

**STATE OF NEW MEXICO
UNION COUNTY**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30, 2019



INTRODUCTORY SECTION

STATE OF NEW MEXICO
UNION COUNTY
OFFICIAL ROSTER
JUNE 30, 2019

Elected Officials

Name	Title
Justin Bennett	Chairman
W. Carr Vincent	Member
Clayton Kiesling	Member
Louis F. Trujillo	County Assessor
Brandy Thompson	County Treasurer
Mary Lou Harkins	County Clerk
Leslie Taylor	Probate Judge
James Lobb	Sheriff

Administrative Staff

Angie Gonzales	County Manager
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UNION COUNTY
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Independent Auditor’s Report

To the County Commission
Union County
and Brian S. Colón, Esq.
New Mexico State Auditor

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 (the “County”), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the County’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s 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, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



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 the County, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *Schedules of the County's Proportionate Share of the Net Pension Liability, and Net OPEB Liability and Schedules of County Contributions and the notes to the required supplementary information* on pages 69-75, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the County's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by Section 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 Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2019 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.



Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
December 2, 2019

FINANCIAL SECTION

STATE OF NEW MEXICO
UNION COUNTY
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Component Unit	Total
ASSETS			
<i>Current:</i>			
Cash and cash equivalents	\$ 5,434,514	201,815	5,636,329
Short-term investments	-	906,279	906,279
Receivables, net	597,422	1,153,358	1,750,780
Inventories	-	234,874	234,874
Prepaid expenses	96,348	75,750	172,098
Restricted cash	1,327	173,043	174,370
Restricted investments	-	-	-
Other assets	-	800,451	800,451
<i>Total current assets</i>	<u>6,129,611</u>	<u>3,545,570</u>	<u>9,675,181</u>
<i>Noncurrent assets:</i>			
<i>Restricted by trustee for debt service</i>	-	580,965	580,965
<i>Land and construction in progress</i>	66,180	242,127	308,307
Capital assets, net accumulated depreciation	3,757,073	9,493,338	13,250,411
<i>Total noncurrent assets</i>	<u>3,823,253</u>	<u>10,316,430</u>	<u>14,139,683</u>
	<u>3,823,253</u>	<u>10,316,430</u>	<u>14,139,683</u>
<i>Total assets</i>	<u>9,952,864</u>	<u>13,862,000</u>	<u>23,814,864</u>
DEFERRED OUTFLOWS			
Pension related	833,829	-	833,829
OPEB related	30,694	-	30,694
<i>Total deferred outflows</i>	<u>864,523</u>	<u>-</u>	<u>864,523</u>
<i>Total assets and deferred outflows</i>	<u>\$ 10,817,387</u>	<u>13,862,000</u>	<u>24,679,387</u>

STATE OF NEW MEXICO
 UNION COUNTY
 STATEMENT OF NET POSITION
 June 30, 2019

	Primary Government		
	Governmental Activities	Component Unit	Total
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	\$ 88,246	382,173	470,419
Cash overdrafts	-	233,830	233,830
Accrued salaries	43,245	364,213	407,458
Accrued interest payable	2,418	19,678	22,096
Estimated third party payor settlements	-	480,393	480,393
Line of credit	-	120,450	120,450
Current portion of compensated absences	23,197	-	23,197
Other accrued expenses	-	196,547	196,547
Debt due within one year	68,782	677,671	746,453
<i>Total current liabilities</i>	<u>225,888</u>	<u>2,474,955</u>	<u>2,700,843</u>
<i>Noncurrent liabilities:</i>			
Loans payable	496,248	3,339,888	3,836,136
Compensated absences	23,196	-	23,196
Net pension liability	2,914,429	-	2,914,429
Net OPEB liability	1,536,274	-	1,536,274
<i>Total noncurrent liabilities</i>	<u>4,970,147</u>	<u>3,339,888</u>	<u>8,310,035</u>
<i>Total liabilities</i>	<u>5,196,035</u>	<u>5,814,843</u>	<u>11,010,878</u>
DEFERRED INFLOWS			
Pension related	285,233	-	285,233
OBEP related	444,227	-	444,227
<i>Total deferred inflows</i>	<u>729,460</u>	<u>-</u>	<u>729,460</u>
NET POSITION			
Net investment in capital assets	5,530,193	5,717,906	11,248,099
Restricted for:			
Debt service	1,327	-	1,327
State mandated per statutes	1,085,235	-	1,085,235
Temporary - hospital	-	804,008	804,008
Unrestricted (deficit)	<u>(1,724,863)</u>	<u>1,525,243</u>	<u>(199,620)</u>
<i>Total net position</i>	<u>4,891,892</u>	<u>8,047,157</u>	<u>12,939,049</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 10,817,387</u>	<u>13,862,000</u>	<u>24,679,387</u>

STATE OF NEW MEXICO
 UNION COUNTY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,232,278	38,147	652,796	-
Public safety	1,442,647	86,148	806,885	-
Health and welfare	1,913,745	-	4,584	-
Public works	1,626,797	-	988,784	-
Interest relating to long-term debt	18,005	-	-	-
<i>Total Governmental Activities</i>	<u>6,233,472</u>	<u>124,295</u>	<u>2,453,049</u>	<u>-</u>
Component Unit: Business-type Activities:				
Health and welfare	<u>11,068,466</u>	<u>10,179,867</u>	<u>459,024</u>	<u>175,000</u>
<i>Total Business-type Activities</i>	<u>11,068,466</u>	<u>10,179,867</u>	<u>459,024</u>	<u>175,000</u>
	\$ <u>17,301,938</u>	<u>10,304,162</u>	<u>2,912,073</u>	<u>175,000</u>

General Revenues:

Gross receipts taxes
 Property taxes, levied for general purposes
 Property taxes, levied for hospital operations
 Public service taxes
 Interest income
 Miscellaneous
 Special item - gain (loss) on disposal of assets

Total general revenues

Changes in net position

Net position - beginning

Restatements (Note 21)

Net position - beginning, as restated

Net position - ending

**Net (Expenses) Revenues and
Changes in Net Position
Primary Government**

<u>Governmental Activities</u>	<u>Component Unit</u>	<u>Total</u>
(541,335)	-	(541,335)
(549,614)	-	(549,614)
(1,909,161)	-	(1,909,161)
(638,013)	-	(638,013)
(18,005)	-	(18,005)
<u>(3,656,128)</u>	<u>-</u>	<u>(3,656,128)</u>
<u>-</u>	<u>(254,575)</u>	<u>(254,575)</u>
<u>-</u>	<u>(254,575)</u>	<u>(254,575)</u>
<u>(3,656,128)</u>	<u>(254,575)</u>	<u>(3,910,703)</u>
1,113,680	297,102	1,410,782
1,443,879	-	1,443,879
685,135	781,849	1,466,984
860,203	-	860,203
111,173	-	111,173
324,927	-	324,927
13,550	-	13,550
<u>4,552,547</u>	<u>1,078,951</u>	<u>5,631,498</u>
<u>896,419</u>	<u>824,376</u>	<u>1,720,795</u>
6,410,777	7,222,781	13,633,558
<u>(2,415,304)</u>	<u>-</u>	<u>(2,415,304)</u>
<u>3,995,473</u>	<u>7,222,781</u>	<u>11,218,254</u>
<u>\$ 4,891,892</u>	<u>8,047,157</u>	<u>12,939,049</u>

STATE OF NEW MEXICO
UNION COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Road Fund	Hospital Mill Levy Fund
ASSETS			
<i>Current:</i>			
Cash	\$ 1,713,922	469,092	218,039
Investments	-	-	-
Receivables			
Receivables, net	128,296	224,464	59,378
Prepaid expenses	51,334	5,667	4,410
<i>Restricted:</i>			
Cash	-	-	-
Investments	-	-	-
<i>Total current assets</i>	<u>\$ 1,893,552</u>	<u>699,223</u>	<u>281,827</u>
LIABILITIES AND FUND BALANCE			
<i>Current liabilities:</i>			
Accounts payable	\$ 18,157	42,547	-
Accrued salaries	26,719	14,834	-
<i>Total current liabilities</i>	<u>44,876</u>	<u>57,381</u>	<u>-</u>
DEFERRED INFLOWS			
Unearned revenues	62,546	-	31,630
<i>Total deferred inflows</i>	<u>62,546</u>	<u>-</u>	<u>31,630</u>
FUND BALANCE (DEFICIT):			
Nonspendable	51,334	5,667	4,410
<i>Restricted for:</i>			
Debt service	-	-	-
State mandated per statutes	-	-	-
<i>Committed for:</i>			
One twelfth budget reserve	537,533	160,072	-
Assigned	-	476,103	245,787
Unassigned	1,197,263	-	-
<i>Total fund balance (deficit)</i>	<u>1,786,130</u>	<u>641,842</u>	<u>250,197</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 1,893,552</u>	<u>699,223</u>	<u>281,827</u>

Indigent Hospital Fund	Grenville Fire Funds	Other Governmental Funds	Total Governmental Funds
553,567	26,541	2,453,353	5,434,514
-	-	-	-
46,795	-	138,489	597,422
-	6,837	28,100	96,348
-	-	1,327	1,327
-	-	-	-
<u>600,362</u>	<u>33,378</u>	<u>2,621,269</u>	<u>6,129,611</u>
1,380	362	25,800	88,246
-	-	1,692	43,245
<u>1,380</u>	<u>362</u>	<u>27,492</u>	<u>131,491</u>
-	-	1,920	96,096
-	-	1,920	96,096
-	6,837	28,100	96,348
-	-	1,327	1,327
-	-	1,085,235	1,085,235
-	-	-	697,605
598,982	26,179	1,477,195	2,824,246
-	-	-	1,197,263
<u>598,982</u>	<u>33,016</u>	<u>2,591,857</u>	<u>5,902,024</u>
<u>600,362</u>	<u>33,378</u>	<u>2,621,269</u>	<u>6,129,611</u>

STATE OF NEW MEXICO
UNION COUNTY
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

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

Fund balances - total governmental funds	\$ 5,902,024
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,823,253
Defined benefit pension and OPEB plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	864,523
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Property taxes	96,096
Accrued interest expense	(2,418)
Long-term liabilities, are not due in the current period and, therefore, are not reported in the funds	
Long-term debt	(565,030)
Compensated absences	(46,393)
Net pension liability	(2,914,429)
Net OPEB liability	(1,536,274)
Defined benefit pension and OPEB plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(729,460)</u>
Total net position	<u>\$ 4,891,892</u>

STATE OF NEW MEXICO
UNION COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Road Fund	Hopital Mill Levy Fund
<i>Revenues:</i>			
Property, sales, and miscellaneous			
Gross receipts taxes	\$ -	-	-
Property taxes	1,404,806	-	685,135
Public service taxes	155,764	640,224	64,215
Intergovernmental:			
Federal	159,796	-	-
State	493,000	838,784	-
Local	(6,233)	150,000	-
Charges for services	34,755	-	-
Licenses and permits	826	-	-
Interest	52,254	8,474	3,533
Miscellaneous	19,689	1,630	-
Total revenues	2,314,657	1,639,112	752,883
<i>Expenditures:</i>			
Current			
General government	1,167,680	-	-
Public safety	634,294	-	-
Public works	144,590	1,333,869	-
Health and welfare	-	-	848,104
Capital outlay	-	35,800	-
Debt service			
Principal	-	84,722	-
Interest and other Charges	-	2,887	-
Total expenditures	1,946,564	1,457,278	848,104
<i>Excess (deficiency) of revenues over expenditures</i>	368,093	181,834	(95,221)
<i>Other financing sources (uses):</i>			
Proceeds from debt	-	-	-
Transfers in	-	-	-
Transfers out	(23,000)	-	-
Total other financing sources (uses)	(23,000)	-	-
<i>Special Item:</i>			
Proceeds from disposal of assets	-	-	-
Net change in fund balances	345,093	181,834	(95,221)
Fund balances (deficit)- beginning of year	1,441,037	460,008	345,418
Fund balances (deficit) - end of year	\$ 1,786,130	641,842	250,197

Indigent Hospital Fund	Grenville Fire Fund	Other Governmental Funds	Total Governmental Funds
297,082	-	816,598	1,113,680
-	-	39,178	2,129,119
-	-	-	860,203
-	-	-	159,796
-	72,397	704,482	2,108,663
-	-	40,823	184,590
-	-	88,714	123,469
-	-	-	826
9,190	289	37,433	111,173
-	452	303,156	324,927
<u>306,272</u>	<u>73,138</u>	<u>2,030,384</u>	<u>7,116,446</u>
-	-	35,356	1,203,036
-	15,076	494,562	1,143,932
-	-	-	1,478,459
323,680	-	642,558	1,814,342
-	62,128	508,284	606,212
-	-	66,986	151,708
-	-	15,801	18,688
<u>323,680</u>	<u>77,204</u>	<u>1,763,547</u>	<u>6,416,377</u>
<u>(17,408)</u>	<u>(4,066)</u>	<u>266,837</u>	<u>700,069</u>
-	-	-	-
-	-	51,300	51,300
(21,800)	-	(6,500)	(51,300)
<u>(21,800)</u>	<u>-</u>	<u>44,800</u>	<u>-</u>
-	-	13,550	13,550
<u>(39,208)</u>	<u>(4,066)</u>	<u>325,187</u>	<u>713,619</u>
<u>638,190</u>	<u>37,082</u>	<u>2,266,670</u>	<u>5,188,405</u>
<u>598,982</u>	<u>33,016</u>	<u>2,591,857</u>	<u>5,902,024</u>

STATE OF NEW MEXICO
UNION COUNTY
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

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

Net change in fund balances - total governmental funds	\$ 713,619
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	(40,362)
Change in deferred revenues	(105)
Change in accrued interest expense	683
Change in compensated absences	13,891
Change in debt	144,634
Change in net pension liability	22,476
Change in OPEB liability	<u>41,583</u>
Change in net position	<u>\$ 896,419</u>

STATE OF NEW MEXICO
UNION COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual on Budgetary Basis	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property, sales, and miscellaneous				
Property taxes	\$ 1,235,000	1,235,000	1,397,377	162,377
Public service taxes	101,500	101,500	129,176	27,676
Licenses and permits	850	850	826	(24)
Intergovernmental:				
Federal	150,000	150,000	159,796	9,796
State	375,000	375,000	493,000	118,000
Local	-	-	-	-
Charges for services	36,650	36,650	33,791	(2,859)
Interest	32,000	32,000	52,254	20,254
Miscellaneous	22,000	22,000	16,241	(5,759)
<i>Total revenues</i>	<u>1,953,000</u>	<u>1,953,000</u>	<u>2,282,461</u>	<u>329,461</u>
Expenditures				
Current				
General government	1,258,584	1,258,584	1,191,462	67,122
Public safety	669,249	669,249	634,501	34,748
Public works	143,589	143,589	141,666	1,923
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>2,071,422</u>	<u>2,071,422</u>	<u>1,967,629</u>	<u>103,793</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(118,422)	(118,422)	314,832	433,254
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(423,000)	(423,000)	(23,000)	400,000
<i>Total other financing sources (uses)</i>	<u>(423,000)</u>	<u>(423,000)</u>	<u>(23,000)</u>	<u>400,000</u>
Net changes in fund balance	\$ <u>(541,422)</u>	<u>(541,422)</u>	291,832	<u>833,254</u>
Reconciliation to GAAP Basis:				
Adjustment to revenue			62,812	
Adjustments to expenditures			(9,551)	
Net change in fund balance (GAAP)			\$ <u>345,093</u>	

STATE OF NEW MEXICO
UNION COUNTY
ROAD FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual on Budgetary Basis	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property, sales, and miscellaneous Public service taxes	\$ 590,000	590,000	575,909	(14,091)
Intergovernmental				
Federal	-	-	-	-
State	837,000	837,000	838,784	1,784
Local	-	-	80,123	80,123
Charges for services	1,500	1,500	31,370	29,870
Interest	500	500	8,474	7,974
Miscellaneous	3,000	3,000	1,630	(1,370)
Total revenues	1,432,000	1,432,000	1,536,290	104,290
Expenditures				
Current:				
Public works	1,365,911	1,385,911	1,334,693	51,218
Capital outlay	-	-	40,620	(40,620)
Debt service:				
Principal	71,174	71,174	71,174	-
Interest	2,647	2,647	2,647	-
Total expenditures	1,439,732	1,459,732	1,449,134	10,598
<i>Excess (deficiency) of revenues over expenditures</i>	<i>(7,732)</i>	<i>(27,732)</i>	<i>87,156</i>	<i>114,888</i>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net changes in fund balance	\$ (7,732)	(27,732)	87,156	114,888
Reconciliation to GAAP Basis:				
Adjustment to revenue			102,822	
Adjustments to expenditures			(8,144)	
Net change in fund balance (GAAP)			\$ 181,834	

STATE OF NEW MEXICO
 UNION COUNTY
 HOSPITAL MILL LEVY FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual on Budgetary Basis	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property, sales, and miscellaneous				
Property taxes	\$ 623,000	623,000	681,445	58,445
Public service taxes	32,750	32,750	51,237	18,487
Interest	4,000	4,000	3,533	(467)
<i>Total revenues</i>	<u>659,750</u>	<u>659,750</u>	<u>736,215</u>	<u>76,465</u>
Expenditures				
Current				
Health and welfare	985,000	985,000	848,104	136,896
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>985,000</u>	<u>985,000</u>	<u>848,104</u>	<u>136,896</u>
Net changes in fund balance	\$ <u><u>(325,250)</u></u>	<u><u>(325,250)</u></u>	(111,889)	<u><u>213,361</u></u>
Reconciliation to GAAP Basis:				
Adjustment to revenue			16,668	
Adjustments to expenditures			-	
Net change in fund balance (GAAP)			\$ <u><u>(95,221)</u></u>	

STATE OF NEW MEXICO
UNION COUNTY
INDIGENT HOSPITAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual on Budgetary Basis	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property, sales, and miscellaneous Gross receipts taxes	\$ 270,000	270,000	302,673	32,673
Interest	3,500	3,500	9,190	5,690
<i>Total revenues</i>	<u>273,500</u>	<u>273,500</u>	<u>311,863</u>	<u>38,363</u>
Expenditures				
Current Health and welfare	597,625	597,625	322,719	274,906
<i>Total expenditures</i>	<u>597,625</u>	<u>597,625</u>	<u>322,719</u>	<u>274,906</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(324,125)	(324,125)	(10,856)	313,269
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(21,800)	(21,800)	(21,800)	-
Net changes in fund balance	<u><u>\$ (345,925)</u></u>	<u><u>(345,925)</u></u>	<u>(32,656)</u>	<u>313,269</u>
Reconciliation to GAAP Basis:				
Adjustment to revenue			(5,590)	
Adjustments to expenditures			<u>(962)</u>	
Net change in fund balance (GAAP)			<u><u>\$ (39,208)</u></u>	

STATE OF NEW MEXICO
UNION COUNTY
GRENVILLE FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual on Budgetary Basis	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental				
State	\$ 72,655	72,655	72,397	(258)
Interest	200	200	289	89
Miscellaneous	-	-	452	452
<i>Total revenues</i>	<u>72,855</u>	<u>72,855</u>	<u>73,138</u>	<u>283</u>
Expenditures				
Current:				
Public safety	63,800	63,800	18,221	45,579
Capital outlay	270,000	270,000	104,970	165,030
<i>Total expenditures</i>	<u>333,800</u>	<u>333,800</u>	<u>123,191</u>	<u>210,609</u>
Net changes in fund balance	\$ <u><u>(260,945)</u></u>	<u><u>(260,945)</u></u>	(50,053)	<u><u>210,892</u></u>
Reconciliation to GAAP Basis:				
Adjustment to revenue			-	
Adjustments to expenditures			<u>45,987</u>	
Net change in fund balance (GAAP)			\$ <u><u>(4,066)</u></u>	

STATE OF NEW MEXICO
UNION COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 74,691
Receivables:	
Property taxes	119,749
Public services taxes receivable	<u>40,422</u>
<i>Total assets</i>	<u>\$ 234,862</u>
LIABILITIES	
Deposits held for others	\$ 30,939
Due to other taxing units	203,851
Taxes paid under protest	<u>72</u>
<i>Total liabilities</i>	<u>\$ 234,862</u>
	-

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 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.

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, 2019. 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, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Governmental funds are used to account for the County's general government activities, including the collection and distribution of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of long-term debt. Governmental Funds include:

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 *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted for special purposes.

The *Capital Project Fund* accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the County is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General 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 *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 *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 government also reports the following fund types:

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental funds:

Nonmajor Special Revenue Funds - The County accounts for resources restricted to, or designated for, a specific purpose by the County or a grantor in a special revenue fund.

Nonmajor Capital Projects Fund - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary funds:

Agency Funds - The County accounts for resources held for others in a custodial capacity in agency funds. The County's Agency Fund is the Property Tax Fund.

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 re-appropriated 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. 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.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. 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.

Post-employment Benefits Other Than Pensions (OPEB)

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

Assets, Liabilities, and Net Assets or Equity

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.

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 non-spendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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.

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.

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.

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

Infrastructure	10-80
Buildings and other improvements	15-40
Machinery, equipment, and computer software	5-10
Hospital equipment	5-10

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.

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

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

Deferred Inflows and Outflows 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 are applicable to a future reporting period. The deferred inflows are reported in the separate section after liabilities in the statement of financial position.

Short-Term Obligations: No short-term debt occurred during the current fiscal year.

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.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

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:

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.

Restricted – 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 – amounts that 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 – 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, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned – 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.

Other Matters

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.

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.

NOTE 2. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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.

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.

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, 2019, 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:

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 2. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

	<u>Per Bank</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Cash on hand	\$	263	263
First National Bank of NM	3,404,147	(129,375)	3,274,772
Farmer's & Stockmen's Bank	<u>2,234,561</u>	<u>(391)</u>	<u>2,234,170</u>
	\$ <u>5,638,708</u>	<u>(129,503)</u>	<u>5,509,205</u>

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

Statement of Net Position:	
Cash	\$ 5,434,514
Statement of fiduciary assets and liabilities – agency funds	<u>74,691</u>
	\$ <u>5,509,205</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the County. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the County carrying value of the deposits (demand and 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, 2019

NOTE 2. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

	FNB New Mexico	Farmer's & Stockmen's Bank
Total deposits in bank	\$ 3,404,147	2,234,561
Certificates of deposit	-	-
 Total deposits	 3,404,147	 2,234,561
FDIC coverage	(250,000)	(250,000)
 Uninsured public funds	 3,154,147	 1,984,561
Pledged securities	1,808,300	1,450,000
 Uninsured and uncollateralized	 1,345,847	 534,561
Collateral requirements (50% of Uninsured public funds)	1,577,074	992,281
 Over (under) collateralized	 \$ 231,226	 457,719

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, 2019, \$5,138,708 of the County's bank balances of \$5,638,708 were exposed to custodial credit risk as follows:

	FNB New Mexico	Farmer's & Stockmen's	Total
Uninsured and collateral held by pledging bank's trust department or an agent not in the County's name	\$ 1,808,300	1,450,000	3,258,300
 Uninsured and uncollateralized	 \$ 1,345,847	 534,561	 1,880,408

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 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:

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, 2019, the NMFA has invested the funds held in the debt service and debt reserve pools.

NMFA – Debt Service Pool - The County has \$1,327 invested with the NMFA debt service pool. At June 30, 2019, the pool was composed of short-term, high-credit-quality money market instruments.

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. As of June 30, 2019, the LGIP WAM (R) was 35 days and the WAM (F) was 112 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.

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 4. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2019, consisted of the following:

Accounts receivable:		
Miscellaneous	\$	2,300
Charges for services		134
Taxes:		
Gross receipts taxes		175,479
Property taxes		116,741
Public service taxes		142,196
Other governments:		
NM CAP Grant		150,000
Emergency manager fees		8,032
Bailiff fees		2,000
NM DOT		540
		<hr/>
Gross receivables:		597,422
Less: allowance for uncollectible		-
		<hr/>
Net receivables	\$	<u>597,422</u>

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

NOTE 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.

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5. PROPERTY TAX (CONTINUED)

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.

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 2018 was \$9.150 per \$1,000 for non-residential property and \$6.764 per \$1,000 for residential property.

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2019, is as follows:

	Restated Balance 6/30/2018	Increases	Decreases	Balance 6/30/2019
Capital assets, not depreciated:				
Land	\$ 11,180	55,000	-	66,180
Construction in progress	226,260	84,914	(311,174)	-
Total not depreciated	<u>237,440</u>	<u>139,914</u>	<u>(311,174)</u>	<u>66,180</u>
Capital assets, depreciated:				
Buildings	2,737,775	534,456	-	3,272,231
Improvements	1,108,185	-	-	1,108,185
Infrastructure	11,119,935	-	-	11,119,935
Equipment	8,734,003	167,336	(26,369)	8,874,970
Total depreciated	<u>23,699,898</u>	<u>701,792</u>	<u>(26,369)</u>	<u>24,375,321</u>
Less accumulated depreciation for:				
Buildings	1,646,493	55,852	-	1,702,345
Improvements	434,929	46,882	-	481,811
Infrastructure	11,119,935	-	-	11,119,935
Equipment	6,872,366	462,209	(20,418)	7,314,157
Total accumulated depreciation	<u>20,073,723</u>	<u>564,943</u>	<u>(20,418)</u>	<u>20,618,248</u>
Total capital assets, depreciated net	\$ <u>3,863,615</u>	<u>276,763</u>	<u>(317,125)</u>	<u>3,823,253</u>

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

General government	\$ 52,803
Public safety	264,399
Public works	148,338
Health and welfare	99,403
Total	\$ <u>564,943</u>

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 7. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2019, were as follows:

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19	Amounts Due Within One Year
Notes payable	\$ 709,664		(144,634)	565,030	68,782
Compensated absences	60,284	72,810	(86,701)	46,393	23,197
Total	\$ 769,948	72,810	(231,335)	611,423	91,979

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 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 matured May 1, 2019. The annual payment is approximately \$80,535 with accrued interest at rates of 3.092% and a .250% annual administrative charge. This note was paid off by June 30, 2019.

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 County. 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
2020	\$ 19,950	10,794	30,744
2021	20,687	10,221	30,908
2022	21,504	9,580	31,084
2023	22,390	8,875	31,265
2024	23,355	8,093	31,448
2025-2029	134,160	27,457	161,617
2030-2032	97,693	5,959	103,652
Total	\$ 339,739	80,979	420,718

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 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 County. 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
2020	\$ 31,268	2,923	34,191
2021	31,850	2,342	34,192
2022	32,512	1,679	34,191
2023	33,292	899	34,191
Total	\$ 128,922	7,843	136,765

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 County. 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.

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2020	\$ 16,964	509	17,473

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 County. 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 \$680. The annual payment for the last four years is approximately \$19,299. The note accrues interest at .100%.

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 7. LONG-TERM OBLIGATIONS (CONTINUED)

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

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2020	\$ 600	79	679
2021	600	79	679
2022	600	78	678
2023	600	78	678
2024	19,222	77	19,299
2025-2027	57,783	116	57,899
Total	\$ 79,405	507	79,912

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-five percent has been paid by the General Fund and fifty-five percent by the Road Fund.

NOTE 8. UNAVAILABLE PROPERTY TAXES

The County has recorded unavailable property taxes, as deferred inflows of resources, of \$62,546, \$31,630 and \$1,920 within the governmental general, hospital mill levy and re-appraisal funds, respectively. These amounts represent non-current property taxes recorded as receivables.

NOTE 9. OPERATING LEASES

The County has entered into a lease 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, 2019, the County expended \$67,348 for the computer agreement.

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 9. OPERATING LEASES (CONTINUED)

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 2023. 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,	
	2020	\$ 107,778
	2021	56,124
	2022	56,124
	2023	<u>28,062</u>
	Total	<u>\$ 248,088</u>

NOTE 10. TRANSFERS

Transfer In:	Capulin EMS	Folsom EMS	Fire Marshal	Totals
Transfer out:				
General Fund	\$ -	-	23,000	23,000
Indigent Hospital Fund	300	21,500	-	21,800
Emergency Services GGRT	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>6,500</u>
Totals	<u>\$ 6,800</u>	<u>21,500</u>	<u>23,000</u>	<u>51,300</u>

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.

NOTE 11. 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 require 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

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 11. CONDUIT DEBT OBLIGATIONS AND HOSPITAL OPERATIONS (CONTINUED)

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, 2019, the four loans outstanding balances are as follows:

<u>Year of Agreement</u>		<u>Amount</u>
2005	\$	1,687,557
2009		1,442,839
2015		953,718
2017		<u>234,989</u>
Total	\$	<u>4,319,103</u>

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. 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 \$119,675 through its Governmental General Gross Receipts Tax Fund for this subsidy.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan description. The Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Audit Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the 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), each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

Benefits provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II. The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee contributions increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Contributions. See PERA’s compressive annual financial report for contribution provided description.

PERA Contribution Rates and Pension Factors in effect during FY18						
	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
Coverage Plan						
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

STATE OF NEW MEXICO
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 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the County reported a liability of \$2,914,429 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

PERA Fund Municipal General Division. At June 30, 2018, the County’s proportion was 0.1403%, which was an increase of 0.0077%, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$138,648. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,651	58,729
Changes in assumptions	202,807	12,861
Net difference between projected and actual earnings on pension plan investments	165,900	-
Changes in proportion and differences between County’s contributions and proportionate share of contributions	84,318	9,415
County’s contributions subsequent to the measurement date	<u>115,857</u>	<u>-</u>
Total	<u>\$ 633,533</u>	<u>81,005</u>

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NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

\$115,857 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	268,523
2021		114,172
2022		45,415
2023		8,561
2024		-
Thereafter		-

PERA Fund Municipal Police Division. At June 30, 2018, the County's proportion was 0.0993%, which was a decrease of 0.0267%, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$42,916. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,168	67,161
Changes in assumptions	77,307	4,142
Net difference between projected and actual earnings on pension plan investments	46,624	-
Changes in proportion and differences between County's contributions and proportionate share of contributions	7,336	132,925
County's contributions subsequent to the measurement date	<u>35,861</u>	<u>-</u>
Total	<u>\$ 200,296</u>	<u>204,228</u>

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NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

\$35,861 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 13,689
2021	(34,013)
2022	(21,534)
2023	2,065
2024	-
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level of percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed market value
Actuarial assumptions	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
Mortality assumption	The mortality assumptions are based on the RPD-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 20, 2018 (economic)

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NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	7.48%
Risk Reduction & Mitigation	21.5%	2.37%
Credit Oriented Fixed Income	15.0%	5.47%
Real Assets	20.0%	6.48%
Total	<u>100.0%</u>	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

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 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Municipal General Division			
County's proportionate share of the net pension liability	\$ 3,446,915	2,236,901	1,236,631

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Municipal General Division			
County's proportionate share of the net pension liability	\$ 1,041,760	677,528	380,592

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

Payables to the pension plan. At June 30, 2019 the County did not accrue any payables to the pension plan.

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

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

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

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

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Employees covered by benefit terms – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the County were \$30,694 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2019, the County reported a liability of \$1,536,274 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The County’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the County’s proportion was 0.03533 percent.

For the year ended June 30, 2019, the County recognized OPEB expense of \$41,583. At June 30, 2019 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

STATE OF NEW MEXICO
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 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	90,957
Changes in assumptions	-	286,815
Changes in proportion	-	47,283
Net difference between projected and actual earnings on OPEB plan investments	-	19,172
Employer contributions subsequent to the measurement date	<u>30,694</u>	<u>-</u>
Total	\$ <u>30,694</u>	<u>444,227</u>

Deferred outflows of resources totaling \$30,694 represent County contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (110,873)
2020	(110,873)
2021	(110,873)
2022	(87,904)
2023	<u>(23,704)</u>
Total	<u>\$ (444,227)</u>

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation

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 NOTES TO FINANCIAL STATEMENTS
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NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB member: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females). PERA members: RP-2000 Combined Healthy Mortality.

Rate of Return – The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity – large cap	7.1
Non-U.S. – emerging markets	10.2
Non-U.S. – developed equities	7.8
Private equity	11.8
Credit and structured finance	5.3
Real estate	4.9
Absolute return	4.1
U.S. equity – small/mid cap	7.1

STATE OF NEW MEXICO
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 JUNE 30, 2019

NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the County, as well as what the County’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

<u>1% Decrease</u> <u>(3.08%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(4.08%)</u>	<u>1% Increase</u> <u>(5.08%)</u>
\$ <u>1,859,253</u>	<u>1,536,274</u>	<u>1,281,694</u>

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

<u>1% Decrease</u>	<u>Current Trend</u> <u>Rates</u>	<u>1% Increase</u>
\$ <u>1,298,690</u>	<u>1,536,274</u>	<u>1,722,545</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

Payables changes in the net OPEB liability. At June 30, 2019, the County did not accrue any payables for OPEB.

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 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.

NOTE 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. 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.

NOTE 17. SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through November 25, 2019, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

NOTE 18. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Note disclosure about AROs are also addressed. GASB Statement No. 83 was effective for periods beginning after June 15, 2018. The County has adopted this statement for the year ending June 30, 2019; however, there were no AROs and the implementation of this statement had no effect on the County's financial statements.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB Statement No. 88 was effective for periods beginning after June 15, 2018. The County adopted this statement and the County has

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UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 18. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

properly disclosed all debt in accordance with the new pronouncement.

NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued but are not yet effective at June 30, 2019.

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.*

GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61.*

GASB Statement No. 91, *Conduit Debt Obligations.*

The County will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The County believes that the above listed new GASB pronouncements will not have a significant financial impact to the County or in issuing its financial statements.

NOTE 20. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 requires the County to disclose information on certain tax abatement agreements affecting the County. Accordingly, the County did not have any tax abatements affecting the County during the year ended June 30, 2019.

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 JUNE 30, 2019

NOTE 21. PRIOR PERIOD ADJUSTMENT

Beginning capital assets net of depreciation at June 30, 2019 was restated in the amount of \$2,415,304. This restatement was due to the Union County General Hospital, a component unit of the county, was reporting its capital assets as part of the county.

	Beginning Balance 6/30/2018	Restatement	Restated Beginning Balance 6/30/2018
Capital assets, not depreciated:			
Land	\$ 19,685	(8,505)	11,180
Construction in progress	226,260	-	226,260
Total not depreciated	<u>245,945</u>	<u>(8,505)</u>	<u>237,440</u>
Capital assets, depreciated:			
Buildings	5,806,674	(3,068,899)	2,737,775
Improvements	1,124,926	(16,741)	1,108,185
Infrastructure	11,153,235	(33,300)	11,119,935
Equipment	8,890,399	(156,396)	8,734,003
Total depreciated	<u>26,975,234</u>	<u>(3,275,336)</u>	<u>23,699,898</u>
Less accumulated depreciation for:			
Buildings	2,345,020	(698,527)	1,646,493
Improvements	475,905	(40,976)	434,929
Infrastructure	11,153,235	(33,300)	11,119,935
Equipment	6,968,100	(95,734)	6,872,366
Total accumulated depreciation	<u>20,942,260</u>	<u>(868,537)</u>	<u>20,073,723</u>
Total capital assets, depreciated net	<u>\$ 3,863,615</u>	<u>(2,415,304)</u>	<u>3,863,615</u>

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS

A. Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Clayton Health Systems, Inc. (Corporation), d/b/a Union County General Hospital, a component unit of Union County, New Mexico (Hospital), have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

Reporting Entity

The Hospital is a 25-bed acute care hospital located in Clayton, New Mexico. The Hospital is a component unit of the County and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care to the residents of Clayton, Union County and the surrounding area.

The Corporation operates the hospital through an operating agreement with Union County, New Mexico (County). The agreement was first entered into by the Corporation and the County on June 28, 1996 and has been amended several times. The most recent amended agreement was set to expire in August of 2019 and automatically renew for additional 1-year terms unless terminated by either party. The County owns the real property and certain personal property used in the operations of the hospital. The Corporation owns the working capital arising out of the operations of the hospital.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. The Hospital does not have a component unit which meets the GASB criteria.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

A. Reporting Entity and Summary of Significant Accounting Policies (CONTINUED)

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred. Basis of Presentation

The statement of net position displays the Hospital's assets and liabilities, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those.

Restricted net position:

Expendable – Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation, reduced by liabilities related to those assets. The Hospital's restricted net position at June 30, 2019 and 2018, is restricted under a loan agreement and other expendable provisions.

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Hospital's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

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, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

A. Reporting Entity and Summary of Significant Accounting Policies (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated and externally restricted cash equivalents. For purposes of the statement of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Short-term investments

Short-term investments include certificates of deposits with an original maturity of three to twelve months which includes certain certificates of deposit held as collateral on the Hospital's line of credit (Note 6).

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Patient receivables, excluding amounts due from third-party payors, are turned over to a collection agency if the receivables remain unpaid after the Hospital's collections procedures. The Hospital does not charge interest on the unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Noncapital Appropriations Receivable and Revenue

The County provides the Hospital with working capital in the form of the gross receipts tax (GRT) program. During the years ended June 30, 2019 and 2018, the County provided approximately \$304,000 and \$277,000 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 revenues for the years ended June 30, 2019 and 2018 were approximately \$656,000 and \$725,000. This reimbursement program will continue as funds are available. In 2007, the County and the Hospital entered into a memorandum of understanding in which the County agreed to provide a subsidy to the Hospital in the amount of the principal and interest payments on the NMFA 2017 loan agreement (Note 6). The Hospital received approximately \$118,000 and \$121,000 during the years ended June 30, 2019 and 2018 from the County under this agreement. Total funding from the County was approximately 9% and 12% of the Hospital's revenue for the years ended June 30, 2019 and 2018.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

A. Reporting Entity and Summary of Significant Accounting Policies (CONTINUED)

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Noncurrent Cash Equivalents

Noncurrent cash equivalents can include donor restricted funds, amounts set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and amounts held by bond trustees under indenture agreements. Assets that are available for obligations classified as current liabilities are reported in current assets.

Capital Assets

Property and equipment acquisitions are recorded at cost when the useful life exceeds one year and \$5,000 in accordance with Section 12-6-10 of the New Mexico Statutes Annotated 1978 (NMSA). Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

Buildings and improvements	5 - 40 years
Fixed equipment	5 - 20 years
Major movable equipment	3 - 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Compensated Absences

The Hospital's employees earn paid time-off days at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination. Compensated absences liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensated-related payments, such as social security and Medicare taxes computed using rates in effect at that date. The liability for compensated absences is reported within accrued expenses in the accompanying financial statements.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

A. Reporting Entity and Summary of Significant Accounting Policies (CONTINUED)

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Hospital result from exchange transactions associated with providing health care services - the Hospital's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue for the year ended June 30, 2019 increased approximately \$340,000 due to final third-party payor settlements which were less than estimated amounts.

Charity Care

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The Hospital adopted a new charity care policy in 2019. The revised policy provided charity care discounts for services previously reported within net patient service revenue. The impact of these changes was to reduce the allowance and provision for bad debts by approximately \$1,628,000 for the year ended June 30, 2019. The provision for bad debts as of June 30, 2019 and 2018 totaled \$(789,158) and \$1,585,888.

Charges for charity care provided during June 30, 2019 and 2018 totaled \$1,843,600 and \$54,935 and the estimated cost of providing these services was \$1,286,832 and \$35,496, calculated by multiplying the ratio of costs to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care.

Grants and Contributions

From time to time, the Hospital receives contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose is reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues.

STATE OF NEW MEXICO
UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

A. Reporting Entity and Summary of Significant Accounting Policies (CONTINUED)

New Accounting Pronouncements

The Hospital adopted the provisions of GASB Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The adoption of GASB No. 88 changed the Hospital's disclosure requirements as seen in Note 6 but did not impact amounts recorded by the Hospital.

Reclassifications

Reclassifications have been made to the June 30, 2019 financial information to make it conform to the current year presentation. Except as noted in Note 10, the reclassifications had no effect on previously reported operating results or changes in net position.

B. Net Patient Service Revenue

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

Medicare: The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most acute care services under a cost reimbursement method with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended June 30, 2017. Clinical services are paid on a cost basis or fixed fee schedule.

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.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's patient service revenues for the years ended June 30, 2019 and 2018:

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)
B. Net Patient Service Revenue (CONTINUED)

	<u>2019</u>
Medicare	43%
State-sponsored Medicaid program	22%
Commercial insurances	29%
Uninsured	<u>6%</u>
	<u>100%</u>

Laws and regulations governing the Medicare, Medicaid, and other 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.

Safety Net Care Pool Program (SNCP)

Senate Bill 314 amended and repealed various sections of existing statutes 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 expenditures 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 SNCP fund receipts and the disposition of funds.

All SNCP hospitals are to complete an application to the State by December 31 for funding based upon prior year indigent costs. As a result of application reviews, prior overpayments can be recouped. The Hospital was notified during 2018 that approximately \$2,100,000 in overpayments would be recouped as a result of the final review of the program year ended December 31, 2016. In addition to payments made by the Hospital, funding of \$974,595 and \$502,446 were allocated to the repayment amount due during the years ended June 30, 2019 and 2018. No additional repayments have been assessed for program years after December 31, 2016. Based on information known at the date of the report, management was not able to determine a reasonable estimate of potential repayment, if any, for subsequent years. Regulations used to determine overpayments are subject to interpretation and have been successfully challenged in other states. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

C. Deposits

The carrying amounts of deposits as of June 30, 2019 and 2018 were \$1,862,102 and \$3,432,181.

Deposits are reported in the following statement of net position captions:

	2019	2018 (Restated)
Cash and cash equivalents	\$ 201,815	\$ 2,531,117
Short-term investments	906,279	-
Restricted by trustee for debt service (current)	173,043	145,849
Board designated	-	183,482
Restricted by trustee for debt service (noncurrent)	580,965	571,733
	<u>\$ 1,862,102</u>	<u>\$ 3,432,181</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state laws. In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance. FDIC insures the deposits of governmental accounts on a per Official Custodian basis as follows: the aggregate balance in demand deposit accounts are insured up to \$250,000 per Official Custodian and the aggregate balances in time and savings accounts are insured up to \$250,000 per Official Custodian. The Hospital's deposits in banks at June 30, 2019 and 2018 were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

D. Capital Assets

Capital assets additions, retirements or transfers, and balances for the year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Additions	Transfers and Retirements	Balance June 30, 2019
Capital assets not being depreciated				
Construction in progress	\$ 92,752	\$ 484,718	\$ (356,813)	\$ 220,657
Land	<u>11,750</u>	<u>9,720</u>	<u>-</u>	<u>21,470</u>
Total non-depreciable capital assets	<u>\$ 104,502</u>	<u>\$ 494,438</u>	<u>\$ (356,813)</u>	<u>\$ 242,127</u>
Capital assets being depreciated				
Buildings & Improvements	\$ 11,630,958	-	273,244	11,904,202
Buildings & Improvements - RHC	1,001,380	-	-	1,001,380
Fixed equipment	826,565	6,400	55,397	888,362
Major equipment - Hospital	1,313,934	69,805	(60,502)	1,323,237
Major equipment - Clinic	<u>15,224</u>	<u>200,000</u>	<u>-</u>	<u>215,224</u>
Total capital assets being depreciated	<u>14,788,061</u>	<u>276,205</u>	<u>268,139</u>	<u>15,332,405</u>
Less accumulated depreciation for				
Buildings & Improvements	3,797,580	307,874	\$ -	4,105,454
Buildings & Improvements - RHC	59,216	31,099	-	90,315
Fixed equipment	434,192	176,602	-	610,794
Major equipment - Hospital	935,885	159,486	(88,674)	1,006,697
Major equipment - Clinic	<u>15,569</u>	<u>10,238</u>	<u>-</u>	<u>25,807</u>
Total accumulated depreciation	<u>5,242,442</u>	<u>\$ 685,299</u>	<u>\$ (88,674)</u>	<u>5,839,067</u>
Net capital assets being depreciated	<u>\$ 9,545,619</u>			<u>\$ 9,493,338</u>
Capital assets, net	<u>\$ 9,650,121</u>			<u>\$ 9,735,465</u>

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

D. Capital Assets (CONTINUED)

During the year ended June 30, 2019, the Hospital was donated a building valued at \$175,000 based on the fair value at the date of donation. Construction in progress at June 30, 2019 represent various remodeling, repair and expansion projects, including the planned remodel of the donated building. The remodel was in the initial planning stages at June 30, 2019, therefore commitments for construction completion were considered minor.

Capital assets additions, retirements or transfers, and balances for the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Transfers and Retirements	Balance June 30, 2018
Capital assets not being depreciated				
Construction in progress	\$ 86,453	\$ 27,359	\$ (21,060)	\$ 92,752
Land	<u>11,750</u>	<u>-</u>	<u>-</u>	<u>11,750</u>
Total capital assets not being depreciated	<u>\$ 98,203</u>	<u>\$ 27,359</u>	<u>\$ (21,060)</u>	<u>\$ 104,502</u>
Capital assets being depreciated				
Buildings & Improvements	\$ 11,627,537	3,421	-	11,630,958
Buildings & Improvements - RHC	1,001,380	-	-	1,001,380
Fixed equipment	766,318	39,187	21,060	826,565
Major equipment - Hospital	1,227,191	86,743	-	1,313,934
Major equipment - Clinic	<u>15,224</u>	<u>-</u>	<u>-</u>	<u>15,224</u>
Total capital assets being depreciated	<u>14,637,650</u>	<u>129,351</u>	<u>21,060</u>	<u>14,788,061</u>
Less accumulated depreciation for				
Buildings & Improvements	3,496,462	301,118	\$ -	3,797,580
Buildings & Improvements - RHC	30,156	29,060	-	59,216
Fixed equipment	281,738	152,454	-	434,192
Major equipment - Hospital	784,502	151,383	-	935,885
Major equipment - Clinic	<u>10,401</u>	<u>5,168</u>	<u>-</u>	<u>15,569</u>
Total accumulated depreciation	4,603,259	\$ 639,183	\$ -	5,242,442
Net capital assets being depreciated	<u>\$ 10,034,391</u>			<u>\$ 9,545,619</u>
Capital assets, net	<u>\$ 10,132,594</u>			<u>\$ 9,650,121</u>

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

E. Leases

The Hospital leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capitalized leases and others as operating leases. Total lease expense for the years ended June 30, 2019 and 2018 for all operating leases was \$447,236 and \$536,832. As described in Note 1, under the operating agreement, the County provides the Corporation with the right to use the building and equipment owned by the County as consideration for operating the Hospital. The Hospital has recognized the fair value of the right to use of the County's assets as rental expense and other nonoperating revenue. For the years ended June 30, 2019 and 2018, \$365,000 was included in operating lease expense on the accompanying financial statements. There are no significant commitments associated with operating leases. The capitalized lease assets consist of:

	<u>2019</u>	<u>2018</u>
Major movable equipment	\$ 565,952	\$ 1,329,158
Less accumulated amortization	<u>(323,825)</u>	<u>(1,247,404)</u>
	<u>\$ 242,127</u>	<u>\$ 81,754</u>

Minimum future lease payments for capital leases are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 120,535
2021	52,560
2022	52,560
2023	<u>49,180</u>
Total minimum lease payments	274,835
Less interest imputed at rates from 2.69% to 4.28%	<u>(12,215)</u>
Present value of minimum lease payments - Note 6	<u>\$ 262,620</u>

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

F. Debt

A schedule of the Hospital's debt for 2019 and 2018 is as follows:

	Balance June 30, 2018	Additions	Payments	Balance June 30, 2019	Due Within One Year
Loans Payable to NMFA					
2005 Loan agreement (a)	\$ 1,687,557	\$ -	\$ (229,133)	\$ 1,458,424	\$ 231,998
2009 Loan agreement (b)	1,442,839	-	(107,348)	1,335,491	110,891
2015 Loan agreement (c)	953,718	-	(110,841)	842,877	102,216
2017 Loan agreement (d)	234,989	-	(116,842)	118,147	118,147
Total loans payable	4,319,103	-	(564,164)	3,754,939	563,252
Notes from Direct Borrowings					
Line of credit payable	-	120,450	-	120,450	120,450
Capital leases (Note 5)	179,469	200,000	(116,849)	262,620	114,419
Total notes from direct borrowings	179,469	320,450	(116,849)	383,070	234,869
Total debt	\$ 4,498,572	\$ 320,450	\$ (681,013)	\$ 4,138,009	\$ 798,121
	Balance June 30, 2017	Additions	Payments	Balance June 30, 2018	Due Within One Year
Loans Payable to NMFA					
2005 Loan agreement (a)	\$ 1,914,557	\$ -	\$ (227,000)	\$ 1,687,557	\$ 229,610
2009 Loan agreement (b)	1,547,005	-	(104,166)	1,442,839	107,939
2015 Loan agreement (c)	1,063,233	-	(109,515)	953,718	98,849
2017 Loan agreement (d)	350,656	-	(115,667)	234,989	116,842
Total loans payable	4,875,451	-	(556,348)	4,319,103	553,240
Notes from Direct Borrowings					
Capital leases (Note 5)	300,279		(120,810)	179,469	112,918
Total debt	\$ 5,175,730	\$ -	\$ (677,158)	\$ 4,498,572	\$ 666,158

The terms of the loans payable are as follows, (a) 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; (b) 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; (c) note payable to NMFA; payable in monthly installments of \$11,149 including interest of 2.47%, matures May 2026, collateralized by Hospital revenues and County Tax revenues; and (d) note payable to NMFA; payable in semi-annual installments with varied amount including interest of 1.16%, matures May 2029, collateralized by Hospital revenues and County Tax revenues.

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

F. Debt (CONTINUED)

The County has entered into loan agreements with the New Mexico Finance Authority (NMFA) on behalf of the Hospital in order to finance the costs of improvements to the Hospital. The original loans were funded from previously issued NMFA Public Project Revolving Fund Revenue Bonds. The loans are secured by the net pledged revenues of the Hospital and the County's tax revenues. Concurrent with these loan agreements, the Hospital entered into an amended and restated operating agreement with the County to require loan payments in amounts equal to all debt service payments required under the County's loan agreements with NMFA. Upon expiration of the operating agreement, or upon earlier termination, the Hospital is required to surrender all improvements to the County. Under the operating agreement with the County, the Hospital is required to comply with certain restrictive financial and other covenants. This agreement requires certain trust funds to be established with a trustee. Accordingly, these funds are included in amounts restricted by trustee for debt service.

The Hospital has a revolving line of credit with a local bank with a limit of \$695,000 and includes interest at 3.75%. The outstanding principal of \$120,450 along with accrued interest is due at maturity. The line of credit originally matured on July 1, 2019 and was extended by both parties on that date to November 15, 2019. The advances during the year ended June 30, 2019 were used to support operations. The line of credit is secured by the Hospital's certificate of deposit.

Scheduled debt service requirements for the Hospital's long-term debt are as follows:

Years Ending June 30,	Notes Payable		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	\$ 563,252	\$ 122,522	\$ 234,869	\$ 10,517
2021	456,926	109,475	49,173	3,387
2022	469,953	96,725	50,514	2,046
2023	484,255	82,712	48,514	667
2024	499,719	67,548	-	-
2025 - 2029	<u>1,280,834</u>	<u>106,769</u>	<u>-</u>	<u>-</u>
Total	\$ 3,754,939	\$ 585,751	\$ 383,070	\$ 16,617

G. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2019 and 2018 were as follows:

	2019	2018
Medicare	18%	10%
Medicaid	15%	7%
Commercial insurances	24%	19%
Self-pay	<u>43%</u>	<u>64%</u>
	<u>100%</u>	<u>100%</u>

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

H. 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%. For the years ended June 30, 2019, 2018 and 2017, the Hospital's expense to fund its share of the plan was \$40,857, \$54,347 and \$38,849.

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 can 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 its liabilities to the participants are excluded from the Hospital's financial statements.

I. Contingencies Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage, of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Malpractice Insurance

The Hospital has insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an aggregate limit of \$3,000,000. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigation, Claims and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of task under its various programs. In the opinion of management, the ultimate settlement of litigation, claims and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations, specifically those relating to Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

STATE OF NEW MEXICO
 UNION COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 22. DISCLOSURES RELATED TO COMPONENT UNIT FINANCIAL STATEMENTS (CONTINUED)

J. Restatement (CONTINUED)

During 2019, the Hospital discovered errors in previously reported balances. These errors related primarily to the classification of certain assets, operating and nonoperating income and expenses and classifications in the statement of cash flows. The classification errors in the 2018 financial statements had no impact on net position or the total change in net position.

Reclassifications which were considered material in the statement of net position and the statement of revenues, expenses and changes in net position included the presentation of restricted cash and cash equivalents available to fund current liabilities as noncurrent and the inclusion of interest expense in operating, rather than nonoperating expenses.

The total impact to the June 30, 2018 statements of net position and revenues, expenses and changes in net position are as follows:

	<u>As Previously Reported</u>	<u>Change</u>	<u>As Restated</u>
Statement of Net Position			
Restricted by trustee for debt service - current	\$ -	\$ 145,849	\$ 145,849
Total current assets	4,367,624	145,849	4,513,473
Restricted by trustee for debt service, net of current portion	717,582	(145,849)	571,733
Total noncurrent cash and cash equivalents	901,064	(145,849)	755,215
Statement of Revenues, Expenses and Changes in Net Position			
Operating Expenses			
Rent	\$ 488,537	\$ (91,165)	\$ 397,372
Interest expense	176,750	(176,750)	-
Total operating expenses	11,494,886	(267,915)	11,226,971
Operating loss	(3,705,885)	267,915	(3,437,970)
Nonoperating Revenues (Expenses)			
Interest expense	-	(176,750)	(176,750)
Other non operating revenues, net	547,544	(91,165)	456,379
Net nonoperating revenues	1,670,555	(267,915)	1,402,640

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 UNION COUNTY
 SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MUNICIPAL GENERAL DIVISION
 JUNE 30, 2019

Pension Liability
 For Last 10 Fiscal Years*
 (Dollars in Thousands)

Fiscal Year Measurement Date	30-Jun				
	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
County's Proportion of the Net Pension Liability (Asset)	0.1403%	0.1326%	0.1343%	0.1298%	1.2850%
County's Proportionate Share of Net Pension Liability (Asset)	2,237	1,822	2,146	1,323	\$ 1,002
County's Covered-Employee Payroll	1,213	1,183	1,166	1,150	\$ 1,043
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	184.42%	154.02%	184.05%	115.04%	96.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.13%	73.74%	69.18%	81.31%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the County is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
 UNION COUNTY
 SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MUNICIPAL POLICE DIVISION
 JUNE 30, 2019

Pension Liability
 For Last 10 Fiscal Years*
 (Dollars in Thousands)

Fiscal Year Measurement Date	30-Jun				
	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
County's Proportion of the Net Pension Liability (Asset)	0.9930%	0.1260%	0.1340%	0.1287%	0.1259%
County's Proportionate Share of Net Pension Liability (Asset)	677	700	989	619	\$ 410
County's Covered-Employee Payroll	190	210	260	269	\$ 242
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	356.32%	333.33%	380.38%	230.11%	169.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.13%	73.74%	69.18%	81.31%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the County is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
 UNION COUNTY
 SCHEDULE OF COUNTY CONTRIBUTIONS
 MUNICIPAL GENERAL DIVISION
 JUNE 30, 2019

Last Ten Fiscal Years*
 General Division
 (Dollars in Thousands)

	2019	2018	2017	2016	2015
Statutory Required	\$ 245	\$ 239	235	209	188
Contributions in Relation to the Statutory	245	239	235	209	188
Annual Contribution Deficiency (Excess)*	\$ -	\$ -	-	-	-

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the County is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF COUNTY CONTRIBUTIONS
MUNICIPAL POLICE DIVISION
JUNE 30, 2019

Last Ten Fiscal Years*
Police Division
(Dollars in Thousands)

	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 62	\$ 69	85	78	73
Contributions in Relation to the Contractually	62	69	85	78	73
Contribution Deficiency (Excess)*	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the County is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
 UNION COUNTY
 SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 JUNE 30, 2019

New Mexico Retiree Healthcare Authority
 For Last 10 Fiscal Years*
 (Dollars in Thousands)

	Fiscal Year Measurement Date	30-Jun	30-Jun
		2019 2018	2018 2017
County's Proportion of the Net OPEB liability (Asset)		0.03533%	0.03636%
County's Proportionate Share of Net Pension Liability (Asset)		\$ 1,536	\$ 1,648
County's Covered-Employee Payroll		\$ 1,516	\$ 1,514
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		101.32%	108.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		13.14%	11.34%

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

STATE OF NEW MEXICO
 UNION COUNTY
 SCHEDULE OF COUNTY'S CONTRIBUTIONS
 JUNE 30, 2019

New Mexico Retiree Healthcare Authority
 Last Ten Fiscal Years*
 (Dollar Amounts in Thousands)

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 55	\$ 115
Contributions in Relation to the Contractually Required Contribution	<u>54</u>	<u>58</u>
Contribution Deficiency (Excess)	<u>\$ 1</u>	<u>\$ 57</u>
Employer's covered-employee payroll	\$ 1,516	\$ 1,515
Contributions as a percentage of covered-employee payroll	0.07%	3.76%

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

**STATE OF NEW MEXICO
UNION COUNTY
NOTES TO PENSION AND OPEB REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in PERA benefit provisions. The Public Employees Retirement Association (PERA) Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA's FY 18 audit available at <http://saonm.org/> using the Audit Search function for agency 366.

Changes in PERA assumptions and methods. The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 30, 2018 report is available at: <http://saonm.org/> using the Audit Search function for agency 366.

Changes of benefit terms. The Retiree Health Care Authority (RHCA) COLA and age eligibility benefits changes in recent years are described in the Notes to the RHCA FY19 audit available at <http://saonm.org/> using the Audit Search function for agency 343.

Changes of assumptions. The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2018 report is available at <http://saonm.org/> using the Audit Search function for agency 343.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
UNION COUNTY
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
June 30, 2019

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.

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 *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 *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.

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 fees fund* accounts for revenues and expenditures for the operation and maintenance of the

STATE OF NEW MEXICO
UNION COUNTY
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
June 30, 2019

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.

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.

**STATE OF NEW MEXICO
UNION COUNTY
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2019**

	Special Revenue Funds			
	Farm and Range Fund	Recreation Fund	Clerk's Fees Fund	Capulin Fire Fund
ASSETS				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 378	92	30,514	76,726
Receivables, net	-	-	28	-
Prepaid expenses	-	-	-	6,860
Restricted:				
Cash	-	-	-	291
<i>Total current assets</i>	<u>\$ 378</u>	<u>92</u>	<u>30,542</u>	<u>83,877</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	-	-	192
Accrued salaries	-	-	-	-
<i>Total current liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192</u>
<i>Deferred inflows:</i>				
Unearned revenues	-	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>				
Nonspendable	-	-	-	6,860
Restricted for:				
Debt service	-	-	-	291
State mandated per statutes	-	-	-	76,534
Committed for:				
Subsequent years' expenditures	-	-	-	-
Assigned	378	92	30,542	-
<i>Total fund balance (deficit)</i>	<u>378</u>	<u>92</u>	<u>30,542</u>	<u>83,685</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 378</u>	<u>92</u>	<u>30,542</u>	<u>83,877</u>

Special Revenue Funds

Sedan Fire Fund	Amistad/Hayden Fire Fund	Rabbit Ear Fire Fund	Capulin EMS Fund	Amistad/Hayden EMS Fund	Folsom EMS Fund
203,903	156,900	190,229	5,923	175	114,621
2,300	-	-	-	-	-
7,094	6,873	7,273	-	-	-
577	-	459	-	-	-
<u>213,874</u>	<u>163,773</u>	<u>197,961</u>	<u>5,923</u>	<u>175</u>	<u>114,621</u>
1,336	207	6,064	42	-	548
-	-	-	-	-	-
<u>1,336</u>	<u>207</u>	<u>6,064</u>	<u>42</u>	<u>-</u>	<u>548</u>
-	-	-	-	-	-
-	-	-	-	-	-
7,094	6,873	7,273	-	-	-
577	-	459	-	-	-
204,867	156,693	184,165	5,881	175	114,073
-	-	-	-	-	-
-	-	-	-	-	-
<u>212,538</u>	<u>163,566</u>	<u>191,897</u>	<u>5,881</u>	<u>175</u>	<u>114,073</u>
<u>213,874</u>	<u>163,773</u>	<u>197,961</u>	<u>5,923</u>	<u>175</u>	<u>114,621</u>

**STATE OF NEW MEXICO
UNION COUNTY
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2019**

	Special Revenue Funds			
	Fire Marshal Fund	Corrections Gross Receipts Fund	Corrections Fees Fund	DWI Grant Fund
ASSETS				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 157,848	197,397	35,800	9,159
Receivables, net	-	23,396	-	540
Prepaid expenses	-	-	-	-
Restricted:				
Cash	-	-	-	-
<i>Total current assets</i>	<u>\$ 157,848</u>	<u>220,793</u>	<u>35,800</u>	<u>9,699</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
<i>Current liabilities:</i>				
Accounts payable	\$ 70	2,074	-	5,633
Accrued salaries	725	-	-	967
<i>Total current liabilities</i>	<u>795</u>	<u>2,074</u>	<u>-</u>	<u>6,600</u>
<i>Deferred inflows:</i>				
Unearned revenues	-	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
State mandated per statutes	-	-	-	-
Committed for:				
Subsequent years' expenditures	-	-	-	-
Assigned	157,053	218,719	35,800	3,099
<i>Total fund balance (deficit)</i>	<u>157,053</u>	<u>218,719</u>	<u>35,800</u>	<u>3,099</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 157,848</u>	<u>220,793</u>	<u>35,800</u>	<u>9,699</u>

Special Revenue Funds

Reappraisal Fund	Emergency Services GGRT Fund	County Hospital GGRT Fund	General Gross Receipts Tax Fund	GRT Reserve Fund	Law Enforcement Fund
79,127	86,194	111,704	354,659	583,577	4,660
2,353	27,980	46,795	23,398	11,699	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>81,480</u>	<u>114,174</u>	<u>158,499</u>	<u>378,057</u>	<u>595,276</u>	<u>4,660</u>
22	9,364	-	-	-	248
-	-	-	-	-	-
<u>22</u>	<u>9,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248</u>
1,920	-	-	-	-	-
<u>1,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
79,538	104,810	158,499	-	-	-
-	-	-	-	-	-
-	-	-	378,057	595,276	4,412
<u>79,538</u>	<u>104,810</u>	<u>158,499</u>	<u>378,057</u>	<u>595,276</u>	<u>4,412</u>
<u>81,480</u>	<u>114,174</u>	<u>158,499</u>	<u>378,057</u>	<u>595,276</u>	<u>4,660</u>

**STATE OF NEW MEXICO
UNION COUNTY
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2019**

	Special Revenue Funds			Total Other Government Funds
	Legislative Appropriations Fund	Total Special Revenue Funds	Capital Improvements Emergency Fund	
ASSETS				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 41,521	2,441,107	12,246	2,453,353
Receivables, net	-	138,489	-	138,489
Prepaid expenses	-	28,100	-	28,100
Restricted:				
Cash	-	1,327	-	1,327
<i>Total current assets</i>	<u>\$ 41,521</u>	<u>2,609,023</u>	<u>12,246</u>	<u>2,621,269</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	25,800	-	25,800
Accrued salaries	-	1,692	-	1,692
<i>Total current liabilities</i>	<u>-</u>	<u>27,492</u>	<u>-</u>	<u>27,492</u>
<i>Deferred inflows:</i>				
Unearned revenues	-	1,920	-	1,920
<i>Total deferred inflows</i>	<u>-</u>	<u>1,920</u>	<u>-</u>	<u>1,920</u>
<i>Fund balances (deficit)</i>				
Nonspendable	-	28,100	-	28,100
Restricted for:				
Debt service	-	1,327	-	1,327
State mandated per statutes	-	1,085,235	-	1,085,235
Committed for:				
Subsequent years' expenditures	-	-	-	-
Assigned	41,521	1,464,949	12,246	1,477,195
<i>Total fund balance (deficit)</i>	<u>41,521</u>	<u>2,579,611</u>	<u>12,246</u>	<u>2,591,857</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 41,521</u>	<u>2,609,023</u>	<u>12,246</u>	<u>2,621,269</u>

**STATE OF NEW MEXICO
UNION COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds			
	Farm and Range Fund	Recreation Fund	Clerk's Fees Fund	Capulin Fire Fund
REVENUES:				
Gross Receipts taxes	\$ -	-	-	-
Property taxes	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	76,655
Local	-	-	-	-
Charges for services	-	-	7,521	50
Interest	7	1	451	1,281
Miscellaneous	-	-	-	652
<i>Total revenues</i>	<u>7</u>	<u>1</u>	<u>7,972</u>	<u>78,638</u>
EXPENDITURES				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	32,280
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	16,332
Interest and other charges	-	-	-	999
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,611</u>
<i>Excess (deficiency) of revenues over expenditures before other financing sources (uses)</i>	<u>7</u>	<u>1</u>	<u>7,972</u>	<u>29,027</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Special Item:</i>				
Proceeds from disposal of assets	-	-	-	-
Net change in fund balances	7	1	7,972	29,027
Fund balances, beginning of year	<u>371</u>	<u>91</u>	<u>22,570</u>	<u>54,658</u>
Fund balances, end of year	<u>\$ 378</u>	<u>92</u>	<u>30,542</u>	<u>83,685</u>

Special Revenue Funds

Sedan Fire Fund	Amistad/Hayden Fire Fund	Rabbit Ear Fire Fund	Capulin EMS Fund	Amistad/Hayden EMS Fund	Folsom EMS Fund
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
230,603	53,945	166,081	7,830	-	10,626
-	-	35,699	-	-	-
-	13	-	-	-	5,797
2,550	2,509	3,445	170	3	1,855
-	-	2,052	-	-	-
<u>233,153</u>	<u>56,467</u>	<u>207,277</u>	<u>8,000</u>	<u>3</u>	<u>18,278</u>
-	-	-	-	-	-
37,398	18,515	144,982	10,320	-	18,131
-	-	-	-	-	-
7,266	-	14,404	-	-	-
31,367	-	19,287	-	-	-
3,505	-	11,297	-	-	-
<u>79,536</u>	<u>18,515</u>	<u>189,970</u>	<u>10,320</u>	<u>-</u>	<u>18,131</u>
-	-	-	-	-	-
153,617	37,952	17,307	(2,320)	3	147
-	-	-	6,800	-	21,500
-	-	-	-	-	-
-	-	-	6,800	-	21,500
<u>4,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
157,692	37,952	17,307	4,480	3	21,647
54,846	125,614	174,590	1,401	172	92,426
<u>212,538</u>	<u>163,566</u>	<u>191,897</u>	<u>5,881</u>	<u>175</u>	<u>114,073</u>

**STATE OF NEW MEXICO
UNION COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds			
	Fire Marshal Fund	Corrections Gross Receipts Fund	Corrections Fees Fund	DWI Grant Fund
REVENUES:				
Gross Receipts taxes	\$ -	148,388	-	-
Property taxes	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	79,942	-	-	56,400
Local	-	-	-	540
Charges for services	400	56,039	15,268	1,060
Interest	-	2,577	392	818
Miscellaneous	452	-	-	-
<i>Total revenues</i>	<u>80,794</u>	<u>207,004</u>	<u>15,660</u>	<u>58,818</u>
EXPENDITURES				
<i>Current:</i>				
General government	-	-	-	-
Public safety	64,106	99,731	-	58,111
Health and welfare	-	-	-	-
Capital outlay	46,314	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
<i>Total expenditures</i>	<u>110,420</u>	<u>99,731</u>	<u>-</u>	<u>58,111</u>
<i>Excess (deficiency) of revenues over expenditures before other financing sources (uses)</i>	<u>(29,626)</u>	<u>107,273</u>	<u>15,660</u>	<u>707</u>
<i>Other Financing Sources (Uses):</i>				
Transfers in	23,000	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>23,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Special Item:</i>				
Proceeds from disposal of assets	-	-	-	-
Net change in fund balances	(6,626)	107,273	15,660	707
Fund balances, beginning of year	163,679	111,446	20,140	2,392
<i>Fund balances, end of year</i>	<u>\$ 157,053</u>	<u>218,719</u>	<u>35,800</u>	<u>3,099</u>

Special Revenue Funds

Reappraisal Fund	Emergency Services GGRT Fund	County Hospital GGRT Fund	General Gross Receipts Tax Fund	GRT Reserve Fund	Law Enforcement Fund
-	148,388	297,080	148,399	74,343	-
39,178	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	22,400
-	4,584	-	-	-	-
2,566	-	-	-	-	-
1,110	1,360	1,791	5,666	9,845	539
-	-	-	-	-	-
<u>42,854</u>	<u>154,332</u>	<u>298,871</u>	<u>154,065</u>	<u>84,188</u>	<u>22,939</u>
35,261	-	-	-	-	95
-	-	-	-	-	10,988
-	155,473	367,437	119,648	-	-
-	-	-	-	52,543	35,754
-	-	-	-	-	-
-	-	-	-	-	-
<u>35,261</u>	<u>155,473</u>	<u>367,437</u>	<u>119,648</u>	<u>52,543</u>	<u>46,837</u>
<u>7,593</u>	<u>(1,141)</u>	<u>(68,566)</u>	<u>34,417</u>	<u>31,645</u>	<u>(23,898)</u>
-	-	-	-	-	-
-	(6,500)	-	-	-	-
-	(6,500)	-	-	-	-
-	-	-	-	-	9,475
7,593	(7,641)	(68,566)	34,417	31,645	(14,423)
<u>71,945</u>	<u>112,451</u>	<u>227,065</u>	<u>343,640</u>	<u>563,631</u>	<u>18,835</u>
<u>79,538</u>	<u>104,810</u>	<u>158,499</u>	<u>378,057</u>	<u>595,276</u>	<u>4,412</u>

**STATE OF NEW MEXICO
UNION COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds		Capital Improvements Emergency Fund	Total Other Government Funds
	Legislative Appropriations Fund	Total Special Revenue Funds		
REVENUES:				
Gross Receipts taxes	\$ -	816,598	-	816,598
Property taxes	-	39,178	-	39,178
Intergovernmental:				
Federal	-	-	-	-
State	-	704,482	-	704,482
Local	-	40,823	-	40,823
Charges for services	-	88,714	-	88,714
Interest	689	37,059	374	37,433
Miscellaneous	-	3,156	300,000	303,156
<i>Total revenues</i>	<u>689</u>	<u>1,730,010</u>	<u>300,374</u>	<u>2,030,384</u>
EXPENDITURES				
<i>Current:</i>				
General government	-	35,356	-	35,356
Public safety	-	494,562	-	494,562
Health and welfare	-	642,558	-	642,558
Capital outlay	-	156,281	352,003	508,284
<i>Debt service:</i>				
Principal	-	66,986	-	66,986
Interest and other charges	-	15,801	-	15,801
<i>Total expenditures</i>	<u>-</u>	<u>1,411,544</u>	<u>352,003</u>	<u>1,763,547</u>
<i>Excess (deficiency) of revenues over expenditures before other financing sources (uses)</i>	<u>689</u>	<u>318,466</u>	<u>(51,629)</u>	<u>266,837</u>
<i>Other Financing Sources (Uses):</i>				
Transfers in	-	51,300	-	51,300
Transfers out	-	(6,500)	-	(6,500)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>44,800</u>	<u>-</u>	<u>44,800</u>
<i>Special Item:</i>				
Proceeds from disposal of assets	-	13,550	-	13,550
Net change in fund balances	689	376,816	(51,629)	325,187
Fund balances, beginning of year	<u>40,832</u>	<u>2,202,795</u>	<u>63,875</u>	<u>2,266,670</u>
<i>Fund balances, end of year</i>	<u>\$ 41,521</u>	<u>2,579,611</u>	<u>12,246</u>	<u>2,591,857</u>

STATE OF NEW MEXICO
 UNION COUNTY
 COMPONENT UNIT - UNION COUNTY GENERAL HOSPITAL
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL ON BUDGETARY (GAAP) BASIS
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual on GAAP Basis	Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget		
Operating Revenue	\$ 9,873,104	9,873,104	10,179,867	306,763
Operating Expenses:				
Salaries and wages	5,854,524	5,854,524	5,264,641	589,883
Fringe benefits	801,060	801,060	911,400	(110,340)
Contract labor	110,652	110,652	112,647	(1,995)
Physicians fees	172,392	172,392	397,956	(225,564)
Purchased services	939,687	939,687	949,877	(10,190)
Legal and other professional fees	55,281	55,281	58,586	(3,305)
supply expense	780,648	780,648	804,324	(23,676)
Utilities	210,444	210,444	170,438	40,006
Repairs and maintenance	443,750	443,750	361,451	82,299
Insurance expense	230,616	230,616	205,243	25,373
All other operating expenses	543,262	543,262	618,156	(74,894)
Leases and rentals	600,144	600,144	395,188	204,956
Depreciation	644,448	644,448	685,299	(40,851)
Interest expense	162,000	162,000	133,260	28,740
<i>Total Operating expenses</i>	<u>11,548,908</u>	<u>11,548,908</u>	<u>11,068,466</u>	<u>480,442</u>
Operating income (loss)	(1,675,804)	(1,675,804)	(888,599)	787,205
Non-Operating Revenue:				
Income derived from taxes	1,171,668	1,171,668	1,078,951	92,717
Other non-operating income (loss)	616,092	616,092	459,024	157,068
<i>Total non-operating revenue</i>	<u>1,787,760</u>	<u>1,787,760</u>	<u>1,537,975</u>	<u>249,785</u>
<i>Capital Contributions</i>	<u>-</u>	<u>-</u>	<u>175,000</u>	<u>(175,000)</u>
Net changes in fund balances	\$ <u>111,956</u>	<u>111,956</u>	824,376	<u>1,036,990</u>
Net position, beginning of year			<u>7,222,781</u>	
Net position, end of year			<u>8,047,157</u>	

STATE OF NEW MEXICO
 UNION COUNTY
 COMBINING SCHEDULE OF CHANGES IN ASSETS
 AND LIABILITIES FOR THE AGENCY FUNDS
 YEAR ENDED JUNE 30, 2019

	<u>Balance June 30, 2018</u>	<u>Increases Receipts</u>	<u>Decreases/ Disbursements</u>	<u>Balance June 30, 2019</u>
Property Tax Fund				
ASSETS				
Cash	\$ 108,526	1,873,765	1,907,600	74,691
Property taxes receivable	93,677	76,615	50,543	119,749
Public service taxes receivable	14,300	40,422	14,300	40,422
Interest receivable	1	-	1	-
Total assets	<u>\$ 216,504</u>	<u>1,990,802</u>	<u>1,972,444</u>	<u>234,862</u>
LIABILITIES				
Deposits held in trust for others	\$ 61,766	1,774,181	1,805,008	30,939
Due to other tax units	150,086	216,530	162,765	203,851
Taxes paid in protest	4,652	91	4,671	72
Total liabilities	<u>\$ 216,504</u>	<u>1,990,802</u>	<u>1,972,444</u>	<u>234,862</u>

STATE OF NEW MEXICO
 UNION COUNTY
 SCHEDULE OF CASH ACCOUNTS
 JUNE 30, 2019

Financial Institution/ Account Description	Type of Account	Bank Balance	Outstanding		Net Cash Balance
			Checks	Deposits	
FNB New Mexico	Checking	\$ 3,404,147	(135,713)	6,600	3,275,034
Farmer's & Stockmen's Bank	Checking	<u>2,234,561</u>	<u>(390)</u>	<u>-</u>	<u>2,234,171</u>
		<u>\$ 5,638,708</u>	<u>(136,103)</u>	<u>6,600</u>	5,509,205
				Less Agency Funds	<u>74,691</u>
				<i>Total Cash</i> \$	<u><u>5,434,514</u></u>

STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>FNB New Mexico</u>	<u>Farmer's & Stockmen's Bank</u>	<u>Total</u>
Deposits in Bank or Savings and Loan			
Cash deposits	\$ 3,404,147	2,234,561	<u>5,638,708</u>
Total amounts on deposit	<u>3,404,147</u>	<u>2,234,561</u>	<u>5,638,708</u>
Less: FDIC insurance	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
			-
Total uninsured public funds:	3,154,147	1,984,561	5,138,708
Collateral requirement - 50%	<u>1,577,074</u>	<u>992,281</u>	<u>2,569,355</u>
Total required collateralization	<u>\$ 1,577,073</u>	<u>992,280</u>	<u>2,569,353</u>

<u>Pledged Collateral</u>				
<i>Type of security and security number</i>	<i>CUSIP Number</i>	<i>Maturity Date</i>		
FNMA Pool #BC0935	3140EVBD8	6/1/2046	\$ 676,432	676,432
Red River NM	756874BG7	8/15/2036	259,367	259,367
FNA 2012-M12 1A	3136A77J5	8/25/2022	872,501	872,501
FHLB LOC	3615000085	12/30/2019		150,000
FHLB LOC	3615000088	5/28/2020		1,300,000
Totals:			<u>\$ 1,808,300</u>	<u>3,258,300</u>
				<u>1,450,000</u>
			Total under (over) pledged: \$	(688,947)
			(231,227)	(457,720)

Name and Location of Safe keeper: Federal Home Loan Bank
Dallas, TX

STATE OF NEW MEXICO
 UNION COUNTY
 COMPONENT UNIT - UNION COUNTY GENERAL HOSPITAL
 SCHEDULE OF CASH ACCOUNTS
 June 30, 2019

Account Type	Account Name	FNB New Mexico Bank	Farmer's & Stockmen's Bank	Totals
Cash and Cash Equivalents				
Checking	Operating Account	\$ 473,307		473,307
CD	Certificate of Deposit	704,589		704,589
Checking	Payroll		50,736	50,736
CD	Certificate of Deposit		201,690	201,690
	Total on Deposit	1,177,896	252,426	1,430,322
	Reconciling Items	(473,307)	150,000	(323,307)
		-	-	-
Total Reconciled Cash and Cash Equivalents		\$ <u>704,589</u>	<u>402,426</u>	<u>1,107,015</u>
				-
Total Cash				<u>1,107,015</u>
Other Items:				
	Plus petty cash			1,079
	NMFA prepaid bond reserve			754,008
				<u>1,862,102</u>
Assets limited to use				<u>(906,279)</u>
Cash and cash equivalents				<u><u>955,823</u></u>

STATE OF NEW MEXICO
 UNION COUNTY
 COMPONENT UNIT - UNION COUNTY GENERAL HOSPITAL
 SCHEDULE OF PLEDGED COLLATERAL
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>FNB New Mexico</u>	<u>Farmer's & Stockmen's Bank</u>
Deposits in Bank or Savings and Loan		
Cash deposits	\$ 473,307	50,736
Certificates of deposits	704,589	201,690
Total amounts on deposit	<u>1,177,896</u>	<u>252,426</u>
Less: FDIC insurance	<u>(500,000)</u>	<u>(252,426)</u>
Total uninsured public funds:	677,896	-
Pledged collateral held by pledging bank's agent, but not in the Hospital's name	<u>874,905</u>	-
Uninsured and uncollateralized public funds	<u>\$ (197,009)</u>	<u>-</u>
Total pledged collateral	\$ 874,905	-
50% pledged collateral requirement per state statute	<u>338,948</u>	-
Pledged collateral (under) over the requirement	<u>\$ 535,957</u>	<u>-</u>

<u>Pledged Collateral</u>			
<i>Type of security and security</i>			
<i>number</i>	<i>CUSIP Number</i>	<i>Maturity Date</i>	
2	FNMA POOL #MA2287	31418BRH1	\$ 357,040
2	Alamogordo NM Muni Dist #1	011464KG8	517,865
Totals:			<u>\$ 874,905</u>

Total under (over) pledged: -

Name and Location of Safe keeper: FNB New

**STATE OF NEW MEXICO
UNION COUNTY
TAX ROLL RECONCILIATION - CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019**

Property taxes receivable, beginning of year	\$	199,139
Changes to tax roll:		
Net tax charges to treasurer for tax year 2018		3,885,531
Decrease in net tax charges 2008-2017		-
Adjustments:		
Increases in taxes receivable		50,204
Settlement of protested taxes		4,620
Charge off of taxes receivable		<u>(10,244)</u>
Total receivable prior to collections		4,129,250
Collections for fiscal year ended June 30, 2019		<u>(3,892,760)</u>
Property taxes receivable at June 30, 2019	\$	<u><u>236,490</u></u>

Property taxes are reported as follows:

Governmental funds:		
County portion		116,741
Agency portion		<u>119,749</u>
Total property taxes receivable	\$	<u><u>236,490</u></u>

Property taxes receivable by years:

2009-2017		
2018		93,234
		<u>143,256</u>
	\$	<u><u>236,490</u></u>

STATE OF NEW MEXICO
 UNION COUNTY
 TREASURERS PROPERTY TAX SCHEDULE
 June 30, 2019

Agency	Property Taxes Levied	Collected In Current Year	Collected To-Date	Distributed In Current Year	Distributed To-Date	Undistr. At Year End	County Receivable At Year-End
UNION COUNTY							
General advalorem:							
2009 - 2017	\$ 11,280,243	37,586	11,249,520	37,586	11,249,520	-	30,723
2018	1,403,900	1,359,784	1,359,784	1,359,784	1,359,784	-	44,116
Total	12,684,143	1,397,370	12,609,304	1,397,370	12,609,304	-	74,839
Non-Rendition fees:							
2009 - 2017	2,537	-	1,669	-	1,669	-	868
2018	35	30	30	30	30	-	5
Total	2,572	30	1,699	30	1,699	-	873
Administrative fees:							
2009 - 2017	9,447	60	9,297	60	9,297	-	150
2018	883	754	754	754	754	-	129
Total	10,330	814	10,051	814	10,051	-	279
Reappraisal Program:							
2009 - 2017	262,129	1,083	261,207	1,083	261,207	-	922
2018	39,267	37,836	37,836	37,836	37,836	-	1,431
Total	301,396	38,919	299,043	38,919	299,043	-	2,353
Hospital Bond:							
2009 - 2017	5,494,846	19,059	5,479,141	19,059	5,479,141	-	15,705
2018	685,078	662,386	662,386	662,386	662,386	-	22,692
Total	6,179,924	681,445	6,141,527	681,445	6,141,527	-	38,397
Total Union County	19,178,365	2,118,578	19,061,624	2,118,578	19,061,624	-	116,741

STATE OF NEW MEXICO
 UNION COUNTY
 TREASURERS PROPERTY TAX SCHEDULE (CONTINUED)
 June 30, 2019

Agency	Property Taxes Levied	Collected In Current Year	Collected To-Date	Distributed In Current Year	Distributed To-Date	Undistr. At Year End	County Receivable At Year-End
MUNICIPALITIES							
Town of Clayton:							
2009 - 2017	1,225,476	12,366	1,214,561	10,335	1,212,530	2,031	10,915
2018	153,367	135,522	135,522	132,467	132,467	3,055	17,845
Total	1,378,843	147,888	1,350,083	142,802	1,344,997	5,086	28,760
Village of Des Moines:							
2009 - 2017	84,562	309	84,158	284	84,133	25	404
2018	10,800	10,441	10,441	10,303	10,303	138	359
Total	95,362	10,750	94,599	10,587	94,436	163	763
Village of Folsom							
2009 - 2017	45,125	50	41,367	20	41,337	30	3,758
2018	5,916	5,677	5,677	5,565	5,565	112	239
Total	51,041	5,727	47,044	5,585	46,902	142	3,997
Village of Grenville:							
2009 - 2017	31,630	56	31,601	32	31,577	24	29
2018	5,403	5,354	5,354	5,341	5,341	13	49
Total	37,033	5,410	36,955	5,373	36,918	37	78
Total Municipalities	1,562,279	169,775	1,528,681	164,347	1,523,253	5,428	33,598
SCHOOLS:							
Clayton Public School:							
2009 - 2017	3,219,141	24,720	3,201,140	21,174	3,197,594	3,546	18,001
2018	1,020,181	979,089	979,089	964,513	964,513	14,576	41,092
Total	4,239,322	1,003,809	4,180,229	985,687	4,162,107	18,122	59,093

STATE OF NEW MEXICO
 UNION COUNTY
 TREASURERS PROPERTY TAX SCHEDULE (CONTINUED)
 June 30, 2019

Agency	Property Taxes Levied	Collected In Current Year	Collected To-Date	Distributed In Current Year	Distributed To-Date	Undistr. At Year End	County Receivable At Year-End
Des Moines School:							
2009 - 2017	1,314,458	848	1,310,094	716	1,309,962	132	4,364
2018	195,321	193,035	193,035	192,562	192,562	473	2,286
Total	1,509,779	193,883	1,503,129	193,278	1,502,524	605	6,650
Springer Public School:							
2009 - 2017	95,726	186	95,726	184	95,724	2	-
2018	13,453	13,327	13,327	12,982	12,982	345	126
Total	109,179	13,513	109,053	13,166	108,706	347	126
Luna Tech:							
2009 - 2017	26,898	61	26,898	60	26,897	1	-
2018	4,208	4,166	4,166	4,061	4,061	105	42
Total	31,106	4,227	31,064	4,121	30,958	106	42
Total Schools	5,889,386	1,215,432	5,823,475	1,196,252	5,804,295	19,180	65,911
STATE OF NEW MEXICO TREASURER:							
State of New Mexico:							
2009 - 2017	1,774,650	6,339	1,769,415	5,319	1,768,395	1,020	5,235
2018	222,639	215,141	215,141	212,526	212,526	2,615	7,498
Total	1,997,289	221,480	1,984,556	217,845	1,980,921	3,635	12,733
Cattle Levy:							
2009 - 2017	1,343,737	5,581	1,341,616	4,580	1,340,615	1,001	2,121
2018	164,837	159,565	159,565	157,978	157,978	1,587	5,272
Total	1,508,574	165,146	1,501,181	162,558	1,498,593	2,588	7,393

STATE OF NEW MEXICO
 UNION COUNTY
 TREASURERS PROPERTY TAX SCHEDULE (CONTINUED)
 June 30, 2019

Agency	Property Taxes Levied	Collected In Current Year	Collected To-Date	Distributed In Current Year	Distributed To-Date	Undistr. At Year End	County Receivable At Year-End
Sheep/Goat Levy:							
2009 - 2017	155	-	155	-	155	-	-
2018	60	60	60	60	60	-	-
Total	215	60	215	60	215	-	-
Equine Levy:							
2009 - 2017	7,451	17	7,415	15	7,413	2	36
2018	1,263	1,208	1,208	1,146	1,146	62	55
Total	8,714	1,225	8,623	1,161	8,559	64	91
Bison Levy:							
2009 - 2017	195	-	195	-	195	-	-
2018	37	19	19	19	19	-	18
Total	232	19	214	19	214	-	18
Total State of New Mexico Treasurer	3,515,024	387,930	3,494,789	381,643	3,488,502	6,287	20,235
SPECIAL DISTRICT:							
Ute Creek Soil & Water:							
2009 - 2017	6,492	10	6,489	10	6,489	-	3
2018	1,037	1,035	1,035	991	991	44	2
Total	7,529	1,045	7,524	1,001	7,480	44	5
TOTALS							
2009 - 2017	26,224,898	108,331	26,131,664	100,517	26,123,850	7,814	93,234
2018	3,927,685	3,784,429	3,784,429	3,761,304	3,761,304	23,125	143,256
GRAND TOTAL	\$ 30,152,583	3,892,760	29,916,093	3,861,821	29,885,154	30,939	236,490

Presumed paid after ten years per Section 7-38-81(C) NMSA 1978

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 \$265,000.

Amount the county contributed during the current fiscal year – approximately \$85,000

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 December 2017. The agreement is good for one year and renewed in one year increments upon written approval of the Union County Board of Commissioner and Town Council.

Amount the county contributed during the current fiscal year – approximately \$25,000.

Audit responsibility – County of Union.

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

OTHER SCHEDULES REQUIRED BY SECTION 2.2.2 N.M.A.C.

INDEPENDENT AUDITORS' 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*

To the County Commission
Union County
and Brian S. Colón, Esq.
New Mexico State Auditor

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of Union (the "County") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 2, 2019. 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 includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the 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. The other auditors considered the deficiencies described in the accompanying schedule of findings and responses as items CU 2019-001, CU 2019-002, and CU 2019-003 to be material weaknesses.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2019-003 and 2019-004. The results of the other auditors' tests disclosed an instance 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 item CU 2019-004.

The County's Responses to Findings

The County's and the component unit's responses to the findings identified in our and the other auditor's audit are described in the accompanying schedule of findings and responses. The County's and the component unit's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we and the other auditors 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
December 2, 2019

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

A. SUMMARY OF AUDIT RESULTS

Primary Government

Type of auditor’s report issued **Unmodified**

Internal control over financial reporting:

- **Material weakness identified?** **No**
- **Significant deficiency identified that are not considered to be material weaknesses?** **Yes**
- **Noncompliance material to financial statements noted?** **No**

B. FINANCIAL STATEMENT FINDINGS

Primary Government

2019-001 Journal Entries (Significant Deficiency)

CONDITION: During our testing of journal entries it was noted that journal entries are not being reviewed or approved by someone other than the person that prepared the journal entries.

CRITERIA: Section 6.20.2.11 B NMAC requires that entities shall develop, establish, and maintain a structure of internal control and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performances of duties and functions. COSO encourages the separation of the responsibilities of authorization, recording, reconciliation, and custody.

EFFECT: Financial information of the County could be misstated if improper journal entries are posted in the accounting system.

CAUSE: The County did not have effective procedures in place to properly review and authorize journal entries.

RECOMMENDATION: The County should establish procedures to ensure that the supporting documentation for all journal entries is properly maintained. Journal entries should be reviewed and approved by someone other than the preparer of the journal entries.

MANAGEMENT’S RESPONSE: The journal entries in each office are reviewed when the batches are posted and during the quarterly report process. The County Manager’s office and the County Treasurers

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

Primary Government (continued)

office will coordinate reviewing and approving each other's journal entries with an initial by the other party.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: County Manager and County Treasurer will correct this immediately in the fiscal year 2020.

2019-002 Controls over Payroll (Significant Deficiency)

CONDITION: During our testing of a sample of twenty-five payroll transactions we noted the following:

- One employee was paid at an incorrect payrate.
- Three employee personnel files did not contain the updated authorization for the rate of pay.
- One employee did not have evidence of an approved rate of pay in their personnel file.

CRITERIA: Section 6-6-3 NMSA, 1978 emphasizes the need for the County to keep all books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that employees are paid based on approved rates and that policies and procedures are established to address all payroll related issues.

EFFECT: Employees potentially could be paid the incorrect amount for their services. The lack of approved pay rates increased the risk of misstatement in the financial statements.

CAUSE: Personnel files were not always updated to reflect new rates of pay.

RECOMMENDATION: Personnel files should be reviewed and updated as necessary to ensure that a history of authorized rates of pay is maintained in the personnel files.

MANAGEMENT'S RESPONSE: The payroll process for raises is always checked by the budgeted amounts that were approved in the fiscal years approved budget. The County Manager's office will coordinate the budgeted amounts in the payroll system and the personnel file at the same time.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: The County Manager's Office will correct this immediately in the fiscal year 2020.

2019-003 Internal Control over Cash Disbursements (Finding that does not rise to the level of a significant deficiency)

CONDITION: During our testing of twenty-five cash disbursements we noted that ten cash disbursements had the Purchase Order dated after the vendor's invoice date. These 10 cash disbursements totaled \$8,604.

CRITERIA: 6-6-2. J NMAC 1978 states that expenditures must be monitored to ensure expenditures are made within budgetary constraints and to ensure expenditures are legal.

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

Primary Government (continued)

The Committee of Sponsoring Organization of the Treadway Commission (COSO) define internal control as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives related to operations, reporting and compliance.

EFFECT: Purchases could be made in excess of the budget or unpermitted purchases could be made.

CAUSE: County personnel did not follow County purchasing policies and procedures.

RECOMMENDATION: County personnel should be reminded of purchasing policies and procedures. In addition, the Finance Department should review invoices to verify expenditure has been approved.

MANAGEMENT'S RESPONSE: The County Manager's office will work with the County Departments to ensure that the proper documentation is available before the purchase is made. We will continue to educate the staff who purchase items as to the correct process.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: The County Manager's Office will correct this immediately in the fiscal year 2020.

C. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION 12-6-5, NMSA 1978

Primary Government

2019-004 Controls over Travel and Per Diem (Other Non-Compliance)

CONDITION: During compliance test-work over Travel and Per Diem disbursements, we noted that an employee was reimbursed in the amount of \$20 without the proper supporting documentation.

CRITERIA: Per NMAC 2.42.2.9, *Reimbursement of Actual Expenses in Lieu of Per Diem Rates*, the public officer or employee must submit receipts for the actual meal expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer of employee attesting to the expenses may be substituted for actual receipts.

EFFECT: Not reviewing disbursements for proper support prior to payment can result in over or under payment and non-compliance with state statutes.

CAUSE: Lack of management review and/or training of employees on the requirements for meal reimbursements.

RECOMMENDATION: We suggest training for all employees processing travel and per diem payments to ensure the County is following state statutes regarding meals.

MANAGEMENT'S RESPONSE: The County Manager's will be more diligent in reviewing travel and per diem.

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

Primary Government (continued)

RESPONSIBLE PARTY/TIMELINE TO CORRECT: The County Manager’s Office will correct this immediately in the fiscal year 2020.

A. SUMMARY OF AUDIT RESULTS

Component Unit

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiency identified that are not considered to be material weaknesses?	No
• Noncompliance material to financial statements noted?	No

B. FINANCIAL STATEMENT FINDINGS

Component Unit

CU 2019-001 Preparation of Financial Statements (Material Weakness)

CONDITION: The Hospital does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. In addition, material misstatements identified during the audit were required in order to fairly present the financial statements.

CRITERIA: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with standards established by the U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

Component Unit (continued)

EFFECT: The preparation of financial statements as part of the audit engagement may result in financial statements and related information not being available for management purposes as timely as it would be if prepared by Hospital personnel. In addition, the need for adjustments indicates that the Hospital's interim financial information may not be materially correct, which may affect management decisions during the course of the year. Entries identified and provided by management during the audit impacted the total change in net position by approximately \$655,000 for the year ended June 30, 2019. Significant audit areas requiring material adjustments included noncurrent cash, patient accounts receivable and related allowances, revenue and receivables from the SNCP program and County tax amounts, accounts payable and related expenses, and fixed assets. While many of these entries were prepared and provided by management during the audit, the unadjusted year-end amounts presented to those charged with governance was significantly different from the audited and reconciled balances.

CAUSE: This condition was caused by significant turnover in key financial reporting personnel during the year as well as the lack of timely and accurate reconciliations of significant accounts, as noted in Finding 2019-002.

RECOMMENDATION: While the preparation of financial statements by an outside party is not unusual for an organization of your size, the need for material adjustments should require consideration of the controls and processes over the areas identified. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with a deficiency in preparation of financial statements because of cost or other considerations. Management and the Board should also continue to monitor balances and activity to ensure the financial statements are accurate.

MANAGEMENT'S RESPONSE: UCGH management concurs with the auditor's recommendation. Due to its small size and financial constraints it is not financially feasible for UCGH to have financial statements prepared by an outside party throughout the fiscal year. UCGH management will continue to monitor the accounts on a monthly basis and prepare monthly financial statements. UCGH management will send prepared monthly financials statements, detailed general ledger accounts and the working trial balance to Community Hospital Corporation (CHC), management company, for review. UCGH Management will also present monthly financial statements to the board after being reviewed in detail by UCGH Management and CHC so that the board can make informed financial decisions for the hospital. In addition, we will have periodic reviews by the outside auditor during the next year to ensure that they do not see any issues with the financial statements and that all issues are being addressed.

ESTIMATED TIMELINE TO CORRECT: Will begin immediately.

RESPONSIBLE OFFICIAL: Chief Financial Officer.

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

Component Unit (continued)

CU 2019-002 Account Balance Reconciliations (Material Weakness)

CONDITION: The Hospital does not have an internal control system designed to provide for the timely reconciliation of accounts.

CRITERIA: A properly designed system of internal control over financial reporting includes controls to ensure the timely and accurate reconciliation of account balances.

EFFECT: During the course of the audit, accounts were identified that did not reconcile to the general ledger which resulted in material journal entries and delayed the completion of the audit. Many of the unreconciled accounts resulted in material journal entries identified by management and as a result of our audit procedures. In addition, some accounts which were reconciled were not properly reviewed either individually or in the context of the financial statements as a whole. This created additional errors through entries posted to incorrect accounts and duplicated entries.

CAUSE: This condition was caused by significant turnover in key financial reporting personnel during the year as well as the lack of a properly designed financial close and reporting process.

RECOMMENDATION: We recommend the Hospital continue to analyze its process over preparation and review of account reconciliations, at the account and financial statement level, and other analyses to ensure completeness and accuracy. Significant account balances should be reconciled to a subledger or other support on a monthly or predefined timeline to identify potential misstatements timely. Each insignificant balance should be periodically reviewed to ensure that they are still appropriately reported. In addition, a process should be established to ensure that all transactions have been captured within the financial reporting process. Finally, a monitoring control, such as reviewing the reconciliation or requesting support for interim financial statement balances, should be established to ensure that these procedures are performed timely.

MANAGEMENT'S RESPONSE: UCGH management concurs with the auditor's recommendation. UCGH management had numerous turnovers in key financial positions in the past few years creating areas that were not reconciled on a monthly basis. These accounts are now reconciled and will continue to be reconciled on a monthly basis going forward. The allowance account will be evaluated each quarter to ensure the most up to date data is being used in the reconciliation process. It was discovered that moving the fixed assets from a manual process to a computer process has made it more difficult and time consuming to reconcile. This schedule of fixed assets will be reevaluated and moved back to a spreadsheet process that has worked in previous years. UCGH management will use a cost report estimate program to make cost report estimate journal entries on a quarterly basis using current statistics, revenue and expenses. UCGH CEO will require monthly confirmation from the accounting department of any accounts which are not reconciled in any month. This will allow immediate resources to be put into place to get the accounts reconciled as soon as possible. In addition, UCGH management has discussed with auditors to perform agreed upon procedures at an interim date to ensure findings and goals are met.

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

Component Unit (continued)

Estimated Timeline to Correct: Will begin immediately.

Responsible Official: Chief Financial Officer.

CU 2019-003 Tax Revenues and Receivables (Material Weakness)

CONDITION: The Hospital does not have an internal control system designed to properly identify and report revenue amounts from tax appropriations.

CRITERIA: A properly designed system of internal control over financial reporting includes controls to ensure the timely and accurate reporting of account balances.

EFFECT: Material journal entries were required to correct, and properly state amounts related to tax revenues and receivables during the year and at year-end.

CAUSE: This condition was caused by an estimate to record annual amounts based on the County budget, which was reported on a different basis of accounting than the Hospital. No conversion was made to appropriately report the amounts by the Hospital as an enterprise fund at year end.

RECOMMENDATION: We recommend the Hospital develop a process to properly record tax amounts throughout the year, including any adjustments to estimates required periodically through the year due to amounts differing from the initial estimated amounts.

MANAGEMENT'S RESPONSE: UCGH management concurs with the auditor's recommendation. UCGH management will develop a process to convert the county's reports into an accrual amount that UCGH can record monthly. UCGH management will also make sure to take property tax bad debt into consideration when creating this monthly entry. Lastly, UCGH management will work with the county manager on a semi-annual basis to decipher any necessary adjustments due to amounts differing from the initial estimated amounts.

Estimated Timeline to Correct: Will begin immediately.

Responsible Official: UCGH Chief Financial Officer.

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

C. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION 12-6-5, NMSA 1978

Component Unit

CU 2019-004 Audit Submitted after the Required State Deadline (Other Non-Compliance)

CONDITION: The audit was not completed and submitted to the state auditor by the required deadline. The required communication to notify the state auditor of the delay was sent in accordance with NMAC Subsection A (5) of Section 2.2.2.9.

CRITERIA: NMAC 2.2.2.9 requires hospitals to submit the completed report to the state auditor by October 15.

EFFECT: The Hospital is not in compliance with the timing requirements of NMAC 2.2.2.9.

CAUSE: This condition was caused by significant turnover in key financial reporting personnel during the year as well as a change in IPA due to required rotation which created a lack of knowledge gained through continuity for both parties.

RECOMMENDATION: We recommend the Hospital establish procedures necessary to ensure that appropriate support is provided so that the audit can be completed by the required deadline.

MANAGEMENT'S RESPONSE: Management concurs with the auditor's recommendation. Due to previous turnover, UCGH management had a difficult time retrieving and reconciling all necessary data in order to ensure a complete and thorough audit. Additional time was needed to review previous years' audits and correct prior deficiencies. UCGH management will put procedures in place to ensure that important information is kept in a central location and will ensure auditors receive the necessary support so that all future audits be completed by the required deadline.

ESTIMATED TIMELINE TO CORRECT: Will begin immediately.

RESPONSIBLE OFFICIAL: Chief Financial Officer.

**STATE OF NEW MEXICO
UNION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

STATUS OF PRIOR YEAR FINDINGS

Primary Government

2017-001 – Duplication Recording and Reporting of Capital Assets – Resolved

Component Unit

CU 2018-001 – Debt Accounting – Resolved

CU 2018-002 – No Approval Over Annual Inventory – Resolved

EXIT CONFERENCE

An exit conference was conducted on November 25, 2019 with the following individuals:

Union County:

W. Carr Vincent, County Commissioner
Brandy Thompson, County Treasurer
Cheryl Garcia, Assistant County Manager
Tammie Stump, Chief Executive Officer, Union County General Hospital
Judith Cooper, Board President, Union County General Hospital

Pattillo, Brown & Hill, LLP:

Chris Garner, CPA

PREPARATION OF FINANCIAL STATEMENTS

Pattillo, Brown & Hill, LLP prepared the GAAP-basis financial statements and footnotes of Union County from the original books and records provided to them by the management of the County. The responsibility for the financial statements remains with the County.