 |

STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF TAX COLLECTIONS AND DISTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2016

| Agency | Property Taxes Levied | Collected in Current Year | Collected To Date | Distributed in Current Year | Distributed To Date | Undistributed at Year End | County Receivable at Year End |
|-------------------------------------|-----------------------------|------------------------------|----------------------|-----------------------------------|------------------------|---------------------------------|-------------------------------------|
| Schools: | | | | | | | |
| Clayton Public School: | | | | | | | |
| 2006-2014 | 3,047,474 | 10,324 | 3,041,160 | 7,353 | 2,742,135 | 299,025 | 6,314 |
| 2015 | 378,038 | 369,064 | 369,064 | 287,871 | 287,871 | 81,193 | 8,974 |
| Total Clayton Public School | 3,425,512 | 379,388 | 3,410,224 | 295,224 | 3,030,006 | 380,218 | 15,288 |
| Des Moines School: | | | | | | | |
| 2006-2014 | 1,639,966 | 2,055 | 1,638,452 | 1,821 | 1,638,218 | 234 | 1,514 |
| 2015 | 157,933 | 155,808 | 155,808 | 155,601 | 155,601 | 206 | 2,126 |
| Total Des Moines School | 1,797,899 | 157,863 | 1,794,260 | 157,422 | 1,793,819 | 440 | 3,640 |
| Springer Public School: | | | | | | | |
| 2006-2014 | 77,644 | 185 | 77,511 | 185 | 77,511 | - | 133 |
| 2015 | 12,820 | 12,753 | 12,753 | 12,612 | 12,612 | 141 | 67 |
| Total Springer Public School | 90,464 | 12,938 | 90,264 | 12,797 | 90,123 | 141 | 200 |
| Luna Tech: | | | | | | | |
| 2006-2014 | 20,984 | 42 | 20,947 | 42 | 20,947 | - | 37 |
| 2015 | 3,639 | 3,619 | 3,619 | 3,586 | 3,586 | 34 | 20 |
| Total Luna Tech | 24,623 | 3,661 | 24,566 | 3,628 | 24,533 | 34 | 57 |
| Total schools | 5,338,498 | 553,850 | 5,319,314 | 469,071 | 4,938,481 | 380,833 | 19,185 |
| State of New Mexico Treasurer: | | | | | | | |
| State of New Mexico: | | | | | | | |
| 2006-2014 | 1,657,868 | 6,312 | 1,653,975 | 4,598 | 1,491,148 | 162,827 | 3,893 |
| 2015 | 251,203 | 245,584 | 245,584 | 201,283 | 201,283 | 44,301 | 5,618 |
| Total State of New Mexico | 1,909,071 | 251,896 | 1,899,559 | 205,881 | 1,692,431 | 207,128 | 9,511 |
| Cattle Levy: | | | | | | | |
| 2006-2004 | 1,326,318 | 2,705 | 1,323,641 | 2,679 | 1,323,615 | 26 | 2,677 |
| 2015 | 166,714 | 163,945 | 163,945 | 163,173 | 163,173 | 772 | 2,769 |
| Total cattle levy | 1,493,032 | 166,650 | 1,487,586 | 165,852 | 1,486,788 | 798 | 5,446 |
| Sheep/Goat Levy: | | | | | | | |
| 2006-2014 | 105 | - | 105 | - | 105 | - | - |
| 2015 | 32 | 32 | 32 | 32 | 32 | - | - |
| Total sheep/goat levy | 137 | 32 | 137 | 32 | 137 | - | - |
| Equine Levy: | | | | | | | |
| 2006-2014 | 9,116 | 52 | 9,111 | 50 | 9,109 | 2 | 5 |
| 2015 | 766 | 756 | 756 | 737 | 737 | 19 | 10 |
| Total equine levy | 9,882 | 808 | 9,867 | 787 | 9,846 | 21 | 15 |
| Bison Levy: | | | | | | | |
| 2006-2014 | 44 | - | 44 | 44 | 44 | - | - |
| 2015 | 52 | 52 | 52 | 52 | 52 | - | - |
| Total bison levy | 96 | 52 | 96 | 96 | 96 | - | - |
| Total State of New Mexico Treasurer | 3,412,218 | 419,438 | 3,397,245 | 372,648 | 3,189,298 | 207,947 | 14,972 |
| Special District: | | | | | | | |
| Ute Creek Soil & Water: | | | | | | | |
| 2006-2014 | 3,333 | 24 | 3,328 | 24 | 3,328 | - | 5 |
| 2015 | 1,073 | 1,072 | 1,072 | 1,044 | 1,044 | 28 | 1 |
| Total Ute Creek soil & water | 4,406 | 1,096 | 4,400 | 1,068 | 4,372 | 28 | 6 |
| Grand Total | \$ 29,011,663 | \$ 3,591,766 | \$ 28,867,014 | \$ 3,003,302 | \$ 26,213,843 | \$ 2,653,171 | \$ 144,649 |

STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2016

JOINT COMMUNICATIONS

Participants – County of Union, Town of Clayton and Clayton Consolidated School District.

Party responsible for operations – Town of Clayton.

Description – The joint powers agreement was established between the governments for the purpose of establishing, operating, and maintaining a consolidated communications center for the joint use and benefit of the governments.

Beginning dates and ending dates of JPA – The current agreement began on July 1, 2009, and was updated on November 16, 2011. The agreement is perpetual, unless terminated by one of the participants.

Total estimated amount of the project and portion applicable to the county – The total estimated cost of the joint communication operations is \$300,000. The County's share of the joint communications expenses is \$100,000.

Amount the county contributed during the current fiscal year – \$90,615.

Audit responsibility – Town of Clayton.

Name of government where revenues and expenditures are reported – Town of Clayton.

EMERGENCY MANAGER POSITION

Participants – County of Union and the Town of Clayton.

Party responsible for operations – County of Union.

Description – The joint powers agreement was established between the governments for the purpose of creating a position of emergency manager, who is to manage the mitigation of, preparedness for, response and recovery from disaster or major emergencies that occur within the County and the Town.

Beginning dates and ending dates of JPA – The current agreement was signed in November 2012. The agreement is good for three years and according to the agreement, the County's Board of Commissioners can approve the extension for one additional fiscal year.

Amount the county contributed during the current fiscal year – \$29,784.

Audit responsibility – County of Union.

Name of government where revenues and expenditures are reported – County of Union.

ADDITIONAL INFORMATION

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF VENDOR INFORMATION
FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016**

| RFB#/ RFP# | Type of Procurement | Vendor Name | Did Vendor Win Contract | Amount of Awarded Contract | Amount of Amended Contract | Physical Address of Vendor (City, State) | Did the Vendor Provide Documentation of Eligibility for In-State Preference | Did the Vendor Provide Documentation of Eligibility for Veterans' Preference | Brief Description of the Scope of Work | If the Procurement is Attributable to a Component Unit, Name of Component Unit |
|----------------|------------------------|---------------------------------------|-------------------------------|----------------------------------|----------------------------------|---|---|--|--|---|
| RFP 15/16-1 | Competitive (RFP) | Basham & Basham, PC | Yes | \$160/hour | | Santa Fe, NM | No | No | Provide legal services to Union County. | |
| RFP 15/16-1 | Competitive (RFP) | The Romero Law Office | No | | | Las Vegas, NM | No | No | Provide legal services to Union County. | |
| RFP 15/16-1 | Competitive (RFP) | Law Office of Erika Anderson | No | | | Albuquerque, NM | No | No | Provide legal services to Union County. | |
| RFP 15/16-1 | Competitive (RFP) | The Barela-Gutierrez Law Firm, LLC | No | | | Corrales, NM | No | No | Provide legal services to Union County. | |
| RFP 15/16-1 | Competitive (RFP) | Cuddy & McCarthy, LLP | No | | | Albuquerque, NM | No | No | Provide legal services to Union County. | |
| RFB 15/16-1 | Competitive (RFP) | Sowers Construction | Yes | \$ 44,780 | - | Clayton, NM | No | No | Install ballistic windows at Des Moines Municipal School in Des Moines, NM | |
| RFB 15/16-1 | Competitive (RFP) | Stoven Construction | Yes | \$ 685,006 | \$ 908,918.69 | Albuquerque, NM | Yes | Yes | Remodel Clayton Health Clinic | |

**STATE OF NEW MEXICO
UNION COUNTY
COMPONENT UNIT – UNION COUNTY GENERAL HOSPITAL
SCHEDULE OF VENDOR INFORMATION
FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016**

| RFB/ RFP# | Type of Procurement | Vendor Name | Did Vendor Win Contract | Amount of Awarded Contract | Amount of Amended Contract | Physical Address of Vendor (City, State) | Did the Vendor Provide Documentation of Eligibility for In-State Preference | Did the Vendor Provide Documentation of Eligibility for Veterans' Preference | Brief Description of the Scope of Work |
|--------------|------------------------|-----------------------------------|-------------------------------|----------------------------------|----------------------------------|---|---|--|---|
| | | Adaptive Network | Yes | \$ 63,000 | | N/A | N/A | N/A | Information Technology |
| | | Alliance Healthcare Svcs | Yes | 61,200 | | N/A | N/A | N/A | Purchased Svcs - MRI |
| | | Barton Associates | Yes | 121,900 | | N/A | N/A | N/A | Legal services |
| | | Brownstein Hyatt Farber Schrec | Yes | 104,300 | | N/A | N/A | N/A | Legal services |
| | | Cardinal Health 411, Inc. | Yes | 174,100 | | N/A | N/A | N/A | Medical supplies |
| | | Care Communications | Yes | 161,000 | | N/A | N/A | N/A | Transcription/coding |
| | | CIGNA | Yes | 300,000 | | N/A | N/A | N/A | Health insurance |
| | | Community Hospital Consulting | Yes | 824,000 | | N/A | N/A | N/A | Management services |
| | | CPSI | Yes | 187,100 | | N/A | N/A | N/A | Technology/Information |
| | | Healthcare Svcs Group | Yes | 170,200 | | N/A | N/A | N/A | Housekeeping/laundry |
| | | IPFS Corporation | Yes | 170,200 | | N/A | N/A | N/A | Malpractice insurance |
| | | Lockton, LLC | Yes | 79,900 | | N/A | N/A | N/A | Malpractice insurance |
| | | Medical Svcs Network | Yes | 289,800 | | N/A | N/A | N/A | Anesthesia Svcs |
| | | Medpro Healthcare Staffing | Yes | 64,000 | | N/A | N/A | N/A | Medical staffing |
| | | Mmodal Services Ltd | Yes | 67,100 | | N/A | N/A | N/A | Transcription/coding |
| | | Pro Touch Staffing | Yes | 103,200 | | N/A | N/A | N/A | Medical staffing |
| | | Rhino Medical Services | Yes | 1,154,000 | | N/A | N/A | N/A | Medical staffing |
| | | Siemens Healthcare Diagnostics | Yes | 142,000 | | N/A | N/A | N/A | Lab/Medical supplies |
| | | Toshiba America Medical Credit | Yes | 74,400 | | N/A | N/A | N/A | Payment for CT Scanner |
| | | Union Co Network, Inc. | Yes | 127,800 | | N/A | N/A | N/A | Offset by Revenue |

ADDITIONAL INDEPENDENT AUDITORS' REPORT

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
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www.fierrocpa.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*

Independent Auditors' Report

Timothy Keller, State Auditor
and
Board of Commissioners
Union County
Clayton, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds, of Union County (County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and the combining and individual funds and related budgetary comparisons of the County, presented as supplementary information, and have issued our report thereon dated October 28, 2016. Our report includes a reference to other auditors who audited the financial statements of Union County General Hospital, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2016-001 and 2016-002.

The County's Responses to Findings

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

Purpose of this Report

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



Fierro & Fierro, P.A.
Las Cruces, New Mexico

October 28, 2016

STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Primary Government

Item 2016-01 – Material Compliance - Procurement Code – Bid Specifications

Statement of Condition – The County issued an award, based on the recommendation of the architect, for the renovation of a rural medical health building that did not include all required State of New Mexico Department of Health building specifications. The initial cost estimate prepared by the architect was approximately \$440,000. The award was given to the sole bidder at a construction cost of \$685,006. During our testing of the procurement, we noted that the County had since issued ten (10) change orders that totaled \$223,913. This is a 33% increase from the original amount awarded. The renovation project, which is now at \$909,919, was in progress at the end of the fiscal year June 30, 2016. It is unknown whether further change orders will be required.

Criteria – The purpose of the New Mexico Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978] is to provide for the fair and equitable treatment of all persons involved in public procurement; to maximize the purchasing value of public funds; and to provide safeguards for maintaining a procurement system of quality and integrity. The request for proposals (RFP) is used to initiate a competitive sealed proposal procurement. As per the New Mexico Administrative Code 1.4.1.31, at a minimum the RFP must include the following:

1. the specifications for the services or items of tangible personal property to be procured;
2. all contractual terms and conditions applicable to the procurement;
3. instructions concerning the submission and response to questions;
4. the term of the contract and conditions of renewal or extension, if any;
5. instructions and information to offerors, including the date, time and place where proposals are to be received and reviewed;
6. all of the evaluation factors, and the relative weights to be given to the factors in evaluating proposals;
7. a statement that discussions may be conducted with offerors who submit proposals determined to be reasonably susceptible of being selected for award;
8. a notice that the RFP may be cancelled and that any and all proposals may be rejected in whole or in part when it is in the best interest of the state of new Mexico;
9. a statement of how propose costs should be submitted; and
10. a notice that reads the procurement code imposes civil, misdemeanor and felony criminal penalties for its violation.

More specifically, per Section 13-1-164 of the procurement code, all specifications shall be drafted so as to ensure maximum practicable competition, and fulfill all the requirements of state agencies and local public bodies.

STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Primary Government (continued)

Item 2016-01 – Material Compliance - Procurement Code – Bid Specifications (continued)

Effect – Any person, firm, or corporation that knowingly violates any provision of the Procurement Code is subject to a civil penalty of not more than one thousand dollars (\$1,000) for each procurement in violation of any provision of the Procurement Code [13-1-196].

Cause – The County relied on the professional services provided by the architect who drafted the floor plan drawings, building specifications, and estimated costs. The County failed to investigate whether there were other regulations or specifications that are unique to medical buildings.

Recommendation – We recommend that the County expedite the establishment of procedures that will provide a complete understanding, and total assurance of compliance, with the Procurement Code. The General Services Department of the State of New Mexico would be a good resource to answer questions concerning its role in the procurement process.

Views of Responsible Officials and Planned Corrective Actions – The Union County Manager and the Certified Procurement Office will immediately begin the process of reviewing upcoming projects and allowing for sufficient time to get the appropriate specialized professional the project may require. All major projects involving Union County General Hospital will have a medical professional involved from the planning stages to the completion of the project.

Item 2016-02 – Other Non-Compliance – Balanced Original Budget

Statement of Condition – The County did not balance the original budget in the Emergency Services GRT fund. The planned deficit cash balance for the fiscal year end June 30, 2016 was \$15,218.

Criteria – Sections 6-6-6 through 6-6-11 NMSA 1978 address the provisions of local government finances and in particular budgets. The County prepares its budget on a cash basis. In any individual fund, the prior-year cash balance plus the anticipated revenues and transfers in less the anticipated expenditures and transfers out should not leave the fund in a deficit cash position.

Effect – Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes.

Cause – The County Manager did not correct an error in the emergency service GRT fund prior to submittal to Local Government Division for final approval.

Recommendation – We recommend that the County management expedite the establishment of procedures that will provide assurance of compliance with budget constraints established by state law. Such procedures should include an extensive review of beginning cash balances as these balances may have a direct and material effect on the final budget. The review process should also include all the necessary steps to eliminate errors prior to submission to the county board of commissioners and the Department of Finance & Administration (DFA) Local Government Division for approval.

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

Primary Government (continued)

Item 2016-02 – Other Non-Compliance – Balanced Original Budget (continued)

Views of Responsible Officials and Planned Corrective Actions – The County Manager will immediately establish a budget oversight committee consisting of the Manager, Assistant Manager and a representative from each of the County departments. They will review expense requests and estimated revenue projections for the fiscal year for all the departments to determine the feasibility of the budget requests before the Board of Commissioners’ consideration and approval.

Component Unit

None.

PRIOR YEAR’S AUDIT FINDINGS

Primary Government

Item 2015-001 – Other Non-Compliance – Purchase of Computer Software – In the prior year, the County made a \$10,000 down payment towards a commitment for a software license and services agreement. The commitment was later determined by the County to be in violation of the procurement code. The County established procurement procedures that will not allow for payment until improper procedures have been corrected. The finding was unique to the prior year, and as such was not repeated in the current year audit.

Item 2015-002 – Other Non-Compliance – Legal Compliance with Adopted Budget – In the prior year, the County exceeded their respective approved budgets in two County funds. The excess spending was the result of a transfer of monies between the road fund, and the GRT reserve fund, of which no budget adjustment request for the transfer was prepared. The finding was unique to the prior year, and as such was not repeated in the current year audit.

Component Unit

| <u>Prior Year Number</u> | <u>Description</u> | <u>Current Status</u> |
|------------------------------|------------------------------|---------------------------|
| 2015-001 | Billing Activity | Resolved |
| 2015-002 | Safety net Care Pool | Resolved |
| 2015-003 | Documentation | Resolved |
| 2015-004 | Travel and Housing reporting | Resolved |
| 2015-005 | State Audit Rule | Resolved |

STATE OF NEW MEXICO
UNION COUNTY
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2016

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2016, was discussed during the exit conference held on October 31, 2016 in Clayton, New Mexico. Present for Union County was Walter C. Hall, county commissioner; Angie Gonzales, county manager; Brandy Thompson, county treasurer; Shea Arnett, deputy county treasurer, and Cheryl Garcia, assistant county manager. Present for Union County General Hospital was Judith Cooper, board president and Gerald Wiesner, chief executive officer. Present for the auditing firm was Rose Fierro, CPA.

The component unit's audit report for the fiscal year ended June 30, 2016, was discussed during an exit conference held on October 14, 2016. Present for Union County General Hospital was Judith Cooper, board president; Jim Mayfield, board vice-president; Judy Steen, board member; Jim Brook, board member; Gerald Wiesner, chief executive officer; Pamela Gallagher, chief financial officer. Present for the auditing firm of Ricci & Company, Wayne Brown, CPA, director; and Dock Livingston, CPA, manager. Present for Community Hospital Consulting was Shelle Diehm, vice-president, hospital finance.

PREPARATION OF FINANCIAL STATEMENTS

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of Union County as of June 30, 2016. The County's upper management has reviewed and approved the financial statements and related notes, and they believe the County's books and records adequately support them.