

LEA COUNTY, NEW MEXICO

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2013



JOHNSON, MILLER & CO.

*Certified Public Accountants
A Professional Corporation*

An Independent Member of BDO Seidman Alliance

LEA COUNTY, NEW MEXICO

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT**

Year Ended June 30, 2013

CONTENTS

| | <u>Page</u> |
|---|-------------|
| Official Roster | 3 |
| Independent Auditors' Report | 4-6 |
| Required Supplementary Information: Management's Discussion and Analysis | 7-13 |
| <u>Basic Financial Statements:</u> | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 14 |
| Statement of Activities | 15 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 16 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 17 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 18 |
| <u>General Fund and Major Funds:</u> | 19 |
| <u>Statement:</u> | |
| A-1 Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (non-GAAP Budgetary Basis) and Actual – General Fund | 20 |
| A-2 Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (non-GAAP Budgetary Basis) and Actual – Indigent Fund | 21 |
| <u>Proprietary Funds:</u> | |
| Statement of Net Position | 22 |
| Statement of Revenues, Expenses and Changes in Fund Net Position | 23 |
| Statement of Cash Flows | 24 |
| <u>Fiduciary Funds:</u> | |
| Statement of Fiduciary Assets and Liabilities – Agency Fund | 25 |
| Notes to Financial Statements | 26-47 |
| <u>Supplemental Information:</u> | |
| <u>Statement:</u> | |
| <u>Non-major Special Revenue Funds</u> | 48-49 |
| B-1 Combining Balance Sheet | 50-55 |
| B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 56-61 |
| B-3 – B-31 Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget (non-GAAP Budgetary Basis) and Actual – Non-major Special Revenue Funds | 62-90 |

CONTENTS

| | | <u>Page</u> |
|--|--|-------------|
| <u>Statement:</u> | | |
| | <u>Debt Service Funds</u> | 91 |
| C-1 | Balance Sheet | 92 |
| C-2 | Statement of Revenues, Expenditures and Changes in Fund Balances | 93 |
| C-3 – C-4 | Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget (non-GAAP Budgetary Basis) and Actual – Debt Service Funds | 94-95 |
| | <u>Permanent Fund</u> | 96 |
| D-1 | Combining Balance Sheet | 97 |
| D-2 | Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 98 |
| D-3 | Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget (non-GAAP Budgetary Basis) and Actual – Permanent Fund | 99 |
| | <u>Proprietary Fund</u> | 100 |
| E-1 | Statement of Revenues, Expenses and Changes in Fund Net Position – Budget (non-GAAP Budgetary Basis) and Actual – Proprietary Fund | 101 |
| | <u>Fiduciary Funds</u> | 102 |
| F-1 | Agency Funds – Combining Statement of Changes in Assets and Liabilities | 103-106 |
| <u>Other Supplemental Information:</u> | | |
| <u>Schedule:</u> | | |
| G-1 | Supplemental Schedule of Reconciliation of Tax Rolls | 107 |
| G-2 | County Treasurer’s Property Tax Schedule | 108 |
| G-3 | Supplemental Schedule of Cash and Temporary Investment Accounts | 109 |
| G-4 | Supplemental Schedule of Pledged Collateral | 110-111 |
| H-1 | Supplemental Schedule of Expenditures of Federal Awards | 112 |
| | 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 | 113-114 |
| | Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 115-116 |
| <u>Schedule of Findings and Questioned Costs:</u> | | |
| | Summary of Auditors’ Results | 117-119 |
| | Schedule of Status of Prior Findings | 120 |
| | Other Disclosures | 121 |

LEA COUNTY, NEW MEXICO

OFFICIAL ROSTER
June 30, 2013

COUNTY COMMISSIONERS

| Name | Title |
|----------------------|---------------|
| Gregory H. Fulfer | Chairman |
| Ron R. Black | Vice-Chairman |
| Michael S. Whitehead | Member |
| Dale G. Dunlap | Member |
| Thomas G. Pierce | Member |

COUNTY OFFICIALS

| | |
|-------------------|------------------|
| Deanna Robinson | County Assessor |
| Donna Duncan | County Treasurer |
| Pat Chappelle | County Clerk |
| Mark Hargrove | Sheriff |
| Melba Hamby | Probate Judge |
| Sherri Bunch, CPA | Finance Director |
| Michael Gallagher | County Manager |



JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

Independent Auditors' Report

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
County Manager, Board of Commissioners and
Citizens of Lea County
Lovington, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Lea County, New Mexico (the County), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental, and nonmajor enterprise fund, fiduciary funds, and the budgetary comparisons for the major debt service funds, permanent funds and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, 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 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 risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design auditor procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenues funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and nonmajor enterprise fund of the County as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable thereof and the respective budgetary comparisons for the debt service funds, permanent funds and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 to 13 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.

Our audit was conducted for the purpose of forming opinions on the County's financial statements, the combining and individual fund financial statements, and budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying information presented in schedules F-1 and G-1 thru G-4 as required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the accompanying information presented in schedules F-1 and G-1 thru G-4 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 Schedule of Expenditures of Federal Awards and the accompanying information presented in schedules F-1 and G-1 thru G-4 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 November 7, 2013 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.

J. Anson, Miller & Co.

Hobbs, New Mexico
November 7, 2013

**LEA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The financial information contained herein is for the County of Lea (the County). The County provides security and public safety for its citizens, constructs and maintains roads, operates a detention facility, maintains and operates convenience facilities for solid waste disposal, maintains and operates a fairgrounds and rodeo arena, maintains and operates an event center and banquet facility, maintains and operates three airports, administers elections, assesses and collects property tax, and provides rural fire protection services. The County's main sources of revenue are from oil and gas production tax, property tax, grants, gross receipts tax and charges for services.

Lea County, as the contained financial information summarizes and supports, has invested aggressively in the community in the past years. The County Commission has expressed a desire to invest in assets that would benefit the citizens of the County. Improvements to County roadways, airport facilities, and recreational infrastructure reflect this attitude. During FY 12/13, Lea County expended \$11.2 million on infrastructure improvements.

Economic development and diversification are of primary importance to Lea County and its citizens. The County plans to aggressively promote and pursue new industry, while supporting its current oil and gas economic base.

The financial statements contained herein are comprised of government-wide financial statements and fund financial statements.

Government-wide financial statements give a picture of the entire County's operations as a whole. These statements are prepared on the accrual basis of accounting, which recognizes revenues and expenses as they are earned and incurred. The government-wide financials include a statement of net position and statement of activities as well as notes that support the assertions of these financial statements. The statement of net position is a report that is as of a specific time (June 30, 2013); it shows assets, liabilities and the difference, net position, as of that date. The statement of activities provides information for a specific period of time (the year ending June 30, 2013). This statement of activities provides the results (financially) of operations for this period of time, how much revenue was earned or dedicated, and the expenses incurred for the same period of time. Furthermore, all transfers between funds cancel each other out to prevent grossing-up of amounts on the presentation of the government-wide financial statements.

The fund financial statements are prepared on the modified accrual basis of accounting (except for proprietary and fiduciary funds), which means that revenue is recognized when it is measurable and obtainable; while expenses are recognized as they are incurred. Proprietary funds are accounted for on the accrual basis of accounting, as are fiduciary funds, with the exception of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans. Funds are sometimes established by state statute and sometimes by the County in order to track certain segments of the County's operations. Fund financial statements allow the user to view the revenue available and where it is utilized for specific programs. These financial statements include a balance sheet and statement of revenues, expenditures and changes in fund balance.

There is also a reconciliation statement that reconciles net position to the fund financial statements and a reconciliation statement of the changes in net position for the respective financial statements. This reconciliation includes the items that are reported for the government-wide financial statements that are not required for the funds financial statements.

ASSETS:

Total assets, capital assets and restricted and unrestricted assets for the previous two years are scheduled below:

| | <u>6/30/2013</u> | <u>6/30/2012</u> |
|---------------------------|----------------------|----------------------|
| Total assets | \$ 208,289,986 | \$ 197,528,969 |
| Capital assets | (126,183,060) | (118,842,350) |
| Restricted assets | <u>(1,443,125)</u> | <u>(1,443,125)</u> |
| Total unrestricted assets | <u>\$ 80,663,801</u> | <u>\$ 77,243,494</u> |

The increase in assets is related to Lea County's focus on investing in the community. Lea County has invested in the community by improving county roads, runways, and public facilities.

LIABILITIES:

Total current and long-term liabilities for the years ended June 30, 2013 and 2012 are shown in the schedule below:

| | <u>6/30/2013</u> | <u>6/30/2012</u> |
|-----------------------|----------------------|----------------------|
| Current liabilities | \$ 5,094,975 | \$ 5,041,889 |
| Long-term liabilities | <u>9,043,161</u> | <u>10,974,267</u> |
| Total liabilities | <u>\$ 14,138,136</u> | <u>\$ 16,016,156</u> |

The reduction in liabilities is due to the refunding of the revenue bonds previously issued for construction of the Lea County Detention Center. The refunding included additional principal payments to bring the outstanding bond total down to \$9,165,000 at June 30, 2013.

NET POSITION:

The schedule below details the increase in net position for the respective years ending June 30, 2013 and June 30, 2012:

| | <u>6/30/2013</u> | <u>6/30/2012</u> |
|--------------------------|-----------------------|-----------------------|
| Beginning net position | \$ 181,512,813 | \$ 173,941,567 |
| Increase in net position | <u>12,639,037</u> | <u>7,571,246</u> |
| Total net position | <u>\$ 194,151,850</u> | <u>\$ 181,512,813</u> |

The increase in net position in the current year is due to the County's continued investment in capital projects and infrastructure.

Net position for the years ended June 30, 2013 and 2012 are broken out as follows:

| | <u>6/30/2013</u> | <u>6/30/2012</u> |
|----------------------------------|-----------------------|-----------------------|
| Net investment in capital assets | 116,773,950 | 107,712,350 |
| Restricted for: | | |
| Fire districts | 71,283 | 71,283 |
| Debt service | - | 3,758,457 |
| Restricted permanent fund | 1,353,125 | 1,353,125 |
| Unrestricted | <u>75,953,492</u> | <u>68,617,598</u> |
| Net position | <u>\$ 194,151,850</u> | <u>\$ 181,512,813</u> |

NET POSITION: (continued)

The increase in net position is due to construction and improvements of county roads and public facilities. Lea County plans to continue investing in long-term infrastructure for the benefit of Lea County and its citizens.

REVENUES

The total revenues recognized by Lea County for the years ended June 30, 2013 and 2012 were \$63,993,044 and \$59,660,321, respectively. The schedule below shows revenue by major category.

| | <u>6/30/2013</u> | <u>6/30/2012</u> |
|--|----------------------|----------------------|
| General revenue: | | |
| Oil & gas production tax | \$ 23,038,185 | \$ 24,202,546 |
| Property tax | 12,301,844 | 11,449,078 |
| Public service tax | 13,583,359 | 12,221,686 |
| Miscellaneous taxes | 366,479 | 387,795 |
| Program revenue: | | |
| Grants and reimbursements | 3,846,368 | 3,744,514 |
| Charges for services | 10,380,396 | 7,654,702 |
| Revenue from governmental activities | <u>63,516,631</u> | <u>59,660,321</u> |
| Business revenue: | | |
| Grants and reimbursements | 475,000 | - |
| Charges for services | 1,413 | - |
| Revenue from business-type activities | <u>476,413</u> | <u>-</u> |
| Total revenues | <u>\$ 63,993,044</u> | <u>\$ 59,660,321</u> |

The net increase in total revenues is due to certain programs, including charges for prisoner care and county clerk's fees, and increased activity at the Lea County Fairgrounds and Lea County Event Center. Other revenue areas that showed an increase were gross receipts tax revenue and property taxes – the result of continued stability of the economy of southeastern New Mexico.

EXPENSES:

The total expenses incurred by the County for the years ended June 30, 2013 and June 30, 2012 were \$51,259,473 and \$52,007,024, respectively. The schedule below shows expenses by function and change in net position.

| | | |
|---|----------------------|----------------------|
| Program expense: | | |
| General government | \$ 24,129,806 | \$ 27,737,524 |
| Public safety | 15,488,604 | 13,958,529 |
| Health, welfare and sanitation | 5,294,354 | 5,064,828 |
| Interest on long-term debt | 638,723 | 527,968 |
| Public works | 729,718 | 846,127 |
| Culture & recreation | 4,978,268 | 3,872,048 |
| Expense from governmental activities | <u>51,259,473</u> | <u>52,007,024</u> |
| Business expense: | | |
| Operating expenses | - | - |
| Expense from business-type activities | <u>-</u> | <u>-</u> |
| Total expenses | <u>\$ 51,259,473</u> | <u>\$ 52,007,024</u> |
| Excess (deficiency) before special items | <u>\$ 12,733,571</u> | <u>\$ 7,653,297</u> |
| Special item: gain (loss) on disposal of asset | <u>(94,534)</u> | <u>(82,051)</u> |
| Change in net position | <u>\$ 12,639,037</u> | <u>\$ 7,571,246</u> |

DEBT:

The County issued gross receipts tax bonds to help finance the construction of a four-hundred and thirty-two bed detention facility in 2003. In fiscal year 2013 the County refunded the \$11,130,000 outstanding gross receipts tax revenue bonds, series 2003. To refund its 2003 series gross receipts revenue bonds the County issued and sold gross receipts tax revenue refunding bonds, series 2013 in the amount of \$10,000,000. The total debt of the County at June 30, 2013 was \$9,165,000, of which \$8,485,000 was long-term (due beyond one year), and \$680,000 was due within one year. The notes to the financial statements include payoff information concerning these bonds.

FUND BALANCES:

6/30/2013

General Fund: The general fund balance increase of \$2,314,049 is due to revenue increases in grants and charges for services, and property taxes.

Indigent Fund: The indigent fund balance increase of \$704,063 is due to increased gross receipts tax revenues and suspension of 4th quarter Sole Community Provider contributions.

Debt Service Fund: The debt service fund balance change of \$74,801 is due to additional payment of principal when issuing refunding bonds, series 2013 to refund 2003 series gross receipts revenue bonds.

Special Revenue Funds: The increase of \$198,902 is related to increased gross receipts tax revenues.

6/30/2012

General Fund: The general fund balance decrease of (\$5,010,857) is due to investment of cash balance in capital projects and infrastructure.

Indigent Fund: The indigent fund balance increase of \$82,689 is due to increased gross receipts tax revenues.

Debt Service Fund: The debt service fund balance increase of \$1,789,657 is due to retention of cash in the fund in expectation of a bond refunding to take place in fiscal year ending 2013.

Special Revenue Funds: The increase of \$3,785,002 is related to increased gross receipts tax revenues.

BUDGET ANALYSIS:**6/30/2013**

There were approved budget revenue and expense increases and decreases after the initial approved budget for 2013. These increases and decreases were recognized throughout the budget year, approved by the commission and the Department of Finance and Administration and implemented at various times during the year. Overall increases in budgeted expenditures were due to long-range infrastructure planning.

| GENERAL FUND | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------------|-----------------------|---|
| REVENUES | | | |
| Sales and miscellaneous taxes | \$ 32,205,030 | \$ 34,814,938 | \$ 2,609,908 |
| Fees and fines | 75,000 | 87,431 | 12,431 |
| Licenses and permits | 462,600 | 703,363 | 240,763 |
| Intergovernmental | 2,583,326 | 1,228,114 | (1,355,212) |
| Charges for services | 2,114,800 | 3,040,747 | 925,947 |
| Investment earnings | 393,030 | 404,431 | 11,401 |
| Miscellaneous | 3,458,925 | 5,326,337 | 1,867,412 |
| Total Revenues | 41,292,711 | 45,605,361 | 4,312,650 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 18,659,117 | 13,873,938 | 4,785,179 |
| Public safety | 14,106,960 | 13,621,841 | 485,119 |
| Highways and roads | 10,276,241 | 7,202,072 | 3,074,169 |
| Economic development | 1,967,000 | 1,692,907 | 274,093 |
| Culture and recreation | 4,610,696 | 4,462,365 | 148,331 |
| Capital outlay | 29,890,800 | 4,981,760 | 24,909,040 |
| Total Expenditures | 79,510,814 | 45,834,883 | 33,675,931 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (38,218,103) | \$ (229,522) | \$ 37,988,581 |

The positive variance of budgeted vs. actual for Total Revenues is the result of conservative budgeting of oil and gas production revenues. The positive variance for expenditures is the result of long-range capital projects budgeted but not expended in the current year.

CAPITAL ASSETS:

Lea County's investment in local communities continues to grow. The County purchased and constructed new capital assets in the fiscal year ended June 30, 2013. The following schedule provides a summary of the changes in capital assets:

| Governmental Activities: | Balance 6/30/13 | Balance 6/30/12 |
|---------------------------------------|----------------------------|----------------------------|
| Depreciable assets | | |
| Buildings | \$ 73,255,913 | \$ 70,984,836 |
| Other Improvements | 2,912,666 | 2,885,146 |
| Furniture & Equipment | 18,945,267 | 19,437,545 |
| Infrastructure | 62,420,750 | 55,379,665 |
| Vehicles | 7,610,535 | 6,922,969 |
| Total depreciable assets | 165,145,131 | 155,610,161 |
| Less accumulated depreciation: | | |
| Buildings | 17,654,700 | 15,501,498 |
| Other Improvements | 1,641,712 | 1,508,700 |
| Furniture & Equipment | 13,779,143 | 13,748,758 |
| Infrastructure | 12,741,719 | 11,709,035 |
| Vehicles | 4,957,662 | 4,523,656 |
| Total accumulated depreciation | 50,774,936 | 46,991,647 |
| Net depreciable assets | 114,370,195 | 108,618,514 |
| Non-depreciable assets | | |
| Land | 9,930,117 | 9,930,117 |
| Construction in Process | 1,638,638 | 293,719 |
| Total non-depreciable assets | 11,568,755 | 10,223,836 |
| Net capital assets | \$ 125,938,950 | \$ 118,842,350 |
| | | |
| Business-type Activities: | Balance 6/30/13 | Balance 6/30/12 |
| Non-depreciable assets | | |
| Construction in Process | \$ 244,110 | \$ - |
| Total non-depreciable assets | 244,110 | - |
| Net capital assets | \$ 244,110 | \$ - |

Net capital assets increased due to investment in roads, equipment, facilities and land.

FISCAL YEAR 2014:

Oil and gas production and equipment taxes are expected to remain stable during fiscal year ending June 30, 2014, and meet or exceed the estimated budget. Property taxes are expected to remain stable as well. Due to the global volatility of the oil and gas industry, Lea County will continue to budget conservatively for oil and gas production tax revenues.

Lea County will continue to aggressively promote economic development and diversification during fiscal year ending June 30, 2014, recognizing that these two areas are of primary importance to the ongoing prosperity of the Lea County and its citizens.

Capital improvement projects planned for FY 13/14 include planning and design of an Indoor Equestrian Center to be located adjacent to the Lea County Event Center, as well as continued improvements to Lea County arterials.

SUMMARY:

The above information is a summary of what is supported with the remainder of the financial statements. We hope it is useful with the users' financial overview of our entity. More information may be obtained upon request at:

Administrative Services Department
100 North Main
Lovington, NM 88260

LEA COUNTY, NEW MEXICO

Statement of Net Position June 30, 2013

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 61,347,727 | \$ 803 | \$ 61,348,530 |
| Investments | 9,515,039 | - | 9,515,039 |
| Current property taxes receivable | 499,488 | - | 499,488 |
| Other receivables | 1,300,795 | 475,000 | 1,775,795 |
| Receivable from other governments | 7,457,274 | - | 7,457,274 |
| Non-current assets: | | | |
| Cash and cash equivalents - restricted | 1,443,125 | - | 1,443,125 |
| Bond issue costs | 67,675 | - | 67,675 |
| Capital assets: | | | |
| Land and improvements, not being depreciated | 9,930,117 | - | 9,930,117 |
| Construction in progress, not being depreciated | 1,638,638 | 244,110 | 1,882,748 |
| Infrastructure and infrastructure in progress | 62,420,750 | - | 62,420,750 |
| Buildings | 73,255,913 | - | 73,255,913 |
| Equipment and furniture | 18,945,267 | - | 18,945,267 |
| Vehicles | 7,610,535 | - | 7,610,535 |
| Other capital assets | 2,912,666 | - | 2,912,666 |
| Less: Accumulated depreciation | (50,774,936) | - | (50,774,936) |
| Total capital assets | 125,938,950 | 244,110 | 126,183,060 |
| Total Assets | \$ 207,570,073 | \$ 719,913 | \$ 208,289,986 |
| LIABILITIES | | | |
| Accounts payable | \$ 1,893,753 | \$ - | \$ 1,893,753 |
| Accrued payroll liabilities | 724,885 | - | 724,885 |
| Deferred revenues | 1,629,613 | - | 1,629,613 |
| Long-term liabilities | | | |
| Due within one year | | | |
| Bonds and contracts | 680,000 | - | 680,000 |
| Compensated absences | 166,724 | - | 166,724 |
| Due in more than one year | | | |
| Bonds and contracts | 8,485,000 | - | 8,485,000 |
| Compensated absences | 558,161 | - | 558,161 |
| Total Liabilities | 14,138,136 | - | 14,138,136 |
| NET POSITION | | | |
| Net investment in capital assets | 116,773,950 | - | 116,773,950 |
| Restricted for: | | | |
| Fire districts | 71,283 | - | 71,283 |
| Restricted Permanent Fund | | | |
| Nonexpendable | 1,353,125 | - | 1,353,125 |
| Unrestricted | 75,233,579 | 719,913 | 75,953,492 |
| Total Net Position | 193,431,937 | 719,913 | 194,151,850 |
| TOTAL LIABILITIES AND NET POSITION | \$ 207,570,073 | \$ 719,913 | \$ 208,289,986 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Activities For the Year Ended June 30, 2013

| Functions/Programs | Expenses | Program Revenue | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| General government | \$ 24,129,806 | 9,936,407 | \$ 2,218,418 | \$ 523,802 |
| Public safety | 15,488,604 | 5,191 | 708,856 | - |
| Public works | 729,718 | 438,798 | - | 380,776 |
| Health, welfare and sanitation | 5,294,354 | - | - | - |
| Culture and recreation | 4,978,268 | - | 14,516 | - |
| Interest on long-term debt and other charges | 638,723 | - | - | - |
| Total Governmental Activities | 51,259,473 | 10,380,396 | 2,941,790 | 904,578 |
| Business-type Activities: | | | | |
| Water service proprietary fund | - | 1,413 | 475,000 | - |
| Total Business-type Activities | - | 1,413 | 475,000 | - |
| | \$ 51,259,473 | \$ 10,381,809 | \$ 3,416,790 | \$ 904,578 |

General revenues:

Property taxes
Oil and gas taxes
Public service taxes
Miscellaneous taxes
Special item-loss on disposal of assets
Transfers

Total general revenues, special items, and transfers

Change in net position

Net position - beginning of year

Net position - end of year

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Net (Expense) Revenue and Changes in Net Position

Primary Government

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (11,451,179) | \$ - | \$ (11,451,179) |
| (14,774,557) | - | (14,774,557) |
| 89,856 | - | 89,856 |
| (5,294,354) | - | (5,294,354) |
| (4,963,752) | - | (4,963,752) |
| (638,723) | - | (638,723) |
| (37,032,709) | - | (37,032,709) |
| - | 476,413 | 476,413 |
| - | 476,413 | 476,413 |
| (37,032,709) | 476,413 | (36,556,296) |
| 12,301,844 | - | 12,301,844 |
| 23,038,185 | - | 23,038,185 |
| 13,583,359 | - | 13,583,359 |
| 366,479 | - | 366,479 |
| (94,534) | - | (94,534) |
| (243,500) | 243,500 | - |
| 48,951,833 | 243,500 | 49,195,333 |
| 11,919,124 | 719,913 | 12,639,037 |
| 181,512,813 | - | 181,512,813 |
| \$ 193,431,937 | \$ 719,913 | \$ 194,151,850 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

| | Major Funds | | | Nonmajor Funds | Total Governmental Funds |
|--|----------------------|---------------------|-----------------------------|--------------------------|--------------------------|
| | General Fund | Indigent | Gross Receipts Debt Service | Other Governmental Funds | |
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 47,774,536 | \$ 2,468,608 | \$ 1,703,757 | \$ 9,400,826 | \$ 61,347,727 |
| Investments | 9,414,894 | - | - | 100,145 | 9,515,039 |
| Due from other funds | - | - | - | 90,010 | 90,010 |
| Restricted cash | - | - | - | 1,443,125 | 1,443,125 |
| Current property taxes receivable | 499,488 | - | - | - | 499,488 |
| Other receivables | 498,646 | 952,296 | 952,296 | 1,057,185 | 3,460,423 |
| Receivable from other governments | 5,297,646 | - | - | - | 5,297,646 |
| TOTAL ASSETS | \$ 63,485,210 | \$ 3,420,904 | \$ 2,656,053 | \$ 12,091,291 | \$ 81,653,458 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 1,250,446 | \$ 171,509 | \$ - | \$ 471,798 | \$ 1,893,753 |
| Accrued payroll liabilities | 724,885 | - | - | - | 724,885 |
| Due to other funds | 10 | - | - | 90,000 | 90,010 |
| Unearned revenue | 1,961,439 | - | - | 296,297 | 2,257,736 |
| TOTAL LIABILITIES | 3,936,780 | 171,509 | - | 858,095 | 4,966,384 |
| FUND BALANCES: | | | | | |
| Nonspendable | - | - | - | 1,353,125 | 1,353,125 |
| Restricted | - | 3,249,395 | 2,656,053 | 9,264,880 | 15,170,328 |
| Committed | 4,384,110 | - | - | 615,394 | 4,999,504 |
| Assigned | 36,408,451 | - | - | - | 36,408,451 |
| Unassigned | 18,755,869 | - | - | (203) | 18,755,666 |
| TOTAL FUND BALANCES | 59,548,430 | 3,249,395 | 2,656,053 | 11,233,196 | 76,687,074 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 63,485,210 | \$ 3,420,904 | \$ 2,656,053 | \$ 12,091,291 | |

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

| | |
|--|-------------|
| Bond issue costs relate to long-term debt and, therefore are not reported in the funds. | 67,675 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 125,938,950 |
| Certain other assets related to unearned revenues are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 628,123 |
| Some long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are reported in the government-wide statements. | (9,889,885) |

Total Fund Balance of Governmental Activities in the Statement of Net Position **\$ 193,431,937**

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2013

| | Major Funds | | | Nonmajor Funds | |
|--|----------------------|---------------------|---------------------|--------------------------|--------------------------|
| | General Fund | Indigent | Debt Service Funds | Other Governmental Funds | Total Governmental Funds |
| REVENUES | | | | | |
| Property, sales, and miscellaneous taxes | \$ 35,292,291 | \$ 5,479,807 | \$ 5,479,807 | \$ 1,614,617 | \$ 47,866,522 |
| Fees and fines | 87,431 | - | - | - | 87,431 |
| Licenses and permits | 549,583 | - | - | 96,858 | 646,441 |
| Intergovernmental: | | | | | |
| Federal | 1,353,117 | - | - | 2,794,001 | 4,147,118 |
| State | 401,997 | - | - | 831,770 | 1,233,767 |
| Charges for services | 2,985,069 | - | - | 691,080 | 3,676,149 |
| Investment earnings | 412,514 | 2,500 | 5,462 | 6,632 | 427,108 |
| Miscellaneous | 5,367,150 | 244,572 | - | 202,590 | 5,814,312 |
| Total Revenues | 46,449,152 | 5,726,879 | 5,485,269 | 6,237,548 | 63,898,848 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 14,228,988 | 489 | - | 4,409,569 | 18,639,046 |
| Public safety | 13,672,587 | - | - | 73,442 | 13,746,029 |
| Highway and roads | 7,141,899 | - | - | - | 7,141,899 |
| Health and sanitation | - | 5,621,812 | - | - | 5,621,812 |
| Culture and recreation | 4,388,198 | - | - | 14,712 | 4,402,910 |
| Economic development | 1,763,783 | - | - | - | 1,763,783 |
| Airport | - | - | - | 584,772 | 584,772 |
| Farm and range | - | - | - | 128,000 | 128,000 |
| Debt service: | | | | | |
| Principal | - | - | 1,965,000 | - | 1,965,000 |
| Interest and other charges | - | - | 622,673 | - | 622,673 |
| Capital outlay | 4,510,163 | - | - | 1,237,446 | 5,747,609 |
| Total Expenditures | 45,705,618 | 5,622,301 | 2,587,673 | 6,447,941 | 60,363,533 |
| Excess (deficiency) of revenues over (under) expenditures | 743,534 | 104,578 | 2,897,596 | (210,393) | 3,535,315 |
| OTHER FINANCING SOURCES (USES), INCLUDING TRANSFERS | | | | | |
| Proceeds of refunding bonds | - | - | 10,000,000 | - | 10,000,000 |
| Payment to refunded bond escrow agent | - | - | (10,000,000) | - | (10,000,000) |
| Transfers in | 4,225,267 | 1,599,485 | 1,177,205 | 3,411,252 | 10,413,209 |
| Transfers out | (2,654,752) | (1,000,000) | (4,000,000) | (3,001,957) | (10,656,709) |
| Total other financing sources (uses), including transfers | 1,570,515 | 599,485 | (2,822,795) | 409,295 | (243,500) |
| Net change in fund balances | 2,314,049 | 704,063 | 74,801 | 198,902 | 3,291,815 |
| Fund balances - beginning of year | 57,234,381 | 2,545,332 | 2,581,252 | 11,034,294 | 73,395,259 |
| Fund balances - end of year | \$ 59,548,430 | \$ 3,249,395 | \$ 2,656,053 | \$ 11,233,196 | \$ 76,687,074 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

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, 2013

Net change in fund balances - total governmental funds: \$ 3,291,815

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay exceeded depreciation in the current period. 7,261,319

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (135,347)

Governmental funds do not present revenues that are not "available to pay" current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Change in deferred taxes 63,669
Change in grants revenues 599,933

Expenses related to amortization of bond issue costs are reported in the statement of activities. In contrast, these expenses do not require the use of current financial resources and are not reported as expenditures in governmental funds. (5,640)

Principal payment is not reported in the statement of activities. In contrast, this expense is reported as expenditures in governmental funds. 835,000

Expenses related to accrued compensation are reported in the statement of activities. In contrast, these expenses do not require the use of current financial resources and are not reported as expenditures in governmental funds. 8,375

Change in net assets of governmental activities: \$ 11,919,124

LEA COUNTY, NEW MEXICO

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

LEA COUNTY, NEW MEXICO

Statement of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual General Fund For the Year Ended June 30, 2013

Statement A-1

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|----------------------|----------------------|----------------------|------------------------------------|
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ 32,205,030 | \$ 32,205,030 | \$ 34,814,938 | \$ 2,609,908 |
| Fees and fines | 75,000 | 75,000 | 87,431 | 12,431 |
| Licenses and permits | 462,600 | 462,600 | 703,363 | 240,763 |
| Intergovernmental | 2,583,326 | 2,583,326 | 1,228,114 | (1,355,212) |
| Charges for services | 2,114,800 | 2,114,800 | 3,040,747 | 925,947 |
| Investment earnings | 393,030 | 393,030 | 404,431 | 11,401 |
| Miscellaneous | 3,457,625 | 3,458,925 | 5,326,337 | 1,867,412 |
| Total Revenues | \$ 41,291,411 | \$ 41,292,711 | \$ 45,605,361 | \$ 4,312,650 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 17,486,117 | \$ 18,659,117 | \$ 13,873,938 | \$ 4,785,179 |
| Public safety | 13,245,460 | 14,106,960 | 13,621,841 | 485,119 |
| Highways and roads | 9,914,241 | 10,276,241 | 7,202,072 | 3,074,169 |
| Economic development | 2,760,000 | 1,967,000 | 1,692,907 | 274,093 |
| Culture and recreation | 3,550,296 | 4,610,696 | 4,462,365 | 148,331 |
| Capital outlay | 30,559,800 | 29,890,800 | 4,981,760 | 24,909,040 |
| Total Expenditures | \$ 77,515,914 | \$ 79,510,814 | \$ 45,834,883 | \$ 33,675,931 |
| Excess (deficiency) of revenues over (under) expenditures | (36,224,503) | (38,218,103) | (229,522) | 37,988,581 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | \$ 100 | \$ 100 | \$ 40,813 | \$ (40,713) |
| Transfers in | 4,225,268 | 4,225,268 | 4,225,268 | - |
| Transfers out | (2,654,752) | (2,654,753) | (2,654,753) | - |
| Total other financing sources and (uses) | \$ 1,570,616 | \$ 1,570,615 | \$ 1,611,328 | \$ (40,713) |
| Prior year cash balance | 49,508,626 | 49,508,626 | - | |
| Net change in fund balances | \$ 14,854,739 | \$ 12,861,138 | 1,381,806 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in taxes receivable | | | 80,226 | |
| Change in other receivables | | | 439,218 | |
| Change in due from other governments | | | 816,320 | |
| Change in accrued liabilities | | | (88,109) | |
| Change in accounts payable | | | (347,606) | |
| Change in unearned revenue | | | 32,194 | |
| Net change in fund balance | | | \$ 2,314,049 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Indigent For the Year Ended June 30, 2013

Statement A-2

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ 4,060,000 | \$ 4,060,000 | \$ 5,359,751 | \$ 1,299,751 |
| Investment earnings | 1,500 | 1,500 | 2,500 | 1,000 |
| Miscellaneous | 631,000 | 631,000 | 244,572 | (386,428) |
| Total Revenues | \$ 4,692,500 | \$ 4,692,500 | \$ 5,606,823 | \$ 914,323 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 525 | \$ 1,025 | \$ 489 | \$ 536 |
| Health and sanitation | 4,488,647 | 6,159,147 | 5,613,773 | 545,374 |
| Total Expenditures | \$ 4,489,172 | \$ 6,160,172 | \$ 5,614,262 | \$ 545,910 |
| Excess (deficiency) of revenues over (under) expenditures | 203,328 | (1,467,672) | (7,439) | 1,460,233 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 1,599,485 | \$ 1,599,485 | 1,599,485 | \$ - |
| Transfers out | (1,000,000) | (1,000,000) | (1,000,000) | - |
| Total other financing sources and (uses) | \$ 599,485 | \$ 599,485 | \$ 599,485 | \$ - |
| SPECIAL ITEM | | | | |
| Prior year cash balance | 1,876,563 | 1,876,563 | - | |
| Net change in fund balances | \$ 2,679,376 | \$ 1,008,376 | 592,046 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in other receivables | | | 120,056 | |
| Change in accounts payable | | | (8,039) | |
| Net change in fund balance | | | \$ 704,063 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Net Position Proprietary Fund June 30, 2013

| | Water Service Enterprise Fund |
|---|--|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 803 |
| Other receivables | 475,000 |
| | <hr/> |
| Total current assets | 475,803 |
| Noncurrent assets: | |
| Capital assets: | |
| Construction in progress, not being depreciated | 244,110 |
| | <hr/> |
| Total capital assets | 244,110 |
| | <hr/> |
| Total Assets | \$ 719,913 |
| | <hr/> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts Payable | \$ - |
| Other liabilities | - |
| | <hr/> |
| Total Liabilities | - |
| | <hr/> |
| NET POSITION | |
| Net investment in capital assets | 244,110 |
| Unrestricted | 475,803 |
| | <hr/> |
| Total Net Position | 719,913 |
| | <hr/> |
| TOTAL LIABILITIES AND NET POSITION | \$ 719,913 |
| | <hr/> |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund For the Year Ended June 30, 2013

| | Water Service Enterprise Fund |
|---|--|
| Operating revenues: | |
| Charges for services | \$ 1,413 |
| Total operating revenues | 1,413 |
| Operating expenses: | |
| Operating expenses | - |
| Total operating expenses | - |
| Operating income (loss) | 1,413 |
| Nonoperating revenues (expenses): | |
| Revenue from other agencies | 475,000 |
| Total nonoperating revenues (expenses) | 475,000 |
| Income (loss) before contributions and transfers | 476,413 |
| Transfers in | 243,500 |
| Transfers out | - |
| Change in net position | 719,913 |
| Total net position - beginning of year | - |
| Total net position - end of year | \$ 719,913 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2013

| | Water Service Enterprise Fund |
|---|--|
| Cash flows from operating activities: | |
| Receipts from user charges | \$ 1,413 |
| Payments to suppliers for goods and services | - |
| | <hr/> |
| Cash (used) provided by operating activities | 1,413 |
| | <hr/> |
| Cash flows from noncapital and related financing activities: | |
| Transfers from other funds | 243,500 |
| | <hr/> |
| Cash provided (used) by noncapital and related financing activities | 243,500 |
| | <hr/> |
| Cash flows from investing activities: | |
| Purchase of fixed assets | (244,110) |
| Interest on investments | - |
| | <hr/> |
| Cash provided (used) by investing activities | (244,110) |
| | <hr/> |
| Cash flows from capital activities: | |
| Interest paid | - |
| Principal payments on bonds, loans and notes payable | - |
| | <hr/> |
| Cash(used) provided by capital activities | - |
| | <hr/> |
| Net increase (decrease) in cash and cash equivalents | 803 |
| | <hr/> |
| Cash and cash equivalents, beginning of year | - |
| | <hr/> |
| Cash and cash equivalents, end of year | \$ 803 |
| | <hr/> |
| Cash and cash equivalents are classified as: | |
| Current assets | \$ 803 |
| | <hr/> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ 1,413 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | - |
| Changes in assets and liabilities: | - |
| | <hr/> |
| Net cash provided (used) by operating activities | \$ 1,413 |
| | <hr/> |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

ASSETS:

| | |
|----------------------------|---------------|
| Cash and cash equivalents | \$ 11,185,306 |
| Taxes receivable | 991,583 |
| Due from other governments | <u>84,013</u> |

Total Assets **\$ 12,260,902**

LIABILITIES:

| | |
|---------------------------------------|---------------|
| Taxes paid in advance | \$ 35,751 |
| Deposits held in trust for others | 11,213,797 |
| Due to other taxing units/governments | 991,583 |
| Due to other governments | <u>19,771</u> |

Total Liabilities **\$ 12,260,902**

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Reporting Entity*

Lea County (the County), New Mexico was created in accordance with Section 40-3-1 NMSA 1978 Compilation on September 25, 1916. The powers of the County are exercised by an elected Board of County Commissioners. During general elections in the State of New Mexico, a County Treasurer, County Clerk, Probate Judge, County Sheriff, County Assessor, and County Commissioners are elected. The County is operated by a County Manager, who is appointed by the County Commissioners.

The County assesses, collects, and distributes all property taxes, records property and legal documents, provides law enforcement services, health and social services, culture and recreation, tourist promotion and maintains County roads.

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

As of July 1, 2002, the County was required to implement Governmental Accounting Standards Board (GASB) 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; GASB 35 - *Basic Financial Statements and Management's Discussion and Analysis for Public College and Universities*; GASB 37 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB 38 - *Certain Financial Statement Note Disclosures*. This financial report provides an entity-wide perspective of the County's assets, liabilities, and net position, revenue, expenses, changes in net assets, and cash flows. Presentation under GASB 34, 35, 37, 38, and 41 replaces the fund-group accounting perspective that was previously required. The County has completed the retrospective reporting of infrastructure as required by GASB.

The County has implemented Statements 39, 40, 41, and 42. GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* is an amendment of GASB Statement No. 14, which provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, applies to periods beginning after June 15, 2004. Lea County has also implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairments of Capital Assets and for Insurance Recoveries*. This Statement is effective for period beginning after December 15, 2004.

The County has implemented GASB Statements 45 and 47 in the fiscal year ended June 30, 2008. GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits, GASB Statement No. 47, *Accounting for Termination Benefits*, provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

The County has adopted the requirements of GASB No.51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies in reporting of these types of assets. The statement requires that all intangible assets not specifically excluded by its scope and provisions be classified as capital assets.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. *Reporting Entity (continued)*

The County has adopted the requirements of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement requires governments to account for deferred outflows of resources, deferred inflows of resources, and net position elements in Concepts Statement No. 4 as it relates to GASB Statements 53 (derivatives) and 60 (SCA's). Concepts Statement No. 4 indicates that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. This statement is effective for periods beginning after December 15, 2011.

Lea County Fair Board

The Lea County Fair Board is appointed by the Lea County Commissioners. The Lea County Commissioners provide facilities for the annual fair and rodeo and the finances required over and above the resources provided by the fair and rodeo. The operations of the fairgrounds are incorporated into the general fund of the County and reported therein.

The County does not have any component units.

2. *Government-wide and Fund Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report, except for County fiduciary funds, information on all of the activities of the County. The effect of interfund transfers and other internal activity has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues and are reported separately from the business-type activities, which are supported by fees and charges for services provided.

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

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund meets the criteria as a major governmental fund. Each major fund is reported in separate columns in the fund financial statements. Non-major funds include other Special Revenue, Capital Projects, Debt Service and Permanent funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for non-major funds are presented within Combining and Individual Fund Statements and Schedules.

3. *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. This measurement focus is also used for the fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

levied. Major revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met. Derived tax revenues are recognized when the underlying exchange transaction takes place.

Revenues are classified as program revenues and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, and grants not restricted to specific programs and investment earnings.

Governmental fund-level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Those revenues susceptible to accrual include interest revenues, franchise taxes, gross receipts taxes, charges for services, and grants from other governments. Property taxes are not considered available; thus, although they are accrued, they are also fully allowed for.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Indirect expenses of the County are not allocated among functional activities on the statement of activities on the government-wide presentation. Instead, depreciation and other indirect expenses are reported as a part of general government, and interest on long-term debt is reported as a separate line item.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, judicial, public welfare, health services and capital acquisition.

The Indigent Fund is used to account for the payment of indigent hospital costs. Financing is provided by gross receipts tax and is restricted to indigent claims as authorized by Section 27-5-5, NMSA 1978 and County policy.

Debt Service Funds are used to account for and report the accumulation of funds restricted or committed for the periodic payment of principal and interest on general long-term debt.

Other fund types include proprietary funds and fiduciary funds, which are considered as non-major funds. Non-major funds include special revenue funds, capital projects funds and permanent funds.

Proprietary funds - The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary funds – (continued)

applicable are those similar to businesses in the private sector. The County reports the following proprietary fund types:

Enterprise fund is used to account for provision of water and sewer services for which a fee is charged to external users for goods. The activity reported in this fund is reported as business-type activity in the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Service Enterprise fund includes charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds - Fiduciary fund level financial statements include fiduciary funds, which are classified into private purpose trust and agency funds. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business type activities subject to this same limitation. The County has elected not to follow subsequent private sector guidance.

The County has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The County has elected not to apply FASB pronouncements issued after the applicable date.

4. *Budgets*

Budgets are adopted on the cash basis, which is not in accordance with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, capital projects, debt service, permanent funds and proprietary funds. All annual appropriations lapse at the fiscal year-end.

The County Manager is responsible for preparing the budget from requests submitted by department directors. The preliminary budget is submitted to a budget committee for approval and then the comprehensive budget package is brought before the County Commissioners for approval by resolution.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. *Budgets (continued)*

The proposed budget is then submitted by June 1 to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a preliminary budget by July 1 with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding.

Increases or decreases in the budget of a fund or transfers of appropriations between funds must be presented to the County Commission for approval by resolution and must subsequently have DFA approval. Amendments made to the original budget are included in the budgetary comparison statements of this report, which reflect actual to budget. Budgets and amendments to the budgets for all funds are adopted in a legally permissible manner. The legal level of budgetary control is the fund level.

5. *Cash and Cash Equivalents*

Cash and cash equivalents in the financial statements, including the statement of cash flows presented for proprietary funds, includes amounts on demand deposits, as well as short-term investments with a maturity date within twelve months of the date acquired by the County.

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the County is required to collateralize an amount equal to one-half of the public money in excess of insured funds at each financial institution. Deposits in overnight repurchase agreements are required to be covered by pledged collateral equal to 102% of the deposit. All of the County's depositories were in compliance with collateral requirements.

6. *Receivables and Payables*

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectible amounts.

Lending or borrowing between funds is reflected as "due to or due from" (current portion) or "advances to/from other funds" (non-current). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund activity reflected in "due to or due from" is eliminated on the government-wide statements.

7. *Advances to Other Funds*

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. *Inventories*

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 and in the fund financial statements are offset by a reservation of fund balance which indicates they do not represent "available spendable resources." Immaterial amounts of inventory are not recorded by the County. Inventory items are expensed when purchased.

9. *Capital Assets*

Capital assets, which include land, buildings and improvements, equipment, software and infrastructure assets are reported in the government-wide financial statements. Capital assets such as equipment are defined, per Section 12-6-10 NMSA 1978, as assets with a cost of \$5,000 or more. Infrastructure assets include County-owned roads and bridges. Information technology equipment, including software, is capitalized in accordance with NMAC 2.20.1.9 C (5).

Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Infrastructure | 50 |
| Buildings | 25-40 |
| Landfill | 25 |
| Roads | 25 |
| Equipment & Furniture | 5-15 |
| Vehicles | 5-15 |
| Computer Hardware | 5 |

The County has retroactively reported all major general infrastructure assets in accordance with GASB 34.

10. *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 County's permanent, full-time employees accrue 3.75 hours of vacation per pay period (biweekly) from date of employment to five years of service, 4.75 hours per pay period from 6 years to 10 years of service, 5.75 hours per pay period from 11 years to 15 years of service, and 6.75 hours per pay period for 16 or greater years of continuous employment. Upon termination from County employment, an employee shall be entitled to payment of up to 240 hours of accrued but unused hours of vacation.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. *Compensated Absences (continued)*

The County's permanent, full-time employees accrue sick leave at the rate of eight 3.75 hours per pay period (biweekly) from date of employment to 10 years of service and 4.75 hours per pay period for 11 or greater years of continuous employment. Sick leave is paid to current employees if the employees are absent from work due to illness, injury or other situations requiring medical attention. An employee who involuntarily terminates employment of the County shall receive no compensation for accrued sick leave.

Amounts of accrued vacation leave are accrued in the government-wide financial statements.

11. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under the governmental activities statement of net position. On new bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

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

12. *Net Position*

Net position includes net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets, consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position are balances with constraints placed on their use that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. A further classification of restricted net position exists for those balances included in permanent endowments or permanent fund principal amounts. These net balances are classified as either expendable or nonexpendable. Nonexpendable net position includes those that are required to be retained in perpetuity. Unrestricted net position consists of net balances that do not meet the definition of "restricted" or "invested in capital assets."

13. *Interfund Transactions*

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund, for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

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

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. *Estimates*

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

15. *Restricted Assets*

Restricted assets are assets which have third-party limitations on their use. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

16. *Investments*

State statutes authorize the investment of County funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the County properly followed State investment requirements as of June 30, 2013.

17. *Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

1. Non-spendable Fund Balance

Non spendable fund balance shall mean the portion of the gross fund balance that is not expendable (such as inventories or fixed assets) or is legally marked for a specific use.

2. Restricted Fund Balance

Restricted fund balance shall include amounts constrained to a specific purpose by the provider, such as a grantor.

3. Committed Fund Balance

Committed fund balance shall mean that portion of the fund balance that is constrained to a specific purpose by the Lea County Board of Commissioners.

4. Assigned Fund Balance

Assigned fund balance shall mean that portion of the fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Lea County Manager or designee. Such assignment may change and may never be budgeted, or may result in expenditures in future periods of time.

5. Unassigned Fund Balance

Unassigned fund balance shall include amounts available for any legal purpose. The unassigned fund balance shall be the difference between the total fund balance and the total of the non-spendable fund balance, restricted fund balance, committed fund balance and assigned fund balance.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lea County would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

NOTE B - CASH AND CASH EQUIVALENTS

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

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

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

At June 30, 2013, the carrying amount of the County's unrestricted deposits was \$61,348,530, excluding cash held as fiduciary of \$11,185,306 and restricted cash of \$1,443,125. Total cash and cash equivalents balance per the financial institutions of \$67,866,004 consisted of demand deposits and certificates of deposit. Of the demand deposits and certificates of deposit, \$1,250,000 was covered by federal depository insurance and \$60,711,309 was covered by collateral held in joint safekeeping by a third party.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the County for at least one-half of the amount on deposit with the institution. The collateral pledged is listed on Schedule G-4 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the County. Time deposits, savings deposits and interest bearing accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage of public unit demand deposits at the same institution.

Deposit Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to them. The County does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$60,711,309 of the County's bank balance of \$67,866,004 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name; \$7,835,259 of the County's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Quality Risk – State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND CASH EQUIVALENTS (continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer.

The County has no formal investment policy to limit its concentration of credit risk.

At June 30, 2013, the County has a cash balance of \$1,058 in the State Treasurer Local Government Investment Pool (LGIP).

All investments purchased for the LGIP must be high quality, with a credit rating of A or better to ensure the highest level of safety. At June 30, 2013, the LGIP had an AAAM rating by Standard & Poor's, a WAM(R) of 59 days and a WAM (F) of 90 days.

The investments are valued at fair value based on quoted market prices as of the valuation date.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested.

Participation in the local government investment pool is voluntary.

The County utilizes pooled accounts for their funds. The general, special revenue and agency funds are all in one account and the capital projects and debt service funds are in their own accounts. Separate accounts also exist for the county clerk, sheriff, probate judge, inmate trust, detention bond, and metro agency related funds.

NOTE C – INVESTMENTS

New Mexico State Statutes authorize the County to invest in direct obligations of the United States or securities that are backed by the full faith and credit of the United States Government or agencies guaranteed by the U.S. Government. The County does not have an additional investment policy that further limits its investments. State statute also authorizes the County to invest in bonds or negotiable securities of the U. S., the State of New Mexico, or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at anytime within five years last preceding. The County does not have an additional investment policy that further limits its investments. At June 30, 2013 Lea County had long-term investments with Wells Fargo Bank of \$9,515,039. The \$9,515,039 in investments approximates the fair value. The investments at Wells Fargo were exposed to custodial credit risk as they are not FDIC insured.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE D - PROPERTY TAXES

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments, November 10th and April 10th. The taxes become delinquent in December of the year in which the tax bill was prepared and mailed, and in May of the following year.

Fund financial statements are kept on a modified accrual basis of accounting. Hence, accounting principles generally accepted in the United States of America require recognition of property taxes when they are considered both measurable and available for the fund financial statements. Therefore, the delinquent property taxes are not recorded as revenue in the fund financial statements until they become both "measurable" and "available" to finance expenditures of the fiscal period.

Government-wide financial statements are kept on a full accrual basis of accounting. Hence, accounting principles generally accepted in the United States of America require recognition of property taxes when the taxes are levied. The delinquent property taxes are recorded as revenue in the government-wide financial statements in the period of levy.

NOTE E - OTHER RECEIVABLES

Other receivables at June 30, 2013 are considered to be fully collectible and are composed as follows:

| | Governmental Activities |
|---------------------|------------------------------------|
| Other Receivables: | |
| Grants Receivable | \$ 1,708,284 |
| Interest Receivable | 67,511 |
| Totals | \$ 1,775,795 |

NOTE F - DUE FROM OTHER GOVERNMENTS

The amounts due from other governments at June 30, 2013 are considered to be fully collectible and are composed of the following:

| | Governmental Activities |
|----------------------------------|------------------------------------|
| New Mexico Taxation & Revenue | \$ 6,247,519 |
| Lea County Solid Waste Authority | 979,461 |
| U.S. Marshall Service | 190,622 |
| Eddy County | 37,384 |
| Other | 2,288 |
| Totals | \$ 7,457,274 |

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE G - DUE FROM/TO OTHER FUNDS AND TRANSFERS

Due from/to other funds consists of monies which were transferred between governmental funds to support the Lea County Event Center and fund activities. The County expects these amounts to be repaid.

Individual fund interfund receivables and payable balances at June 30, 2013, were as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|--|------------------------------|---------------------------|
| General Fund: | | |
| Due to Hospital Records | \$ - | \$ 10 |
| Special Revenue Fund: | | |
| Due to Lea County Event Center Stipulation | - | 90,000 |
| Due from General Fund | 10 | - |
| Permanent Fund: | | |
| Due from Lea County Event Center Permanent | 90,000 | - |
| Total | <u>\$ 90,010</u> | <u>\$ 90,010</u> |

Transfers from the General Fund to Special Revenue funds are made to support the funds' activities. Revenues in excess of servicing the debt service requirement in the Gross Receipts Debt Service fund are transferred annually to the General Fund. Lea County has chosen to leave \$1,703,757 in the Debt Service Fund at June 30, 2013, thereby taking a conservative stance to ensure that annual long-term debt payments are satisfied. Transfers of grant funds received by the General Fund are made as needed.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE G - DUE FROM/TO OTHER FUNDS AND TRANSFERS (continued)

Transfers for the year ended June 30, 2013 were as follows:

| | <u>Governmental Activities</u> |
|---|--------------------------------|
| Transfers Out: | |
| General Fund: | |
| To Airport Fund | \$ 1,724,000 |
| To Lea County Drug Task Force | 143,000 |
| To Other Grants | 142,500 |
| To Airport Fire District Special Revenue Fund | 121,252 |
| To Farm and Range Special Revenue Fund | 113,500 |
| To DWI Special Revenue Fund | 81,000 |
| To Recreation Special Revenue Fund | 40,000 |
| To Region VI HIDTA | 22,000 |
| To Magistrate Court | 15,000 |
| To DWI Other Grants Special Revenue Fund | 5,000 |
| To Jag Grant | 4,000 |
| Indigent Fund: | |
| To Sole Community Provider | 1,000,000 |
| Debt Service Funds: | |
| To General Fund from Gross Receipts Debt Service Fund | 4,000,000 |
| To Gross Receipts Debt Service Fund from Detention Bond Reserve | 1,177,205 |
| From Non-Major Special Revenue Funds: | |
| To General Fund from DWI-Alcohol | 90,592 |
| To General Fund from DOJ Fund | 53,025 |
| To General Fund from Lea County Drug Task Force | 42,500 |
| To General Fund from LDWI Fund | 10,300 |
| To General Fund from CDWI Fund | 28,850 |
| To Indigent Fund from Sole Community Provider | 1,599,485 |
| Total Transfers In | <u>10,413,209</u> |
| Transfers In: | |
| General Fund | |
| From DWI-Alcohol Fund | (90,592) |
| From Lea County Drug Task Force | (42,500) |
| From HIDTA Region VI Grant | (53,025) |
| From LDWI Fund | (10,300) |
| From CDWI Fund | (28,850) |
| From Gross Receipts Debt Service Fund | (4,000,000) |
| Indigent Funds: | |
| From Sole Community Provider to Indigent Fund | (1,599,485) |
| Debt Service Funds: | |
| From Detention Bond Reserve to Gross Receipts Debt Service | (1,177,205) |
| Non-Major Special Revenue Funds: | |
| From General Fund to Airport Fund | (1,724,000) |
| From General Fund to Lea County Drug Task Force | (143,000) |
| From General Fund to Other Grants Fund | (142,500) |
| From General Fund to Airport Fire District Special Revenue Fund | (121,252) |
| From General Fund to Farm and Range Special Revenue Fund | (113,500) |
| From General Fund to DWI Special Revenue Fund | (81,000) |
| From General Fund to Recreation Special Revenue Fund | (40,000) |
| From Gnereal Fund to Region VI HIDTA Fund | (22,000) |
| From General Fund to Magistratre Court Fund | (15,000) |
| From General Fund to DWI Other Grants Special Revenue Fund | (5,000) |
| From General Fund to JAG Grant Fund | (4,000) |
| From General Fund to Water Service Fund | (243,500) |
| From Indigent Fund to Sole Community Provider | (1,000,000) |
| Total Transfers Out | <u>(10,656,709)</u> |
| Total | <u>\$ (243,500)</u> |
| Transfers out of governmental activities to business-type activities | |
| Enterprise Fund: | |
| To Water Service Enterprise Fund | 243,500 |
| Total | <u>\$ -</u> |

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE H - RISKS OF LOSS

The County is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters.

Lea County Board of Commissioners is insured with OneBeacon's Insurance carrier Atlantic Specialty Insurance Company. Atlantic Specialty Insurance Company has an AM Best rating of A XI as reaffirmed October 4, 2013. Daniels Insurance Agency Inc. acts as a Broker in secure coverage for Lea County as directed through a Request for Proposal, which was awarded in June 2011. The County insures itself against losses such as General Liability, Employment Practices Liability, Public Official Liability, Law Enforcement Liability and Excess Liability limits. Those limits generally start at \$1,050,000 per occurrence with a \$5,000,000 excess limit. The Commissioners also insures owned assets for physical damages losses such as Property, Autos, Machinery and Equipment.

The County participates in the New Mexico County Insurance Authority Workers Compensation Pool. The pool is self-insured for workers' compensation claims up to \$300,000. Above that amount, the pool maintains an Excess Employers' Reinsurance Policy.

Insurance settlements have not exceeded insurance coverage for any of the past three fiscal years.

NOTE I - ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds and Permanent Funds.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE J - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

Governmental Activities:

| | Balance 6/30/12 | Additions | Deletions | Balance 6/30/13 |
|---------------------------------------|-----------------------|---------------------|-------------------|-----------------------|
| Depreciable assets | | | | |
| Buildings | \$ 70,984,836 | \$ 2,271,077 | \$ - | \$ 73,255,913 |
| Other Improvements | 2,885,146 | 27,520 | - | 2,912,666 |
| Furniture & Equipment | 19,437,545 | 469,733 | 962,011 | 18,945,267 |
| Infrastructure | 55,379,665 | 7,041,085 | - | 62,420,750 |
| Vehicles | 6,922,969 | 837,783 | 150,217 | 7,610,535 |
| Total depreciable assets | 155,610,161 | 10,647,198 | 1,112,228 | 165,145,131 |
| Less accumulated depreciation: | | | | |
| Buildings | 15,501,498 | 2,153,202 | - | 17,654,700 |
| Other Improvements | 1,508,700 | 133,012 | - | 1,641,712 |
| Furniture & Equipment | 13,748,758 | 897,609 | 867,224 | 13,779,143 |
| Infrastructure | 11,709,035 | 1,032,684 | - | 12,741,719 |
| Vehicles | 4,523,656 | 543,663 | 109,657 | 4,957,662 |
| Total accumulated depreciation | 46,991,647 | 4,760,170 | 976,881 | 50,774,936 |
| Net depreciable assets | 108,618,514 | 5,887,028 | 135,347 | 114,370,195 |
| Non-depreciable assets | | | | |
| Land | 9,930,117 | - | - | 9,930,117 |
| Construction in Process | 293,719 | 1,374,292 | 29,373 | 1,638,638 |
| Total non-depreciable assets | 10,223,836 | 1,374,292 | 29,373 | 11,568,755 |
| Net capital assets | \$ 118,842,350 | \$ 7,261,320 | \$ 164,720 | \$ 125,938,950 |

*Depreciation expense was charged to functions as follows:

Governmental activities:

| | |
|------------------------|--------------|
| General | \$ 3,823,509 |
| Public safety | 426,089 |
| Culture and recreation | 510,572 |

Total governmental activities depreciation expense

\$ 4,760,170

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE J - CHANGES IN CAPITAL ASSETS (continued)

Business-type Activities:

| | Balance 6/30/12 | | Additions | | Deletions | | Balance 6/30/13 |
|-------------------------------------|--------------------|--|------------|--|-----------|--|--------------------|
| Non-depreciable assets | | | | | | | |
| Construction in Process | \$ - | | \$ 244,110 | | \$ - | | \$ 244,110 |
| Total non-depreciable assets | - | | 244,110 | | - | | 244,110 |
| Net capital assets | \$ - | | \$ 244,110 | | \$ - | | \$ 244,110 |

In accordance with GASB 34, depreciation policies were adopted to include useful lives and classification by function.

NOTE K - LONG-TERM DEBT

Revenue Bonds

In 2003 the County issued gross receipts tax bonds of \$13,595,000 with interest rates of 3.000% to 5.000%, to help finance the construction of a four-hundred and thirty-two bed detention facility. In fiscal year 2013 the County refunded the \$11,130,000 outstanding gross receipts tax revenue bonds, series 2003. To refund its 2003 series gross receipts revenue bonds the County issued and sold gross receipts tax revenue refunding bonds, series 2013 in the amount of \$10,000,000 with interest rate of 2.140%. The County's refunding represents a net present value savings of \$1,565,935, which is 14.07% of the outstanding principal amount of the Refunded Bonds.

Bonds outstanding at June 30, 2013 consist of the following issue:

Gross Receipts Tax Revenue Bonds
 Series: June 30, 2013
 Original Issue: \$10,000,000
 Principal: June 1
 Interest: June 1
 Rate: 2.140%

The bonds are special and limited obligations of the County and are secured by and payable solely from the pledged gross receipts tax revenue. The Bond agreement requires the maintenance of a gross receipt tax debt service fund into which the County covenants to pay from the pledged revenues sums sufficient to pay when due the principal and interest on these bonds. At June 30, 2013 the County had \$1,703,758 in the gross receipts tax debt service fund. The County is in compliance with all significant requirements of the bonds' covenants.

Long-term liability for the year ended June 30, 2013 was as follows:

| | June 30, 2012 | Additions | Reductions | June 30, 2013 | Due Within One Year |
|-------------------------------|----------------------|----------------------|----------------------|---------------------|------------------------|
| Gross Receipts Revenue Bonds | | | | | |
| Series: April 23, 2003 | \$ 11,130,000 | \$ - | \$ 11,130,000 | \$ - | \$ - |
| Series: June 30, 2013 | - | 10,000,000 | 835,000 | 9,165,000 | 680,000 |
| Compensated Absences (Note A) | 653,716 | 340,363 | 269,194 | 724,885 | 166,724 |
| Totals | \$ 11,783,716 | \$ 10,340,363 | \$ 12,234,194 | \$ 9,889,885 | \$ 846,724 |

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE K- LONG-TERM DEBT (continued)

The annual debt service requirements to maturity, including principal and interest for long-term debt as of June 30, 2013, are as follows:

| Year Ending June 30, | <u>Gross Receipts Bonds Series 2013</u> | | |
|-------------------------|---|---------------------|----------------------|
| | <u>Interest</u> | <u>Principal</u> | <u>Total Payment</u> |
| 2014 | 196,132 | 680,000 | 876,132 |
| 2015 | 181,580 | 695,000 | 876,580 |
| 2016 | 166,706 | 705,000 | 871,706 |
| 2017 | 151,620 | 720,000 | 871,620 |
| 2018 | 136,212 | 735,000 | 871,212 |
| 2019-2023 | 437,312 | 3,935,000 | 4,372,312 |
| 2024-2026 | 54,572 | 1,695,000 | 1,749,572 |
| Total | \$ 1,324,134 | \$ 9,165,000 | \$ 10,489,134 |

The County paid interest on long-term debt of \$541,230 during the fiscal year 2013.

Compensated Absences

Specific years for payment of compensated absences payable are not determinable. The General Fund is typically used for liquidation of compensated absences.

NOTE L - PERA PENSION PLAN

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

Funding Policy—Plan members are required to contribute 9.15% of their gross salary, except for sheriff’s deputies who are required to contribute 12.35% of their gross salary. The County is required to contribute 9.15% for employees other than sheriff’s deputies and 18.5% for deputies. The contribution requirements of plan members and the County are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The County’s contributions to PERA for the years ended June 30, 2013, 2012 and 2011 were \$1,740,332, \$1,552,848, and \$1,587,403, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE M - POST EMPLOYMENT BENEFITS

Plan Description—The County contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouse and dependents. The RHCA Board was established by the Retiree Health Care Act

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE M – POST EMPLOYMENT BENEFITS (continued)

(Chapter 10, Article 7C, NMS 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; each participating employee is required to contribute 1.25% of their salary.

Employers joining the program after January 1, 1998, are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The County's contributions to the RHCA for the years June 30, 2013, 2012 and 2011 were \$324,532, \$270,551, and \$245,248 which equal the required contributions for each year.

NOTE N - DEFERRED COMPENSATION PLAN

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees and those local government and school district employees whose employers have elected participation in the plan, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE N - DEFERRED COMPENSATION PLAN (continued)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) held in trust for the participants in the plan.

There are employees that are making contributions to the Deferred Compensation Plan. Neither the County nor the State of New Mexico made any contributions to the Deferred Compensation Plan. All contributions withheld from participant's wages by the County have been paid to the New Mexico Employees' Retirement Association, which administers the plan.

NOTE O - CONTINGENT LIABILITIES

Grants and Agreements- Amounts received or receivable from grant agencies and others are subject to audit and adjustment, principally by the federal and state 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 and others cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Economic Development Agreement – Lea County entered into an economic development agreement dated October 19, 2010, with the Economic Development Corporation of Lea County, Inc. (EDC) to unconditionally guaranty on behalf of EDC any and all amounts that EDC may be required to pay to the Air Carrier pursuant to the revenue guaranty or other provisions of the Air Services Contract, and subject to the limitation that the first \$250,000 due to Air Carrier under revenue guaranty provisions during the first twelve month period of Air Service shall not be guaranteed by the County.

The County has provided EDC with an irrevocable standby letter of credit for \$900,000 as guaranty for performance of this agreement and stand by letter of credit will remain in effect for the term of the Air Services Contract. No amounts were charged against letter of credit during fiscal year 2013.

Lea County contributed \$698,659 to EDC under the above described agreement for the fiscal year ended June 30, 2013.

NOTE P – CONDUIT DEBT

The County Issued Industrial Revenue Bonds (IRBs) totaling \$115,200,000 for projects as follows:

LES – the County issued \$4,200,000 in IRBs to provide funds to finance the acquisition, construction and installation of an expansion to the national enrichment facility project. Final maturity date of the bonds is January 22, 2034. The bonds are secured by a security agreement and a collateral pledge of the Lease to the Purchaser.

Intrepid Potash-New Mexico LLC – the County issued \$40,000,000 in IRBs to provide funds to finance the acquisition and construction of an industrial revenue bond manufacturing and processing facility to be used by Intrepid Potash-New Mexico. Final maturity date of the bonds is February 1, 2032. The bonds are secured by all tangible personal property located in Lea County, New Mexico used in connection with manufacturing and processing of potash including but not necessarily limited to all the costs of which are financed or reimbursed with the proceeds of the Lea County, New Mexico, Taxable Industrial Revenue Bond.

Wildcat Wind LLC - the County issued \$51,000,000 in IRBs in connection with a Wind Energy Generating Facility. Final maturity date of the bonds is March 1, 2032. The bonds are secured by all tangible personal property located in Lea County, New Mexico used in connection with wind generation of electricity but not

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE P – CONDUIT DEBT (continued)

necessarily limited to all personal property installed or located at the Project Site for use as part of the Project.

Jut Demonstration Inc – the County issued \$20,000,000 in IRBs to provide funds to finance the acquisition, construction and installation of an industrial development project. Final maturity date of the bonds is March 20, 2032. The bonds are secured by all the Debtor's right, title and interest in and to the Project Property and the Lease and Purchase Agreement.

The County has no liability for the IRBs in the event of default by the borrowers. Accordingly, the bonds are not reported as liabilities in the County's financial statements.

NOTE Q - JOINT POWERS AGREEMENTS

As of March 6, 1995, the County entered into a joint powers agreement with all municipalities in Lea County for the Lea County Solid Waste Authority (Authority). The agreement was renewed March 31, 1998. As a result of the joint venture, the County has agreed to a loan to the Authority for the construction of a solid waste disposal facility. The loan, bearing interest at 4.65% per annum, will be repaid from the net revenues of the Authority. Repayment terms are to be determined by the members of the Authority on an annual basis. The loan is secured by the gross revenue of the Authority and the real estate and solid waste disposal facility. The County is accounting for its activity (in the capacity of a fiscal agent) in the joint venture including the loan to the Authority (current balance - \$979,461) in the Authority's financial statements, as it is a separate entity from the County. The agreement cannot be terminated until the loan to the Authority is paid in full.

The County entered into a joint powers agreement with all municipalities in Lea County for the Lea County Water Users Association (Association) on September 23, 1997. The agreement automatically renews for an additional two years unless terminated by the Executive Board. The purpose of the agreement is to enact a water management plan for the citizens of Lea County. The County is designated the fiscal agent of the Association and is responsible for 45.8% of the proposed funding needed for the Association. The County did not remit any funds to the Association in the fiscal year ended June 30, 2013.

The County along with the City of Hobbs formed a joint powers agreement regarding the cleanup and disposal of trash illegally dumped on approximately 222 acres of land belonging to the New Mexico State Land Office. The purpose of the agreement is to allocate financial responsibility of the costs to be incurred in connection with cleanup. The County's responsibility is to contract with the Lea County Solid Waste Authority, as necessary, for the services of hauling trash and debris.

Costs involved in the project are to be allocated, with the County responsible for paying 25%. The County must also invoice the party responsible for the illegal disposal, Occidental/Permian Limited Partnership ("Oxy"), for another 25% of the disposal costs. Expenditures for the County are not to exceed \$15,000 without prior written consent of all parties involved. The agreement became effective November 17, 2003, and either party to the agreement can terminate participation by providing thirty days written notice.

The County also established a joint powers agreement with the Hobbs Municipal School District, City of Hobbs, New Mexico Junior College, City of Lovington, Eunice Municipal School District, Tatum Municipal School District and Jal Municipal School District for the purpose of enabling the parties involved to benefit from substantial savings in the procurement of similar services, construction or tangible personal property. The agreement became effective November 17, 2003, and any party to the agreement can terminate participation by providing thirty days written notice. Any of the participating agencies may act as the Lead Agency whereby that agency shall contact the remaining participating agencies to determine if they are willing to participate in a bid or proposal for quote to be prepared by the Lead Agency.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE Q - JOINT POWERS AGREEMENTS (continued)

On July 25, 2006, the County entered into a joint powers agreement with the Southeastern New Mexico Economic Development District/COG. The purpose of the agreement is to facilitate economic development in the region through planning, development, legislative, and strategizing services. The agreement is indefinite in term.

The County established a joint powers agreement with the Eddy-Lea Energy Alliance on July 29, 2006. The goal of this agreement is to evaluate a site for use by the Global Nuclear Energy Partnership and the United States Department of Energy. This is hoped to bring new, higher-wage jobs to the area and strengthen the economic base of the region. The agreement is perpetual, but may be terminated with the written consent of all voting members. The agreement shall terminate at the discretion of the contracting parties.

The County established a joint powers agreement with the City of Hobbs on January 4, 2010 to further the public interest and protect the safety, health and welfare of the people of Hobbs, New Mexico and Lea County, New Mexico and to define the role of the City and County in establishing a joint Emergency Communications Center, namely, the joint management and operations of an emergency communications district.

On May 30, 2013, the County established a joint planning agreement with the Commissioner of Public Lands of the State of New Mexico to explore opportunities to jointly plan or master plan state trust lands within the County boundaries but outside of any extra zoning jurisdiction in the County. Planning objectives and prioritization of planning efforts will be identified by a joint planning committee appointed by the Commissioner and the County. The right to terminate this agreement resides with the County and the Commissioner.

NOTE R - MEMORANDUMS OF UNDERSTANDING

On February 1, 2013, the County entered into an agreement with the children's court with jurisdiction over Lea County, the district attorney for the judicial district serving Lea County, the public defender for the judicial district serving Lea County, the Lea County Sheriff's Office and the Lovington public school district. The purpose of this agreement is to establish the Lea County Juvenile Justice Continuum partnership among the contracting parties; and a continuum board as its governing authority for Lea County, New Mexico as required by NMSA 1978 § 9-2A-14.1F and the regulations contained in Title 8, Chapter 14, Part 13 of the New Mexico Administrative Code. The purpose of the Juvenile Justice Continuum for Lea County is to develop, implement, and evaluate a continuum of services and sanctions, including temporary, nonsecure alternatives to detention, for juveniles arrested or referred to Juvenile Probation and Parole or at risk of such referral.

The County is responsible for providing overall service and support for the activities of the Continuum and the services provided through the Continuum. The County is responsible for applying for available grant funding and to administer all grants awarded to the Continuum as well as for providing any required local matching funds. In addition, the County is responsible for providing any funds that are necessary for the administrative and operational expenses of the Continuum and for preparing, presenting and preserving books and records as may be required by law, regulation or contract with any governmental agency.

The right to terminate this agreement resides with the County.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE S – SUBSEQUENT PRONOUNCEMENTS

GASB Statement No. 65

Items Previously Reported as Assets and Liabilities

Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

GASB Statement No. 66

Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62

Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

GASB Statement No. 67

Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25

Effective Date: The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged. The standard will have no effect on the County financial statements.

GASB Statement No. 68

Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27

Effective Date: The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

GASB Statement No. 69

Government Combinations and Disposals of Government Operations

Effective Date: The provisions of Statement 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Early application is encouraged.

GASB Statement No. 70

Accounting and Financial Reporting for Nonexchange Financial Guarantees

Effective Date: The provisions of Statement 70 are effective for financial statements for reporting beginning after June 15, 2013. Earlier application is encouraged.

NOTE T – SUBSEQUENT EVENTS

The entity has evaluated subsequent events through November 7, 2013, the date which the financial statements were available to be issued.

LEA COUNTY, NEW MEXICO

NON-MAJOR SPECIAL REVENUE FUNDS

Farm and Range Fund – To account for funds collected under the Taylor Grazing Act for the control of animals specified in Section 6-11-6 NMSA 1978.

Recreation Fund – To account for revenues from cigarette tax restricted for the maintenance of County parks as specified in Section 7-12-15 NMSA 1978.

County Clerk Recording and Filing – To account for equipment recording fees that shall be expensed for rent, purchase lease, or lease-purchase equipment associated with recording, filing, maintaining or reproducing documents in the County Clerk's office. The fund is authorized by Section 14-8-12.2, NMSA 1978.

All Fire District Funds – To account for the operations of the County's fire departments. Financing is provided by the State Fire Protection Fund and is restricted to fire protection use as authorized by Section A-53-4, NMSA 1978.

Lea County DWI Grant – To account for funds received from the state of New Mexico to be spent on the DWI program. The fund is authorized by Sections 11-6A-1 through 11-6A-6, NMSA 1978.

House Bill 198 Grant – To account for funds provided by the New Mexico Highway Department to be used for litter control and highway beautification. The fund was authorized by Section 67-14, NMSA 1978 and the New Mexico Litter Control and Beautification Act of 1985.

Correction Fees Fund – To account for funds from the state of New Mexico that are restricted to providing care for prisoners in the County detention facility. The fund is authorized by Section 33-3-5, NMSA 1978.

Paving Districts – To account for funds expended in engineering and construction of pavement on Piedras Drive, Baggett Drive and Sandcastle Subdivision. The County chose the Petition Method 4-55A-3(2) to create the District. The fund was authorized by Section 4-55A-1 to 4-55A-43, NMSA 1978.

Property Valuation Fund – To account for revenues provided by 2 percent of the property taxes received by the County to be used for appraisal programs presented by the County Assessor and approved by the majority of the County Commissioners. The fund is authorized by Section 7-38-38.1 NMSA 1978.

Hospital Records – To account for hospital operations. Financing is provided by miscellaneous sources and is restricted to hospital use. The fund was established in 1977 by action of the Lea County Commissioners after the hospitals were closed to continue collection on accounts receivable. This Fund is authorized by Section 7-20C, NMSA 1978.

Lea County Event Center Stipulation – To account for funds expended to complete construction of the Event Center and to receive interest from the non-expendable trust fund investments and use them to defray the cost of operating the Event Center. This fund was created as a result of the court ordered "stipulation for dismissal" in the litigation between certain plaintiffs and the Board of Commissioners of Lea County.

Emergency Medical Service Funds – To account for funds received from the state of New Mexico to be spent on emergency medical services equipment and operations for the Emergency Medical Services Departments as authorized by 24A-1, NMSA 1978.

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

NON-MAJOR SPECIAL REVENUE FUNDS (continued)

Law Enforcement Protection Fund – To account for the state funds received for law enforcement training and equipment as specified in Section 29-13-1, NMSA 1978.

Fire Excise Tax – To account for revenues provided by the imposition of an excise tax to one-fourth of one percent of gross receipts of businesses doing business in the County. The excise tax was approved by the electorate of the County on July 12, 1990, with the tax effective January 1, 1991. The funds are to be used to finance capital outlay costs of Lea County's independent fire districts. This fund is authorized by Sections 7-20E, NMSA 1978.

Jal CDBG Waterwaster – To account for revenues and expenditures under the Community Block Development Grant #86-C-NR-1-04-GA-091.

Convenience Centers – To account for revenues provided by one-eighth of one percent of County environmental services gross receipts tax imposed by County Ordinance #59.

Revolving Loan Fund – To account for the loan funds received under the 1986 Community Development Block Grant Program (CDBG) #86-C-NR-I-04-GA-091.

PRCA Steer Roping Fund – To account for the operations of the PRCA associated with the National Finals Steer Roping (NFSR) held at the Lea County Events Center. Lea County has entered into an agreement with the PRCA to hold the NFSR in Lea County for the years 2006, 2007, and 2008. This fund was created pursuant to the County's 2006 Agreement with the PRCA.

Lea County Drug Task Force (HIDTA) – Special revenue fund established by resolution to account for revenues and expenditures related to education and local enforcement of the drug program. This program is financed with federal grants aiming to ameliorate High Intensity Drug Trafficking Areas.

Magistrate Court Security – To account for activity related to security services for the Court, contracted by Lea County and the City of Hobbs. Initial funding was provided by Lea County and the City of Hobbs. Contract continuation is contingent upon sufficient appropriations and authorization being made by the County and the City.

Rural Law Enforcement – To account for revenues and expenditures related to activity under the Detention Centers Rural Operations Enhancement Program funded by the Department of Justice.

Other Grants – To account for grants and grant expenditures that are subject to tracking requirements, and authorized by various grant agreements.

Lea County Airports – Reactivated to account for revenues and expenses related to the operation of the Lea County Airport as per 49 CFR Section 18 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

Community Sole Provider – To account for revenues and expenses related to indigent services sole provider.

State Fire Allotment -- To account for the revenue and expenses of the Office of the County Fire Marshal established per Lea County Resolution 11-JUN026R and funded by the New Mexico State Fire Marshal's Office.

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet
 Non-major Special Revenue Funds
 June 30, 2013

Statement B-1
 Page 1 of 6

| | Farm and Range | Recreation | County Clerk | Maljamar Fire District | Knowles Fire District |
|--|-------------------|-------------------|-------------------|---------------------------|--------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 770 | \$ 181,364 | \$ 129,452 | \$ 43,454 | \$ 10,550 |
| Investments | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Other receivables | - | - | - | - | - |
| Total assets | \$ 770 | \$ 181,364 | \$ 129,452 | \$ 43,454 | \$ 10,550 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ 7,247 | \$ 274 | \$ 994 | \$ 2,654 |
| Unearned revenue | - | - | - | - | - |
| Total liabilities | - | 7,247 | 274 | 994 | 2,654 |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 770 | - | 129,178 | 42,460 | 7,896 |
| Committed | - | 174,117 | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balances | 770 | 174,117 | 129,178 | 42,460 | 7,896 |
| Total liabilities and fund balances | \$ 770 | \$ 181,364 | \$ 129,452 | \$ 43,454 | \$ 10,550 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet (continued)
 Non-major Special Revenue Funds
 June 30, 2013

Statement B-1
 Page 2 of 6

| | Airport Fire District | Monument Fire District | DWI | House Bill 198 Grant | Correction Fees |
|--|--------------------------|------------------------------|-------------------|-------------------------|--------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 20,238 | \$ 40,454 | \$ 230,482 | \$ 9,044 | \$ 663,963 |
| Investments | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Other receivables | - | - | - | - | - |
| Total assets | \$ 20,238 | \$ 40,454 | \$ 230,482 | \$ 9,044 | \$ 663,963 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 631 | \$ 2,196 | \$ 969 | \$ - | \$ 2,200 |
| Unearned revenue | - | - | 98,364 | - | - |
| Total liabilities | 631 | 2,196 | 99,333 | - | 2,200 |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | 38,258 | 15 | 9,044 | 661,763 |
| Committed | 19,607 | - | 131,337 | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | (203) | - | - |
| Total fund balances | 19,607 | 38,258 | 131,149 | 9,044 | 661,763 |
| Total liabilities and fund balances | \$ 20,238 | \$ 40,454 | \$ 230,482 | \$ 9,044 | \$ 663,963 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet (continued)
 Non-major Special Revenue Funds
 June 30, 2013

Statement B-1
 Page 3 of 6

| | Paving District | Property Valuation | Hospital Records | Lea County Event Center Stipulation | Knowles EMS Grant |
|--|--------------------|-----------------------|---------------------|---|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 8,284 | \$ 547,504 | \$ - | \$ 260,453 | \$ 5,128 |
| Investments | - | - | - | - | - |
| Due from other funds | - | - | 10 | 90,000 | - |
| Other receivables | - | - | - | - | - |
| Total assets | \$ 8,284 | \$ 547,504 | \$ 10 | \$ 350,453 | \$ 5,128 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ 470 | \$ - | \$ - | \$ - |
| Unearned revenue | - | - | - | - | - |
| Total liabilities | - | 470 | - | - | - |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | 547,034 | - | 350,453 | 5,128 |
| Committed | 8,284 | - | 10 | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balances | 8,284 | 547,034 | 10 | 350,453 | 5,128 |
| Total liabilities and fund balances | \$ 8,284 | \$ 547,504 | \$ 10 | \$ 350,453 | \$ 5,128 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet (continued)
 Non-major Special Revenue Funds
 June 30, 2013

Statement B-1
 Page 4 of 6

| | Law Enforcement Project | Maljamar EMS Grant | Fire Excise Tax | Monument EMS Grant | Jal CDBG Wastewater |
|--|-------------------------------|-----------------------|---------------------|-----------------------|------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 18,012 | \$ 7,663 | \$ 1,874,827 | \$ 963 | \$ 21,882 |
| Investments | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Other receivables | - | - | - | - | - |
| Total assets | \$ 18,012 | \$ 7,663 | \$ 1,874,827 | \$ 963 | \$ 21,882 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unearned revenue | - | - | - | - | - |
| Total liabilities | - | - | - | - | - |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 18,012 | 7,663 | 1,874,827 | 963 | 21,882 |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balances | 18,012 | 7,663 | 1,874,827 | 963 | 21,882 |
| Total liabilities and fund balances | \$ 18,012 | \$ 7,663 | \$ 1,874,827 | \$ 963 | \$ 21,882 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet (continued)
 Non-major Special Revenue Funds
 June 30, 2013

Statement B-1
 Page 5 of 6

| | Convenience Centers | Revolving Loan Fund | PRCA Steer Roping | High Intensity Drug Trafficking Areas | Rural Law Enforcement |
|--|------------------------|------------------------|----------------------|--|--------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,094,070 | \$ 960 | \$ 68,237 | \$ 117,145 | \$ - |
| Investments | - | 100,145 | - | - | - |
| Due from other funds | - | - | - | - | - |
| Other receivables | 255,036 | - | - | 564,944 | - |
| Total assets | \$ 2,349,106 | \$ 101,105 | \$ 68,237 | \$ 682,089 | \$ - |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 75,420 | \$ - | \$ - | \$ 291,971 | \$ - |
| Unearned revenue | - | - | - | 197,933 | - |
| Total liabilities | 75,420 | - | - | 489,904 | - |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 2,273,686 | 101,105 | 68,237 | 192,185 | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balances | 2,273,686 | 101,105 | 68,237 | 192,185 | - |
| Total liabilities and fund balances | \$ 2,349,106 | \$ 101,105 | \$ 68,237 | \$ 682,089 | \$ - |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet (continued)
 Non-major Special Revenue Funds
 June 30, 2013

Statement B-1
 Page 6 of 6

| | Magistrate Court Security | Lea County Airports | Sole Community Provider | State Fire Allotment | Other Grants | Total Non- Major Special Revenue Funds |
|--|---------------------------------|------------------------|-------------------------------|-------------------------|-------------------|--|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 5,171 | \$ 2,929,800 | \$ - | \$ 45,144 | \$ 65,812 | \$ 9,400,826 |
| Investments | - | - | - | - | - | 100,145 |
| Due from other funds | - | - | - | - | - | 90,010 |
| Other receivables | - | - | - | - | 237,205 | 1,057,185 |
| Total assets | \$ 5,171 | \$ 2,929,800 | \$ - | \$ 45,144 | \$ 303,017 | \$ 10,648,166 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | 3,676 | \$ 60,717 | \$ - | 240 | \$ 22,139 | \$ 471,798 |
| Unearned revenue | - | - | - | - | - | 296,297 |
| Total liabilities | 3,676 | 60,717 | - | 240 | 22,139 | 768,095 |
| Fund balances: | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | 2,869,083 | - | 44,904 | 334 | 9,264,880 |
| Committed | 1,495 | - | - | - | 280,544 | 615,394 |
| Assigned | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | (203) |
| Total fund balances | 1,495 | 2,869,083 | - | 44,904 | 280,878 | 9,880,071 |
| Total liabilities and fund balances | \$ 5,171 | \$ 2,929,800 | \$ - | \$ 45,144 | \$ 303,017 | \$ 10,648,166 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-major Special Revenue Funds For the Year Ended June 30, 2013

Statement B-2
Page 1 of 6

| | Farm and Range | Recreation | County Clerk | Maljamar Fire District | Knowles Fire District |
|--|------------------|-------------------|-------------------|------------------------|-----------------------|
| REVENUES | | | | | |
| Property, sales, and miscellaneous taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | 96,858 | - | - |
| Intergovernmental: | | | | | |
| Federal | 14,516 | - | - | - | - |
| State | - | - | - | 48,476 | 48,544 |
| Charges for services | - | - | - | - | - |
| Investment earnings | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total revenues | 14,516 | - | 96,858 | 48,476 | 48,544 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | - | 14,351 | 35,236 | 44,716 |
| Public safety | - | - | - | - | - |
| Culture and recreation | - | 14,712 | - | - | - |
| Airports | - | - | - | - | - |
| Farm and range | 128,000 | - | - | - | - |
| Capital outlay | - | 24,666 | 49,749 | - | - |
| Total expenditures | 128,000 | 39,378 | 64,100 | 35,236 | 44,716 |
| Excess (deficiency) of revenues over expenditures | (113,484) | (39,378) | 32,758 | 13,240 | 3,828 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 113,500 | 40,000 | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | 113,500 | 40,000 | - | - | - |
| Net change in fund balances | 16 | 622 | 32,758 | 13,240 | 3,828 |
| Fund balances - beginning of year | 754 | 173,495 | 96,420 | 29,220 | 4,068 |
| Fund balances - end of year | \$ 770 | \$ 174,117 | \$ 129,178 | \$ 42,460 | \$ 7,896 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Non-major Special Revenue Funds
For the Year Ended June 30, 2013

Statement B-2
Page 2 of 6

| | Airport Fire District | Monument Fire District | DWI | House Bill 198 Grant | Correction Fees |
|--|----------------------------------|-----------------------------------|-------------------|---------------------------------|------------------------|
| REVENUES | | | | | |
| Property, sales, and miscellaneous taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental: | | | | | |
| Federal | - | - | - | - | - |
| State | - | 48,475 | 496,480 | - | 143,604 |
| Charges for services | - | - | - | - | - |
| Investment earnings | - | - | - | - | - |
| Miscellaneous | - | 22 | 77,619 | - | - |
| Total revenues | - | 48,497 | 574,099 | - | 143,604 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 101,476 | 48,403 | 508,053 | - | 125,456 |
| Public safety | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Airports | - | - | - | - | - |
| Farm and range | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Total expenditures | 101,476 | 48,403 | 508,053 | - | 125,456 |
| Excess (deficiency) of revenues over expenditures | (101,476) | 94 | 66,046 | - | 18,148 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 121,252 | - | 86,000 | - | - |
| Transfers out | - | - | (129,742) | - | - |
| Total other financing sources (uses) | 121,252 | - | (43,742) | - | - |
| Net change in fund balances | 19,776 | 94 | 22,304 | - | 18,148 |
| Fund balances - beginning of year | (169) | 38,164 | 108,845 | 9,044 | 643,615 |
| Fund balances - end of year | \$ 19,607 | \$ 38,258 | \$ 131,149 | \$ 9,044 | \$ 661,763 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued) Non-major Special Revenue Funds For the Year Ended June 30, 2013

Statement B-2
Page 3 of 6

| | Paving District | Property Valuation | Hospital Records | Lea County Event Center Stipulation | Knowles EMS Grant |
|--|-----------------|-----------------------|---------------------|---|-------------------|
| REVENUES | | | | | |
| Property, sales, and miscellaneous taxes | \$ 7,005 | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental: | | | | | |
| Federal | - | - | - | - | - |
| State | - | - | - | - | 5,191 |
| Charges for services | - | 268,048 | - | - | - |
| Investment earnings | 1,279 | - | - | 2,695 | - |
| Miscellaneous | - | - | - | - | - |
| Total revenues | 8,284 | 268,048 | - | 2,695 | 5,191 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | 218,523 | - | - | - |
| Public safety | - | - | - | - | 3,817 |
| Culture and recreation | - | - | - | - | - |
| Airports | - | - | - | - | - |
| Farm and range | - | - | - | - | - |
| Capital outlay | - | 29,737 | - | - | - |
| Total expenditures | - | 248,260 | - | - | 3,817 |
| Excess (deficiency) of revenues over expenditures | 8,284 | 19,788 | - | 2,695 | 1,374 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balances | 8,284 | 19,788 | - | 2,695 | 1,374 |
| Fund balances - beginning of year | - | 527,246 | 10 | 347,758 | 3,754 |
| Fund balances - end of year | \$ 8,284 | \$ 547,034 | \$ 10 | \$ 350,453 | \$ 5,128 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued) Non-major Special Revenue Funds For the Year Ended June 30, 2013

Statement B-2
Page 4 of 6

| | Law Enforcement Project | Maljamar EMS Grant | Fire Excise Tax | Monument EMS Grant | Jal CDBG Wastewater |
|--|-------------------------------|-----------------------|---------------------|-----------------------|------------------------|
| REVENUES | | | | | |
| Property, sales, and miscellaneous taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental: | | | | | |
| Federal | - | - | - | - | - |
| State | 41,000 | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment earnings | - | - | 2,620 | - | - |
| Miscellaneous | - | - | - | - | - |
| Total revenues | 41,000 | - | 2,620 | - | - |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | - |
| Public safety | 67,712 | 91 | - | 1,822 | - |
| Culture and recreation | - | - | - | - | - |
| Airports | - | - | - | - | - |
| Farm and range | - | - | - | - | - |
| Capital outlay | - | - | 196,327 | - | - |
| Total expenditures | 67,712 | 91 | 196,327 | 1,822 | - |
| Excess (deficiency) of revenues over expenditures | (26,712) | (91) | (193,707) | (1,822) | - |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balances | (26,712) | (91) | (193,707) | (1,822) | - |
| Fund balances - beginning of year | 44,724 | 7,754 | 2,068,534 | 2,785 | 21,882 |
| Fund balances - end of year | \$ 18,012 | \$ 7,663 | \$ 1,874,827 | \$ 963 | \$ 21,882 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued) Non-major Special Revenue Funds For the Year Ended June 30, 2013

Statement B-2
Page 5 of 6

| | Convenience Centers | Revolving Loan Fund | PRCA Steer Roping | High Intensity Drug Trafficking Areas | Rural Law Enforcement |
|--|------------------------|------------------------|----------------------|--|--------------------------|
| REVENUES | | | | | |
| Property, sales, and miscellaneous taxes | \$ 1,607,612 | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental: | | | | | |
| Federal | - | - | - | 1,577,819 | - |
| State | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment earnings | - | - | - | 38 | - |
| Miscellaneous | - | - | - | 55,842 | - |
| Total revenues | 1,607,612 | - | - | 1,633,699 | - |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,312,761 | - | - | 1,681,278 | - |
| Public safety | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Airports | - | - | - | - | - |
| Farm and range | - | - | - | - | - |
| Capital outlay | 123,370 | - | - | 123,664 | - |
| Total expenditures | 1,436,131 | - | - | 1,804,942 | - |
| Excess (deficiency) of revenues over expenditures | 171,481 | - | - | (171,243) | - |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | 165,000 | - |
| Transfers out | - | - | - | (42,500) | (53,025) |
| Total other financing sources (uses) | - | - | - | 122,500 | (53,025) |
| Net change in fund balances | 171,481 | - | - | (48,743) | (53,025) |
| Fund balances - beginning of year | 2,102,205 | 101,105 | 68,237 | 240,928 | 53,025 |
| Fund balances - end of year | \$ 2,273,686 | \$ 101,105 | \$ 68,237 | \$ 192,185 | \$ - |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Non-major Special Revenue Funds
 For the Year Ended June 30, 2013

Statement B-2
 Page 6 of 6

| | Magistrate Court Security | Lea County Airports | Sole Community Provider | State Fire Allotment | Other Grants | Total Non-Major Special Revenue Funds |
|--|------------------------------|------------------------|----------------------------|-------------------------|-------------------|---|
| REVENUES | | | | | | |
| Property, sales, and miscellaneous taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,614,617 |
| Licenses and permits | - | - | - | - | - | 96,858 |
| Intergovernmental: | | | | | | |
| Federal | 14,816 | 239,744 | - | 48,476 | 898,630 | 2,794,001 |
| State | - | - | - | - | - | 831,770 |
| Charges for services | - | 423,032 | - | - | - | 691,080 |
| Investment earnings | - | - | - | - | - | 6,632 |
| Miscellaneous | - | 126 | - | - | 68,981 | 202,590 |
| Total revenues | 14,816 | 662,902 | - | 48,476 | 967,611 | 6,237,548 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 31,852 | - | (325,707) | 30,820 | 582,351 | 4,409,569 |
| Public safety | - | - | - | - | - | 73,442 |
| Culture and recreation | - | - | - | - | - | 14,712 |
| Airports | - | 584,772 | - | - | - | 584,772 |
| Farm and range | - | - | - | - | - | 128,000 |
| Capital outlay | - | 624,349 | - | - | 65,584 | 1,237,446 |
| Total expenditures | 31,852 | 1,209,121 | (325,707) | 30,820 | 647,935 | 6,447,941 |
| Excess (deficiency) of revenues over expenditures | (17,036) | (546,219) | 325,707 | 17,656 | 319,676 | (210,393) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 15,000 | 1,724,000 | 1,000,000 | - | 146,500 | 3,411,252 |
| Transfers out | - | - | (1,599,485) | - | - | (1,824,752) |
| Total other financing sources (uses) | 15,000 | 1,724,000 | (599,485) | - | 146,500 | 1,586,500 |
| Net change in fund balances | (2,036) | 1,177,781 | (273,778) | 17,656 | 466,176 | 1,376,107 |
| Fund balances - beginning of year | 3,531 | 1,691,302 | 273,778 | 27,248 | (185,298) | 8,503,964 |
| Fund balances - end of year | \$ 1,495 | \$ 2,869,083 | \$ - | \$ 44,904 | \$ 280,878 | \$ 9,880,071 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Farm and Range For the Year Ended June 30, 2013

Statement B-3

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|-------------------|-------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 14,500 | \$ 14,500 | \$ 14,516 | \$ 16 |
| Total revenues | \$ 14,500 | \$ 14,500 | \$ 14,516 | \$ 16 |
| EXPENDITURES | | | | |
| Farm and Range | \$ 128,000 | \$ 128,000 | \$ 128,000 | \$ - |
| Total expenditures | \$ 128,000 | \$ 128,000 | \$ 128,000 | \$ - |
| Excess (deficiency) of revenues over expenditures | (113,500) | (113,500) | (113,484) | 16 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 113,500 | \$ 113,500 | \$ 113,500 | \$ - |
| Total other financing sources and (uses) | \$ 113,500 | \$ 113,500 | \$ 113,500 | \$ - |
| Prior year cash balance | 754 | 754 | - | |
| Net change in fund balances | \$ 754 | \$ 754 | 16 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ 16 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Recreation For the Year Ended June 30, 2013

Statement B-4

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|-------------------|-------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ - | \$ - | \$ - | \$ - |
| Total revenues | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | \$ 27,000 | \$ 27,000 | \$ 14,211 | \$ 12,789 |
| Capital Outlay | 142,200 | 192,200 | 24,727 | 167,473 |
| Total expenditures | \$ 169,200 | \$ 219,200 | \$ 38,938 | \$ 180,262 |
| Excess (deficiency) of revenues over expenditures | (169,200) | (219,200) | (38,938) | 180,262 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ - |
| Total other financing sources and (uses) | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ - |
| Prior year cash balance | 180,301 | 180,301 | - | |
| Net change in fund balances | \$ 51,101 | \$ 1,101 | 1,062 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | (440) | |
| Net change in fund balance | | | \$ 622 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual County Clerk For the Year Ended June 30, 2013

Statement B-5

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------|------------------|------------------|------------------------------------|
| REVENUES | | | | |
| Licenses and permits | \$ 75,000 | \$ 75,000 | \$ 96,858 | \$ 21,858 |
| Total revenues | \$ 75,000 | \$ 75,000 | \$ 96,858 | \$ 21,858 |
| EXPENDITURES | | | | |
| General government | \$ 22,100 | \$ 22,100 | \$ 14,148 | \$ 7,952 |
| Capital Outlay | 57,000 | 57,000 | 49,749 | 7,251 |
| Total expenditures | \$ 79,100 | \$ 79,100 | \$ 63,897 | \$ 15,203 |
| Excess (deficiency) of revenues over expenditures | (4,100) | (4,100) | 32,961 | 37,061 |
| Prior year cash balance | 96,490 | 96,490 | - | |
| Net change in fund balances | \$ 92,390 | \$ 92,390 | 32,961 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | (203) | |
| Net change in fund balance | | | \$ 32,758 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Maljamar Fire District For the Year Ended June 30, 2013

Statement B-6

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance Positive (Negative)</u> |
|--|------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 49,326 | \$ 49,326 | \$ 48,476 | \$ (850) |
| Total revenues | \$ 49,326 | \$ 49,326 | \$ 48,476 | \$ (850) |
| EXPENDITURES | | | | |
| General government | \$ 51,000 | \$ 51,000 | \$ 34,669 | \$ 16,331 |
| Total expenditures | \$ 51,000 | \$ 51,000 | \$ 34,669 | \$ 16,331 |
| Excess (deficiency) of revenues over expenditures | (1,674) | (1,674) | 13,807 | 15,481 |
| Prior year cash balance | 29,647 | 29,647 | - | |
| Net change in fund balances | \$ 27,973 | \$ 27,973 | 13,807 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | (567) | |
| Net change in fund balance | | | \$ 13,240 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Knowles Fire District For the Year Ended June 30, 2013

Statement B-7

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------|------------------|------------------|------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 49,326 | \$ 49,326 | \$ 48,544 | \$ (782) |
| Total revenues | \$ 49,326 | \$ 49,326 | \$ 48,544 | \$ (782) |
| EXPENDITURES | | | | |
| General government | \$ 51,000 | \$ 54,800 | \$ 43,479 | \$ 11,321 |
| Total expenditures | \$ 51,000 | \$ 54,800 | \$ 43,479 | \$ 11,321 |
| Excess (deficiency) of revenues over expenditures | (1,674) | (5,474) | 5,065 | 10,539 |
| Prior year cash balance | 5,486 | 5,486 | - | |
| Net change in fund balances | \$ 3,812 | \$ 12 | 5,065 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | (1,237) | |
| Net change in fund balance | | | \$ 3,828 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Airport Fire District For the Year Ended June 30, 2013

Statement B-8

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|-------------------|-------------------|-------------------|------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - |
| Total revenues | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| General government | \$ 121,252 | \$ 118,752 | \$ 101,072 | \$ 17,680 |
| Total expenditures | \$ 121,252 | \$ 118,752 | \$ 101,072 | \$ 17,680 |
| Excess (deficiency) of revenues over expenditures | (121,252) | (118,752) | (101,072) | 17,680 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 121,252 | \$ 121,252 | \$ 121,252 | \$ - |
| Total other financing sources and (uses) | \$ 121,252 | \$ 121,252 | \$ 121,252 | \$ - |
| Prior year cash balance | 57 | 57 | - | |
| Net change in fund balances | \$ 57 | \$ 2,557 | 20,180 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | (404) | |
| Net change in fund balance | | | \$ 19,776 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Monument Fire District For the Year Ended June 30, 2013

Statement B-9

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------|------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 49,326 | \$ 49,326 | \$ 48,476 | \$ (850) |
| Miscellaneous | - | - | 22 | 22 |
| Total revenues | \$ 49,326 | \$ 49,326 | \$ 48,498 | \$ (828) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 51,000 | \$ 51,000 | \$ 46,859 | \$ 4,141 |
| Capital Outlay | - | - | - | - |
| Total expenditures | \$ 51,000 | \$ 51,000 | \$ 46,859 | \$ 4,141 |
| Excess (deficiency) of revenues over expenditures | (1,674) | (1,674) | 1,639 | 3,313 |
| Prior year cash balance | 38,815 | 38,815 | - | |
| Net change in fund balances | \$ 37,141 | \$ 37,141 | 1,639 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | (1,545) | |
| Net change in fund balance | | | \$ 94 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual DWI For the Year Ended June 30, 2013

Statement B-10

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|--------------------|--------------------|--------------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 626,166 | \$ 626,166 | \$ 531,954 | \$ (94,212) |
| Miscellaneous | 70,000 | 70,000 | 77,619 | 7,619 |
| Total revenues | \$ 696,166 | \$ 696,166 | \$ 609,573 | \$ (86,593) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 555,068 | \$ 686,243 | \$ 507,707 | \$ 178,536 |
| Total expenditures | \$ 555,068 | \$ 686,243 | \$ 507,707 | \$ 178,536 |
| Excess (deficiency) of revenues over expenditures | 141,098 | 9,923 | 101,866 | \$ 91,943 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 86,000 | \$ 86,000 | \$ 86,000 | \$ - |
| Transfers out | (129,742) | (129,742) | (129,742) | - |
| Total other financing sources and (uses) | \$ (43,742) | \$ (43,742) | \$ (43,742) | \$ - |
| Prior year cash balance | 172,358 | 172,358 | - | |
| Net change in fund balances | \$ 269,714 | \$ 138,539 | 58,124 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in deferred revenue | | | (35,474) | |
| Change in accounts payable | | | (346) | |
| Net change in fund balance | | | \$ 22,304 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
House Bill 198 Grant
For the Year Ended June 30, 2013**

Statement B-11

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance Positive (Negative)</u> |
|--|------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - |
| Total revenues | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Prior year cash balance | 9,044 | 9,044 | - | |
| Net change in fund balances | \$ 9,044 | \$ 9,044 | - | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ - | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Correction Fees For the Year Ended June 30, 2013

Statement B-12

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|-------------------|-------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 150,000 | \$ 150,000 | \$ 143,604 | \$ (6,396) |
| Total revenues | \$ 150,000 | \$ 150,000 | \$ 143,604 | \$ (6,396) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 136,000 | \$ 136,000 | \$ 127,726 | \$ 8,274 |
| Capital Outlay | - | - | - | - |
| Total expenditures | \$ 136,000 | \$ 136,000 | \$ 127,726 | \$ 8,274 |
| Excess (deficiency) of revenues over expenditures | 14,000 | 14,000 | 15,878 | 1,878 |
| Prior year cash balance | 648,085 | 648,085 | - | |
| Net change in fund balances | \$ 662,085 | \$ 662,085 | 15,878 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | 2,270 | |
| Net change in fund balance | | | \$ 18,148 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Paving District For the Year Ended June 30, 2013

Statement B-13

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|-----------------|--------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ 7,005 | \$ 7,005 |
| Investment earnings | - | - | 1,279 | 1,279 |
| Total revenues | \$ - | \$ - | \$ 8,284 | \$ 8,284 |
| EXPENDITURES | | | | |
| Current: | - | - | - | - |
| General government | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over expenditures | - | - | 8,284 | 8,284 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | - | - |
| Total other financing sources and (uses) | - | - | - | - |
| Prior year cash balance | - | - | - | - |
| Net change in fund balances | \$ - | \$ - | 8,284 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ 8,284 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Property Valuation For the Year Ended June 30, 2013

Statement B-14

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance Positive (Negative)</u> |
|--|------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Charges for services | \$ 240,000 | \$ 240,000 | \$ 268,048 | \$ 28,048 |
| Total revenues | \$ 240,000 | \$ 240,000 | \$ 268,048 | \$ 28,048 |
| EXPENDITURES | | | | |
| General government | \$ 434,196 | \$ 434,196 | \$ 218,519 | \$ 215,677 |
| Capital Outlay | 40,000 | 40,000 | 29,737 | 10,263 |
| Total expenditures | \$ 474,196 | \$ 474,196 | \$ 248,256 | \$ 225,940 |
| Excess (deficiency) of revenues over expenditures | (234,196) | (234,196) | 19,792 | 253,988 |
| Prior year cash balance | 527,711 | 527,711 | - | |
| Net change in fund balances | \$ 293,515 | \$ 293,515 | 19,792 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | (4) | |
| Net change in fund balance | | | \$ 19,788 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Lea County Event Center Stipulation For the Year Ended June 30, 2013

Statement B-15

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|-------------------|-------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Investment earnings | \$ 1,500 | \$ 1,500 | \$ 2,695 | \$ 1,195 |
| Total revenues | \$ 1,500 | \$ 1,500 | \$ 2,695 | \$ 1,195 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over expenditures | 1,500 | 1,500 | 2,695 | 1,195 |
| Prior year cash balance | 257,758 | 257,758 | - | |
| Net change in fund balances | \$ 259,258 | \$ 259,258 | 2,695 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ 2,695 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Knowles EMS Grant For the Year Ended June 30, 2013

Statement B-16

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance Positive (Negative)</u> |
|--|------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 5,000 | \$ 5,000 | \$ 5,191 | \$ 191 |
| Total revenues | \$ 5,000 | \$ 5,000 | \$ 5,191 | \$ 191 |
| EXPENDITURES | | | | |
| Public safety | \$ 5,000 | \$ 5,000 | \$ 3,817 | \$ 1,183 |
| Total expenditures | \$ 5,000 | \$ 5,000 | \$ 3,817 | \$ 1,183 |
| Excess (deficiency) of revenues over expenditures | - | - | 1,374 | 1,374 |
| Prior year cash balance | 3,754 | 3,754 | - | |
| Net change in fund balances | \$ 3,754 | \$ 3,754 | 1,374 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ 1,374 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Law Enforcement Project
For the Year Ended June 30, 2013**

Statement B-17

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance Positive (Negative)</u> |
|--|------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 41,000 | \$ 41,000 | \$ 41,000 | \$ - |
| Total revenues | \$ 41,000 | \$ 41,000 | \$ 41,000 | \$ - |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Public safety | \$ 86,000 | \$ 86,000 | \$ 68,037 | \$ 17,963 |
| Total expenditures | \$ 86,000 | \$ 86,000 | \$ 68,037 | \$ 17,963 |
| Excess (deficiency) of revenues over expenditures | (45,000) | (45,000) | (27,037) | 17,963 |
| Prior year cash balance | 45,049 | 45,049 | - | |
| Net change in fund balances | \$ 49 | \$ 49 | (27,037) | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | 325 | |
| Net change in fund balance | | | \$ (26,712) | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Maljamar EMS Grant
For the Year Ended June 30, 2013**

Statement B-18

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 3,000 | \$ 3,000 | \$ - | \$ (3,000) |
| Total revenues | \$ 3,000 | \$ 3,000 | \$ - | \$ (3,000) |
| EXPENDITURES | | | | |
| Public safety | \$ 5,000 | \$ 5,000 | \$ 91 | \$ 4,909 |
| Total expenditures | \$ 5,000 | \$ 5,000 | \$ 91 | \$ 4,909 |
| Excess (deficiency) of revenues over expenditures | (2,000) | (2,000) | (91) | 1,909 |
| Prior year cash balance | 7,754 | 7,754 | - | |
| Net change in fund balances | \$ 5,754 | \$ 5,754 | (91) | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ (91) | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Fire Excise Tax
For the Year Ended June 30, 2013**

Statement B-19

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Investment earnings | \$ 2,000 | \$ 2,000 | \$ 2,620 | \$ 620 |
| Total revenues | \$ 2,000 | \$ 2,000 | \$ 2,620 | \$ 620 |
| EXPENDITURES | | | | |
| General government | \$ 3,000 | \$ 3,000 | \$ - | \$ 3,000 |
| Capital outlay | - | 200,000 | 196,327 | 3,673 |
| Total expenditures | \$ 3,000 | \$ 203,000 | \$ 196,327 | \$ 6,673 |
| Excess (deficiency) of revenues over expenditures | (1,000) | (201,000) | (193,707) | 7,293 |
| Prior year cash balance | 2,068,534 | 2,068,534 | - | |
| Net change in fund balances | \$ 2,067,534 | \$ 1,867,534 | (193,707) | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ (193,707) | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Monument EMS Grant
For the Year Ended June 30, 2013**

Statement B-20

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance Positive (Negative)</u> |
|--|------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 5,000 | \$ 5,000 | \$ - | \$ (5,000) |
| Miscellaneous | - | - | - | - |
| Total revenues | 5,000 | 5,000 | - | (5,000) |
| EXPENDITURES | | | | |
| Public safety | 5,000 | 5,000 | 1,822 | 3,178 |
| Total expenditures | 5,000 | 5,000 | 1,822 | 3,178 |
| Excess (deficiency) of revenues over expenditures | - | - | (1,822) | (1,822) |
| Prior year cash balance | 2,785 | 2,785 | - | |
| Net change in fund balances | \$ 2,785 | \$ 2,785 | (1,822) | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ (1,822) | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Jal CDBG Wastewater
For the Year Ended June 30, 2013**

Statement B-21

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Investment earnings | \$ - | \$ - | \$ - | \$ - |
| Total revenues | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| General government | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Prior year cash balance | 21,882 | 21,882 | - | |
| Net change in fund balances | \$ 21,882 | \$ 21,882 | - | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ - | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Convenience Centers For the Year Ended June 30, 2013

Statement B-22

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ 1,250,000 | \$ 1,250,000 | \$ 1,593,410 | \$ 343,410 |
| Total revenues | \$ 1,250,000 | \$ 1,250,000 | \$ 1,593,410 | \$ 343,410 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 1,386,031 | \$ 1,386,031 | \$ 1,295,422 | \$ 90,609 |
| Capital Outlay | 780,000 | 1,550,000 | 123,370 | 1,426,630 |
| Total expenditures | \$ 2,166,031 | \$ 2,936,031 | \$ 1,418,792 | \$ 1,517,239 |
| Excess (deficiency) of revenues over expenditures | (916,031) | (1,686,031) | 174,618 | 1,860,649 |
| Prior year cash balance | 1,919,450 | 1,919,450 | - | |
| Net change in fund balances | \$ 1,003,419 | \$ 233,419 | 174,618 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | (17,339) | |
| Change in other receivables | | | 14,202 | |
| Net change in fund balance | | | \$ 171,481 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Revolving Loan Fund
For the Year Ended June 30, 2013**

Statement B-23

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Investment earnings | \$ - | \$ - | \$ - | \$ - |
| Total revenues | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Prior year cash balance | 960 | 960 | - | |
| Net change in fund balances | \$ 960 | \$ 960 | - | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ - | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget (non-GAAP Budgetary Basis) and Actual
 PRCA Steer Roping
 For the Year Ended June 30, 2013

Statement B-24

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------|------------------|----------------|------------------------------|
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Total revenues | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Prior year cash balance | 68,236 | 68,236 | - | |
| Net change in fund balances | \$ 68,236 | \$ 68,236 | - | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ - | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Other Grants
For the Year Ended June 30, 2013**

Statement B-25

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 912,775 | \$ 912,775 | \$ 661,425 | \$ (251,350) |
| Miscellaneous | 72,915 | 72,915 | 68,981 | (3,934) |
| Total revenues | \$ 985,690 | \$ 985,690 | \$ 730,406 | \$ (255,284) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 948,426 | \$ 993,926 | \$ 777,109 | \$ 216,817 |
| Capital Outlay | 78,149 | 78,149 | 64,989 | 13,160 |
| Total expenditures | \$ 1,026,575 | \$ 1,072,075 | \$ 842,098 | \$ 229,977 |
| Excess (deficiency) of revenues over expenditures | (40,885) | (86,385) | (111,692) | (25,307) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 146,500 | \$ 146,500 | \$ 146,500 | \$ - |
| Total other financing sources and (uses) | \$ 146,500 | \$ 146,500 | \$ 146,500 | \$ - |
| Prior year cash balance | 31,004 | 31,004 | - | |
| Net change in fund balances | \$ 136,619 | \$ 91,119 | \$ 34,808 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts receivables | | | 38,691 | |
| Change in accounts payable | | | 194,163 | |
| Change in deferred revenue | | | 198,514 | |
| Net change in fund balance | | | \$ 466,176 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual HIDTA Fund For the Year Ended June 30, 2013

Statement B-26

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 1,627,298 | \$ 1,627,298 | \$ 1,465,464 | \$ (161,834) |
| Investment earnings | 25 | 25 | 38 | 13 |
| Miscellaneous | 45,000 | 45,000 | 55,842 | 10,842 |
| Total revenues | \$ 1,672,323 | \$ 1,672,323 | \$ 1,521,344 | \$ (150,979) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 1,376,900 | \$ 1,538,400 | \$ 1,439,891 | \$ 98,509 |
| Capital Outlay | 71,927 | 183,027 | 170,018 | 13,009 |
| Total expenditures | \$ 1,448,827 | \$ 1,721,427 | \$ 1,609,909 | \$ 111,518 |
| Excess (deficiency) of revenues over expenditures | 223,496 | (49,104) | (88,565) | (39,461) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 165,000 | \$ 165,000 | \$ 165,000 | \$ - |
| Transfers out | (42,500) | (42,500) | (42,500) | - |
| Total other financing sources and (uses) | \$ 122,500 | \$ 122,500 | \$ 122,500 | \$ - |
| Prior year cash balance | 83,210 | 83,210 | - | |
| Net change in fund balances | \$ 429,206 | \$ 156,606 | 33,935 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Increase in deferred revenue | | | 152,514 | |
| Change in accounts payable | | | (195,033) | |
| Increase in other receivables | | | (40,159) | |
| Net change in fund balance | | | \$ (48,743) | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Magistrate Court Security For the Year Ended June 30, 2013

Statement B-27

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------|------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 15,000 | \$ 15,000 | \$ 14,816 | \$ (184) |
| Total revenues | \$ 15,000 | \$ 15,000 | \$ 14,816 | \$ (184) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 30,000 | \$ 30,000 | \$ 28,176 | \$ 1,824 |
| Total expenditures | \$ 30,000 | \$ 30,000 | \$ 28,176 | \$ 1,824 |
| Excess (deficiency) of revenues over expenditures | (15,000) | (15,000) | (13,360) | 1,640 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ - |
| Total other financing sources and (uses) | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ - |
| Prior year cash balance | 3,531 | 3,531 | - | |
| Net change in fund balances | \$ 3,531 | \$ 3,531 | 1,640 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Increase in accounts payable | | | (3,676) | |
| Net change in fund balance | | | \$ (2,036) | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Rural Law Enforcement
For the Year Ended June 30, 2013**

Statement B-28

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|--------------------|--------------------|--------------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - |
| Total revenues | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over expenditures | - | - | - | \$ - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ (53,025) | \$ (53,025) | \$ (53,025) | \$ - |
| Total other financing sources and (uses) | \$ (53,025) | \$ (53,025) | \$ (53,025) | \$ - |
| Prior year cash balance | 53,025 | 53,025 | - | |
| Net change in fund balances | \$ - | \$ - | (53,025) | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ (53,025) | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Lea County Airports For the Year Ended June 30, 2013

Statement B-29

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 1,525,000 | \$ 1,525,000 | \$ 239,744 | \$ (1,285,256) |
| Charges for services | 1,140,000 | 1,140,000 | 423,032 | (716,968) |
| Miscellaneous | - | - | 126 | 126 |
| Total revenues | \$ 2,665,000 | \$ 2,665,000 | \$ 662,902 | \$ (2,002,098) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 986,068 | \$ 1,001,068 | \$ 576,843 | \$ 424,225 |
| Capital Outlay | 5,007,000 | 5,107,000 | 600,305 | 4,506,695 |
| Total expenditures | \$ 5,993,068 | \$ 6,108,068 | \$ 1,177,148 | \$ 4,930,920 |
| Excess (deficiency) of revenues over expenditures | (3,328,068) | (3,443,068) | (514,246) | 2,928,822 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 1,724,000 | \$ 1,724,000 | \$ 1,724,000 | \$ - |
| Total other financing sources and (uses) | \$ 1,724,000 | \$ 1,724,000 | \$ 1,724,000 | \$ - |
| Prior year cash balance | 1,720,045 | 1,720,045 | - | |
| Net change in fund balances | \$ 115,977 | \$ 977 | 1,209,754 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | (31,973) | |
| Net change in fund balance | | | \$ 1,177,781 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Sole Community Provider
For the Year Ended June 30, 2013**

Statement B-30

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 1,400,000 | \$ - | | \$ - |
| Total expenditures | \$ 1,400,000 | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over expenditures | (1,400,000) | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ - |
| Transfers out | - | (1,599,485) | (1,599,485) | - |
| Total other financing sources and (uses) | \$ 1,000,000 | \$ (599,485) | \$ (599,485) | \$ - |
| Prior year cash balance | 599,485 | 599,485 | - | |
| Net change in fund balances | \$ 199,485 | \$ - | (599,485) | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | 325,707 | |
| Net change in fund balance | | | \$ (273,778) | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual State Fire Allotment For the Year Ended June 30, 2013

Statement B-31

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|------------------|------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 49,326 | \$ 49,326 | \$ 48,476 | \$ (850) |
| Total revenues | \$ 49,326 | \$ 49,326 | \$ 48,476 | \$ (850) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 51,000 | \$ 51,000 | \$ 30,581 | \$ 20,419 |
| Total expenditures | \$ 51,000 | \$ 51,000 | \$ 30,581 | \$ 20,419 |
| Excess (deficiency) of revenues over expenditures | (1,674) | (1,674) | 17,895 | 19,569 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources and (uses) | - | - | - | - |
| Prior year cash balance | 27,248 | 27,248 | - | |
| Net change in fund balances | \$ 25,574 | \$ 25,574 | 17,895 | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in accounts payable | | | (239) | |
| Net change in fund balance | | | \$ 17,656 | |

The accompanying notes are an integral part of these statements.

DEBT SERVICE FUNDS

Detention Bond Reserve – To account for the required reserve amount per the bond agreement.

Gross Receipts Debt Service Fund – To account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources provided by gross receipts tax revenue bonds.

LEA COUNTY, NEW MEXICO

**Balance Sheet
Detention Bond Reserve
June 30, 2013**

Statement C-1

| | Detention Bond Reserve |
|--|-----------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ - |
| Other receivables | - |
| | <hr/> |
| Total assets | \$ - |
| | <hr/> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | \$ - |
| | <hr/> |
| Total liabilities | - |
| | <hr/> |
| Fund balances: | |
| Restricted | - |
| | <hr/> |
| Total fund balances | - |
| | <hr/> |
| Total liabilities and fund balances | \$ - |
| | <hr/> |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Revenues, Expenditures and Changes in Fund Balances Debt Service Funds For the Year Ended June 30, 2013

Statement C-2

| | Detention Bond Reserve |
|--|-----------------------------------|
| REVENUES | |
| Property, sales and miscellaneous taxes | \$ - |
| Investment earnings | - |
| Total revenues | - |
| EXPENDITURES | |
| Current: | |
| Principal | - |
| Interest and other charges | - |
| Total expenditures | - |
| Excess (deficiency) of revenues over expenditures | - |
| OTHER FINANCING SOURCES (USES) | |
| Proceeds from sale of bonds | - |
| Payment to refunded bond escrow agent | - |
| Transfers out | (1,177,205) |
| Total other financing sources (uses) | (1,177,205) |
| Net change in fund balances | (1,177,205) |
| Fund balances - beginning of year | 1,177,205 |
| Fund balances - end of year | \$ - |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Detention Bond Reserve For the Year Ended June 30, 2013

Statement C-3

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|--------------------|--------------------|-----------------------|------------------------------------|
| REVENUES | \$ - | \$ - | \$ - | \$ - |
| Total revenues | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from capital leases | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | (1,177,205) | (1,177,205) | (1,177,205) | - |
| Total other financing sources and (uses) | (1,177,205) | (1,177,205) | (1,177,205) | - |
| Prior year cash balance | 1,177,205 | 1,177,205 | - | |
| Net change in fund balances | \$ - | \$ - | (1,177,205) | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ (1,177,205) | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget (non-GAAP Budgetary Basis) and Actual Gross Receipts Debt Service For the Year Ended June 30, 2013

Statement C-4

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ 5,360,000 | \$ 5,360,000 | \$ 5,359,751 | \$ (249) |
| Investment earnings | 4,000 | 4,000 | 5,462 | 1,462 |
| Total revenues | \$ 5,364,000 | \$ 5,364,000 | \$ 5,365,213 | \$ 1,213 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Principal | \$ 1,240,000 | \$ 853,557 | \$ 835,000 | \$ 18,557 |
| Debt service expenditures | 1,130,000 | 1,130,000 | 1,130,000 | - |
| Interest and other charges | 503,780 | 622,673 | 622,673 | - |
| Total expenditures | \$ 2,873,780 | \$ 2,606,230 | \$ 2,587,673 | \$ 18,557 |
| Excess (deficiency) of revenues over expenditures | 2,490,220 | 2,757,770 | 2,777,540 | 19,770 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds of refunding bonds | 10,000,000 | 10,000,000 | 10,000,000 | - |
| Payment to refunded bond escrow agent | (10,000,000) | (10,000,000) | (10,000,000) | - |
| Transfers in | 1,177,205 | 1,177,205 | 1,177,205 | - |
| Transfers out | (4,000,000) | (4,000,000) | (4,000,000) | - |
| Total other financing sources and (uses) | (2,822,795) | (2,822,795) | (2,822,795) | - |
| Prior year cash balance | 1,749,012 | 1,749,012 | - | |
| Net change in fund balances | \$ 1,416,437 | \$ 1,683,987 | (45,255) | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in taxes receivable (excluding property tax) | | | 120,056 | |
| Net change in fund balance | | | \$ 74,801 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

PERMANENT FUND

Lea County Event Center Permanent Fund – To account for funds permanently restricted by a court-ordered stipulation agreement, subsequent to the completion of construction of the Lea County Event Center.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet
Permanent Fund
June 30, 2013

Statement D-1

| | <u>Lea County Event Center Permanent</u> |
|--|--|
| ASSETS | |
| Cash and cash equivalents | \$ 1,443,125 |
| Total assets | \$ 1,443,125 |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Due to other funds | \$ 90,000 |
| Total liabilities | 90,000 |
| Fund balances: | |
| Restricted | 1,353,125 |
| Total fund balances | 1,353,125 |
| Total liabilities and fund balances | \$ 1,443,125 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Permanent Fund
For the Year Ended June 30, 2013

Statement D-2

| | <u>Lea County Event Center Permanent</u> |
|--|--|
| REVENUES | <u>\$ -</u> |
| Total revenues | <u>-</u> |
| EXPENDITURES | <u>-</u> |
| Total expenditures | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> |
| Net change in fund balances | - |
| Fund balances - beginning of year | <u>1,353,125</u> |
| Fund balances - end of year | <u>\$ 1,353,125</u> |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Permanent Fund
For the Year Ended June 30, 2013**

Statement D-3

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|---------------------|---------------------|-------------------|------------------------------------|
| REVENUES | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| EXPENDITURES | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Prior year cash balance | 1,443,125 | 1,443,125 | - | |
| Net change in fund balances | \$ 1,443,125 | \$ 1,443,125 | - | |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Net change in fund balance | | | \$ - | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

PROPRIETARY FUND

Water Service Fund – To account for fees for services provided and expenses related to the operation of the water line.

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

LEA COUNTY
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget (non-GAAP Budgetary Basis) and Actual
Water Service Fund
For the Year Ended June 30, 2013

Statement E-1

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|-------------------|---------------------|---------------------|------------------------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 1,500 | \$ 1,500 | 1,413 | \$ (87) |
| Total operating revenues | \$ 1,500 | \$ 1,500 | \$ 1,413 | \$ (87) |
| OPERATING EXPENSES | | | | |
| Operating expenses | \$ - | \$ - | \$ - | \$ - |
| Total operating expenses | \$ - | \$ - | \$ - | \$ - |
| Operating income (loss) | 1,500 | 1,500 | 1,413 | (87) |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Capital outlay | \$ - | \$ (245,000) | \$ (244,110) | \$ 890 |
| Revenue from other agencies | - | - | - | - |
| Total nonoperating revenues (expenses) | \$ - | \$ (245,000) | \$ (244,110) | \$ 890 |
| Income (loss) before contributions and transfers | 1,500 | (243,500) | (242,697) | 803 |
| Transfers in | 243,500 | 243,500 | 243,500 | - |
| Transfers out | - | - | - | - |
| Change in net position | \$ 245,000 | \$ - | 803 | \$ 803 |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Adjustments to revenues for accounts receivable accruals | | | 475,000 | |
| Capital asset additions | | | 244,110 | |
| Net change in fund balance | | | \$ 719,913 | |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

FIDUCIARY FUNDS

Agency Funds

County Treasurer's Office Suspense Fund – To account for protested tax assessments pursuant to Section 7-1-24 NMSA 1978.

County Treasurer's Office – To account for collection and payment to the County of taxes collected on its behalf.

County Clerk's Office – To account for collection and payment to the County of fees collected on its behalf.

County Probate Judge's Office – To account for the collection and payment to the County of fees collected on its behalf.

Detention Inmate Trust – To account for funds belonging to the inmates of the Detention Facility. The funds are used for incidental expenses of the inmates at their discretion and purchase of commissary inventory. Profits from sale of commissary inventory are used to provide equipment and supplies for inmates' benefit.

Lea County Solid Waste Authority (LCSWA) – To account for the fiscal agency responsibility of the County in the construction and operation of the LCSWA.

Lea County Water Users Association (LCWUA) – To account for the fiscal agency responsibility of the County in the collection of monies from various entities to pay for the consultation and attorney fees to conduct the water plan program.

Lea County Communications Authority (LCCA) – To account for the fiscal agency responsibility of the County to manage all revenues, maintain all accounts and receive and disburse all funds on behalf of the Authority.

Detention Bond Account – This account is used to hold the cash bonds of prisoners at the detention facility until the bonds are remitted to the appropriate agency.

Eddy-Lea Energy Alliance, LLC – To account for the fiscal agency responsibility of the County to manage all revenues, maintain all accounts and receive and disburse all funds on behalf of the Alliance.

LEA COUNTY, NEW MEXICO

Agency Funds - Combining Statement of Changes in Assets and Liabilities For the Year Ended June 30, 2013

Statement F-1
Page 1 of 4

| | June 30, 2012 | Additions | Deletions | June 30, 2013 |
|---------------------------------------|---------------------|-----------------------|-----------------------|---------------------|
| COUNTY TREASURER'S OFFICE | | | | |
| SUSPENSE FUND | | | | |
| Assets | | | | |
| Cash | \$ 2,623,816 | \$ 2,511,423 | \$ - | \$ 5,135,239 |
| Total assets | \$ 2,623,816 | \$ 2,511,423 | \$ - | \$ 5,135,239 |
| Liabilities | | | | |
| Deposits held in trust for others | \$ 2,623,816 | \$ 2,511,423 | \$ - | \$ 5,135,239 |
| Total liabilities | \$ 2,623,816 | \$ 2,511,423 | \$ - | \$ 5,135,239 |
| COUNTY TREASURER'S OFFICE | | | | |
| Assets | | | | |
| Cash | \$ 2,345,526 | \$ 78,687,716 | \$ 78,949,535 | \$ 2,083,707 |
| Taxes receivable | 864,822 | 37,591,124 | 37,464,363 | 991,583 |
| Total assets | \$ 3,210,348 | \$ 116,278,840 | \$ 116,413,898 | \$ 3,075,290 |
| Liabilities | | | | |
| Taxes paid in advance | \$ 37,026 | \$ 86,051 | \$ 87,326 | \$ 35,751 |
| Deposits held in trust for others | 2,308,500 | 78,601,665 | 78,862,209 | 2,047,956 |
| Due to other taxing units/governments | 864,822 | 37,591,124 | 37,464,363 | 991,583 |
| Total liabilities | \$ 3,210,348 | \$ 116,278,840 | \$ 116,413,898 | \$ 3,075,290 |
| COUNTY CLERK'S OFFICE | | | | |
| Assets | | | | |
| Cash | \$ 40,642 | \$ 493,953 | \$ 492,077 | \$ 42,518 |
| Total assets | \$ 40,642 | \$ 493,953 | \$ 492,077 | \$ 42,518 |
| Liabilities | | | | |
| Deposits held in trust for others | \$ 40,642 | \$ 493,953 | \$ 492,077 | \$ 42,518 |
| Total liabilities | \$ 40,642 | \$ 493,953 | \$ 492,077 | \$ 42,518 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Agency Funds - Combining Statement of Changes in Assets and Liabilities (continued)
For the Year Ended June 30, 2013

Statement F-1
Page 2 of 4

| | June 30, 2012 | Additions | Deletions | June 30, 2013 |
|---|---------------------|---------------------|---------------------|---------------------|
| COUNTY PROBATE JUDGE'S OFFICE | | | | |
| Assets | | | | |
| Cash | \$ 540 | \$ 4,980 | \$ 5,250 | \$ 270 |
| Total assets | \$ 540 | \$ 4,980 | \$ 5,250 | \$ 270 |
| Liabilities | | | | |
| Deposits held in trust for others | \$ 540 | \$ 4,980 | \$ 5,250 | \$ 270 |
| Total liabilities | \$ 540 | \$ 4,980 | \$ 5,250 | \$ 270 |
| DETENTION INMATE TRUST | | | | |
| Assets | | | | |
| Cash | \$ 30,294 | \$ 630,025 | \$ 641,322 | \$ 18,997 |
| Total assets | \$ 30,294 | \$ 630,025 | \$ 641,322 | \$ 18,997 |
| Liabilities | | | | |
| Deposits held in trust for others | \$ 30,294 | \$ 630,025 | \$ 641,322 | \$ 18,997 |
| Total liabilities | \$ 30,294 | \$ 630,025 | \$ 641,322 | \$ 18,997 |
| LEA COUNTY SOLID WASTE AUTHORITY | | | | |
| Assets | | | | |
| Cash | \$ 2,634,961 | \$ 3,213,833 | \$ 2,065,608 | \$ 3,783,186 |
| Due from other governments | 8,121 | 6,586 | 8,121 | 6,586 |
| Total assets | \$ 2,643,082 | \$ 3,220,419 | \$ 2,073,729 | \$ 3,789,772 |
| Liabilities | | | | |
| Deposits held in trust for others | \$ 2,643,082 | \$ 3,220,419 | \$ 2,073,729 | \$ 3,789,772 |
| Total liabilities | \$ 2,643,082 | \$ 3,220,419 | \$ 2,073,729 | \$ 3,789,772 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Agency Funds - Combining Statement of Changes in Assets and Liabilities (continued)
For the Year Ended June 30, 2013

Statement F-1
Page 3 of 4

| | June 30, 2012 | Additions | Deletions | June 30, 2013 |
|--|-------------------|---------------------|---------------------|-------------------|
| LEA COUNTY WATER USERS ASSOCIATION | | | | |
| Assets | | | | |
| Cash | \$ 26,721 | \$ 9,345 | \$ 879 | \$ 35,187 |
| Due from other governments | 84,921 | 403 | 7,897 | 77,427 |
| Total assets | \$ 111,642 | \$ 9,748 | \$ 8,776 | \$ 112,614 |
| Liabilities | | | | |
| Due to others | \$ 19,771 | \$ - | \$ - | \$ 19,771 |
| Deposits held in trust for others | 91,871 | 9,748 | 8,776 | 92,843 |
| Total liabilities | \$ 111,642 | \$ 9,748 | \$ 8,776 | \$ 112,614 |
| LEA COUNTY COMMUNICATIONS AUTHORITY | | | | |
| Assets | | | | |
| Cash | \$ 69 | \$ 3,049,022 | \$ 3,048,549 | \$ 542 |
| Total assets | \$ 69 | \$ 3,049,022 | \$ 3,048,549 | \$ 542 |
| Liabilities | | | | |
| Deposits held in trust for others | \$ 69 | \$ 3,049,022 | \$ 3,048,549 | \$ 542 |
| Total liabilities | \$ 69 | \$ 3,049,022 | \$ 3,048,549 | \$ 542 |
| DETENTION BOND ACCOUNT | | | | |
| Assets | | | | |
| Cash | \$ 2,961 | \$ 205,928 | \$ 204,301 | \$ 4,588 |
| Total assets | \$ 2,961 | \$ 205,928 | \$ 204,301 | \$ 4,588 |
| Liabilities | | | | |
| Deposits held in trust for others | \$ 2,961 | \$ 205,928 | \$ 204,301 | \$ 4,588 |
| Total liabilities | \$ 2,961 | \$ 205,928 | \$ 204,301 | \$ 4,588 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Agency Funds - Combining Statement of Changes in Assets and Liabilities (continued)
For the Year Ended June 30, 2013

Statement F-1
Page 4 of 4

| | June 30, 2012 | Additions | Deletions | June 30, 2013 |
|---------------------------------------|---------------------|-----------------------|-----------------------|----------------------|
| EDDY-LEA ENERGY ALLIANCE | | | | |
| Assets | | | | |
| Cash | \$ - | \$ 81,072 | \$ - | \$ 81,072 |
| Total assets | \$ - | \$ 81,072 | \$ - | \$ 81,072 |
| Liabilities | | | | |
| Deposits held in trust for others | \$ - | \$ 81,072 | \$ - | \$ 81,072 |
| Total liabilities | \$ - | \$ 81,072 | \$ - | \$ 81,072 |
| TOTALS | | | | |
| Assets | | | | |
| Cash | \$ 7,705,530 | \$ 88,887,297 | \$ 85,407,521 | \$ 11,185,306 |
| Taxes receivable | 864,822 | 37,591,124 | 37,464,363 | 991,583 |
| Due from other governments | 93,042 | 6,989 | 16,018 | 84,013 |
| Total assets | \$ 8,663,394 | \$ 126,485,410 | \$ 122,887,902 | \$ 12,260,902 |
| Liabilities | | | | |
| Taxes paid in advance | \$ 37,026 | \$ 86,051 | \$ 87,326 | \$ 35,751 |
| Deposits held in trust for others | 7,741,775 | 88,808,235 | 85,336,213 | 11,213,797 |
| Due to other taxing units/governments | 864,822 | 37,591,124 | 37,464,363 | 991,583 |
| Due to others | 19,771 | - | - | 19,771 |
| Total liabilities | \$ 8,663,394 | \$ 126,485,410 | \$ 122,887,902 | \$ 12,260,902 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

SUPPLEMENTAL SCHEDULE OF RECONCILIATION OF TAX ROLLS Year Ended June 30, 2013

Schedule G-1

| | |
|---|----------------------------|
| Property taxes receivable, beginning of year | \$ 1,284,084 |
| Changes to Tax Roll: | |
| Net taxes charged to treasurer for fiscal year 2013 (tax year 2012) | 34,159,959 |
| Adjustments: | |
| Increases in taxes receivables | 1,228,732 |
| Decrease in taxes receivables | <u>(259,807)</u> |
| Total receivables prior to collections | 36,412,968 |
| Collections for fiscal year ended June 30, 2013 | <u>(34,921,897)</u> |
| Property taxes receivable, end of year | <u>\$ 1,491,071</u> |

Property Taxes Receivable by years:

| | |
|---------------------------------------|----------------------------|
| 2004-2012 | \$ 515,003 |
| 2013 | <u>976,068</u> |
| Total Taxes Receivable | <u>\$ 1,491,071</u> |
| Less: Trust & Agency Taxes Receivable | <u>991,583</u> |
| Taxes receivable | <u>\$ 499,488</u> |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

COUNTY TREASURER'S PROPERTY TAX SCHEDULE Year Ended June 30, 2013

Schedule G-2

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
|---------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Lea County funds: | | | | | | | | | | | |
| General | \$ 8,283.72 | \$ 10,429.56 | \$ 10,425.92 | \$ 11,491.27 | \$ 14,653.09 | \$ 15,996.18 | \$ 12,076.05 | \$ 26,935.31 | \$ 65,177.76 | \$ 324,019.39 | \$ 499,488 |
| New Mexico Junior College | \$ 4,869.51 | \$ 4,976.35 | \$ 4,979.47 | \$ 5,500.26 | \$ 6,964.59 | \$ 7,857.22 | \$ 6,036.69 | \$ 13,347.97 | \$ 32,833.75 | \$ 160,466.89 | \$ 247,833 |
| Nor-Lea Hospital | \$ 165.31 | \$ 261.60 | \$ 263.23 | \$ 512.38 | \$ 309.56 | \$ 356.32 | \$ 595.21 | \$ 5,154.46 | \$ 6,828.74 | \$ 26,739.27 | \$ 41,186 |
| Jal Hospital | \$ - | \$ - | \$ - | \$ - | \$ 38.16 | \$ 79.41 | \$ 82.08 | \$ 174.94 | \$ 892.96 | \$ 4,091.67 | \$ 5,359 |
| Eunice Hospital District | \$ 0.21 | \$ 0.21 | \$ 0.19 | \$ 0.19 | \$ 0.17 | \$ 21.11 | \$ 35.76 | \$ 73.13 | \$ 477.34 | \$ 17,482.12 | \$ 18,090 |
| Municipalities: | | | | | | | | | | | |
| Lovington | \$ 227.98 | \$ 247.85 | \$ 247.06 | \$ 283.13 | \$ 284.37 | \$ 307.60 | \$ 341.70 | \$ 1,015.99 | \$ 4,335.97 | \$ 15,591.26 | \$ 22,883 |
| Eunice | \$ - | \$ 0.63 | \$ 0.62 | \$ 0.59 | \$ 0.41 | \$ 75.92 | \$ 130.34 | \$ 181.37 | \$ 1,299.04 | \$ 7,942.71 | \$ 9,632 |
| Hobbs | \$ 493.66 | \$ 518.86 | \$ 537.51 | \$ 624.11 | \$ 2,621.75 | \$ 3,427.54 | \$ 4,488.92 | \$ 4,991.44 | \$ 17,795.31 | \$ 67,604.33 | \$ 103,103 |
| Jal | \$ - | \$ - | \$ - | \$ - | \$ 114.93 | \$ 242.98 | \$ 250.01 | \$ 464.33 | \$ 1,972.47 | \$ 7,880.29 | \$ 10,925 |
| Tatum | \$ 0.44 | \$ 0.44 | \$ 0.44 | \$ 0.44 | \$ 1.24 | \$ 1.12 | \$ 1.12 | \$ 13.78 | \$ 323.25 | \$ 1,767.58 | \$ 2,110 |
| State of New Mexico | \$ 1,468.15 | \$ 1,017.76 | \$ 1,222.29 | \$ 1,416.37 | \$ 1,715.07 | \$ 2,094.15 | \$ 1,557.62 | \$ 4,588.53 | \$ 10,667.34 | \$ 49,937.67 | \$ 75,685 |
| Schools: | | | | | | | | | | | |
| Lovington | \$ 266.47 | \$ 418.36 | \$ 415.33 | \$ 812.76 | \$ 613.10 | \$ 686.76 | \$ 1,097.36 | \$ 5,859.87 | \$ 10,777.55 | \$ 37,135.13 | \$ 58,083 |
| Eunice | \$ 0.38 | \$ 0.38 | \$ 0.38 | \$ 0.38 | \$ 0.38 | \$ 45.87 | \$ 82.36 | \$ 380.60 | \$ 2,220.51 | \$ 78,286.66 | \$ 81,018 |
| Hobbs | \$ 9,237.12 | \$ 8,211.79 | \$ 7,602.72 | \$ 7,660.10 | \$ 10,139.76 | \$ 11,990.63 | \$ 9,299.68 | \$ 15,480.57 | \$ 48,928.43 | \$ 160,941.95 | \$ 289,493 |
| Jal | \$ - | \$ - | \$ - | \$ - | \$ 38.16 | \$ 79.40 | \$ 82.08 | \$ 173.80 | \$ 912.46 | \$ 3,323.94 | \$ 4,610 |
| Tatum | \$ 0.89 | \$ 0.97 | \$ 0.71 | \$ 0.53 | \$ 1.31 | \$ 1.42 | \$ 1.91 | \$ 3,031.82 | \$ 741.32 | \$ 4,676.98 | \$ 8,458 |
| Nonrendered: | \$ - | \$ - | \$ - | \$ 76.08 | \$ 589.90 | \$ - | \$ - | \$ - | \$ - | \$ 24.54 | \$ 691 |
| 1% Assessor | \$ 203.45 | \$ 213.19 | \$ 209.24 | \$ 230.31 | \$ 308.41 | \$ 357.58 | \$ 304.28 | \$ 692.14 | \$ 1,750.99 | \$ 8,155.73 | \$ 12,425 |
| Total taxes | \$ 25,217 | \$ 26,298 | \$ 25,905 | \$ 28,609 | \$ 38,394 | \$ 43,621 | \$ 36,463 | \$ 82,560 | \$ 207,935 | \$ 976,068 | \$ 1,491,071 |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS June 30, 2013

Schedule G-3

| Account Type | Account Name | Lea County State Bank | Western Commerce Bank | Pioneer Savings Bank | Wells Fargo | First American Bank | New Mexico State Treasurer | Total |
|--|----------------------------------|-----------------------|-----------------------|----------------------|----------------------|---------------------|----------------------------|----------------------|
| Cash and Cash Equivalents | | | | | | | | |
| Checking | Lea County Treasurer | \$ 319,854 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 319,854 |
| Checking | Lea County Clerk | 42,518 | | | | | | 42,518 |
| Checking | Lea County Probate Clerk | 270 | | | | | | 270 |
| Checking | Lea County Treasurer EFTPS | 242,622 | | | | | | 242,622 |
| Checking | Lea County Detention Facility | 4,588 | | | | | | 4,588 |
| CD | Lea County Treasurer | 2,000,000 | | | | | | 2,000,000 |
| CD | Lea County Treasurer | 2,000,000 | | | | | | 2,000,000 |
| CD | Lea County Treasurer | 1,000,000 | | | | | | 1,000,000 |
| CD | Lea County Treasurer | 1,000,000 | | | | | | 1,000,000 |
| CD | Lea County Treasurer | 900,000 | | | | | | 900,000 |
| CD | Lea County Treasurer | 240,000 | | | | | | 240,000 |
| CD | Lea County Treasurer | | | | | 2,000,000 | | 2,000,000 |
| CD | Lea County Treasurer | | | | | 1,000,000 | | 1,000,000 |
| CD | Lea County Treasurer | | | | | 1,000,000 | | 1,000,000 |
| CD | Lea County Treasurer | | | | | 1,000,000 | | 1,000,000 |
| CD | Lea County Treasurer | | | | | 1,000,000 | | 1,000,000 |
| CD | Lea County Treasurer | | | | | 1,000,000 | | 1,000,000 |
| CD | Lea County Treasurer | | | | | 1,000,000 | | 1,000,000 |
| CD | Lea County Treasurer | | | | | 1,000,000 | | 1,000,000 |
| CD | Lea County Treasurer | | | | | 1,177,205 | | 1,177,205 |
| CD | Lea County Treasurer | | | 1,000,000 | | | | 1,000,000 |
| CD | Lea County Treasurer | | | 1,000,000 | | | | 1,000,000 |
| CD | Lea County Treasurer | | | 1,000,000 | | | | 1,000,000 |
| CD | Lea County Treasurer | | | 1,000,000 | | | | 1,000,000 |
| CD | Lea County Treasurer | | | 2,000,000 | | | | 2,000,000 |
| Checking | Lea County Treasurer | | | | 2,045,779 | | | 2,045,779 |
| CD | Lea County Treasurer | | | | 1,000,000 | | | 1,000,000 |
| Checking | LCDC Inmate Trust Account | | | | 12,139 | | | 12,139 |
| CD | Lea County Treasurer | | | | 1,443,125 | | | 1,443,125 |
| Saving | Wells Fargo Savings | | | | 30,981,059 | | | 30,981,059 |
| CD | Lea County Treasurer | | 1,000,000 | | | | | 1,000,000 |
| CD | Lea County Treasurer | | 1,000,000 | | | | | 1,000,000 |
| CD | Lea County Treasurer | | 2,000,000 | | | | | 2,000,000 |
| CD | Lea County Treasurer | | 500,000 | | | | | 500,000 |
| CD | Lea County Treasurer | | 2,000,000 | | | | | 2,000,000 |
| CD | Lea County Treasurer | | 500,000 | | | | | 500,000 |
| CD | Lea County Treasurer | | 850,000 | | | | | 850,000 |
| CD | Lea County Treasurer | | 1,000,000 | | | | | 1,000,000 |
| CD | Lea County Treasurer | | 500,000 | | | | | 500,000 |
| Checking | LCDTF-HIDTA Travel Fund | | 236 | | | | | 236 |
| Checking | LCDTF-State Forfeiture Fund | | 53,654 | | | | | 53,654 |
| Checking | LCDTF- Justice Forfeiture Fund | | 50,936 | | | | | 50,936 |
| Checking | Region VI Drug Enf C Counsel | | 1,613 | | | | | 1,613 |
| Checking | Region VI Drug Task Force | | 406 | | | | | 406 |
| LGIP | Lea County Treasurer | | | | | | 1,058 | 1,058 |
| | Amounts on Deposit | \$ 7,749,852 | \$ 9,456,845 | \$ 6,000,000 | \$ 35,482,102 | \$ 9,177,205 | \$ 1,058 | \$ 67,867,062 |
| | Cash and returned checks on hand | 4,000 | - | - | - | - | - | 4,000 |
| | Outstanding items | 21,934 | - | - | 6,083,965 | - | - | 6,105,899 |
| | | <u>\$ 7,775,786</u> | <u>\$ 9,456,845</u> | <u>\$ 6,000,000</u> | <u>\$ 41,566,067</u> | <u>\$ 9,177,205</u> | <u>\$ 1,058</u> | <u>\$ 73,976,961</u> |
| | | | | | | | Unrestricted cash | 61,348,530 |
| | | | | | | | Trust and Agency Accounts | 11,185,306 |
| | | | | | | | Restricted cash | 1,443,125 |
| | | | | | | | | <u>\$ 73,976,961</u> |
| Total Cash and Cash Equivalents | | | | | | | | |
| Investments | | | | | | | | |
| FHLB#313379VX4 | Lea County Treasurer | \$ - | \$ - | \$ - | \$ 664,894 | \$ - | \$ - | \$ 664,894 |
| FHLB#313382W90 | Lea County Treasurer | | | | 500,000 | | | 500,000 |
| FHLB#313380ND5 | Lea County Treasurer | | | | 1,000,000 | | | 1,000,000 |
| FHLB#313380WA1 | Lea County Treasurer | | | | 1,000,000 | | | 1,000,000 |
| FHLB#313380ZP5 | Lea County Treasurer | | | | 1,250,000 | | | 1,250,000 |
| FHLB#313381UF0 | Lea County Treasurer | | | | 1,000,000 | | | 1,000,000 |
| FHLB#313381R23 | Lea County Treasurer | | | | 1,000,000 | | | 1,000,000 |
| FHLB#313381QF5 | Lea County Treasurer | | | | 1,000,000 | | | 1,000,000 |
| FHLB#313382AV5 | Lea County Treasurer | | | | 1,000,000 | | | 1,000,000 |
| FFCB#3133ECJE5 | Lea County Treasurer | | | | 1,000,000 | | | 1,000,000 |
| Tbill 912833RY8 | Lea County Treasurer | | | | 100,145 | | | 100,145 |
| | | <u>\$ 100,145</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,414,894</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,515,039</u> |
| Total Investments | | | | | | | | |
| Total Cash and Investments | | | | | | | | |
| | | <u>\$ 7,875,931</u> | <u>\$ 9,456,845</u> | <u>\$ 6,000,000</u> | <u>\$ 50,980,961</u> | <u>\$ 9,177,205</u> | <u>\$ 1,058</u> | <u>\$ 83,492,000</u> |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL June 30, 2013

Schedule G-4

Page 1 of 2

| | Lea County State Bank Hobbs, NM | Western Commerce Bank Carlsbad, NM | Pioneer Savings Bank Hobbs, NM | Wells Fargo Bank Hobbs, NM | First American Bank Hobbs, NM | TOTAL |
|--|---|--|--------------------------------------|----------------------------------|-------------------------------------|---------------|
| Total amount of deposits | \$ 7,749,852 | \$ 9,456,845 | \$ 6,000,000 | \$ 35,482,102 | \$ 9,177,205 | \$ 67,866,004 |
| Less: FDIC or FSLIC coverage | (250,000) | (250,000) | (250,000) | (250,000) | (250,000) | (1,250,000) |
| Total uninsured public funds | 7,499,852 | 9,206,845 | 5,750,000 | 35,232,102 | 8,927,205 | 66,616,004 |
| Total in Repurchase Agreements | | | | 7,899,357 | | 7,899,357 |
| Collateral requirement - 50% | 3,749,925 | 4,603,423 | 2,875,000 | 13,666,373 | 4,463,603 | 29,358,322 |
| Collateral Requirement for Repurchase Agreement - 102% | | | | 8,057,343 | | 8,057,343 |
| Pledged securities: | | | | | | |
| | Type of security and security number | CUSIP number | Maturity date | | | |
| * | GNMA #780615A | 36225AVG2 | 8/15/2027 | - | 57,525 | - |
| * | GNMA #80272 | 36225CJ56 | 4/20/2029 | - | 36,218 | - |
| * | GNMA #80946 | 36225DBQ6 | 6/20/2034 | - | 164,288 | - |
| * | FHLMC #E01425 | 31294KSN6 | 8/1/2018 | - | 221,426 | - |
| * | GNMA #8996 | 36202K7H2 | 6/20/2022 | - | 96,053 | - |
| * | GNMA #8434 | 36202KLP8 | 6/20/2024 | - | 90,967 | - |
| * | GNMA #8666 | 36202KTX3 | 7/20/2020 | - | 77,899 | - |
| * | FNMA #52597 | 313617NN8 | 7/1/2027 | - | 23,214 | - |
| * | FNMA #133456 | 31365PE53 | 5/1/2027 | - | 16,456 | - |
| * | FNMA #7002 | 31362SX75 | 4/1/2018 | - | 14,048 | - |
| * | FNMA #70619 | 31362TPC1 | 8/1/2029 | - | 18,938 | - |
| * | FNMA #888990 | 31410GUP6 | 1/1/2037 | - | 389,164 | - |
| * | FHLMC #G02198 | 3128LXNP1 | 5/1/2036 | - | 449,855 | - |
| * | GNMA #008121 | 36202KAW5 | 1/20/2023 | - | 74,009 | - |
| * | FHLMC #420051 | 31346ABU8 | 11/1/2026 | - | 19,903 | - |
| * | GNMA #002564 | 36202CZ55 | 3/20/2028 | - | 27,254 | - |
| * | GNMA #008994 | 36202K7F6 | 6/20/2022 | - | 23,034 | - |
| * | FNMA #888407 | 31410GAG8 | 9/1/2036 | - | 450,998 | - |
| * | FHLMC #G05256 | 3128M7E51 | 3/1/2039 | - | 416,662 | - |
| * | FNMA #705683 | 31401D6U0 | 10/1/2033 | - | 113,707 | - |
| * | FNMA #AC2952 | 31417MH63 | 9/1/2039 | - | 1,009,572 | - |
| * | FNMA #AA7942 | 31416RZG1 | 9/1/2033 | - | 1,518,361 | - |
| ⊛ | CORRALES NM 3.7% | 22025PAW9 | 8/1/2016 | 132,316 | - | - |
| ⊛ | RUIDOSO NM 4.0% | 781338GH5 | 8/1/2016 | 666,462 | - | - |
| ⊛ | GADSDEN NM 3.75% | 362550KP9 | 8/15/2016 | 1,082,920 | - | - |
| ⊛ | LOS LUNAS SD 3.5% | 545562NE6 | 7/15/2017 | 762,682 | - | - |
| ⊛ | BELEN SD 3.65 % | 077581MN3 | 8/1/2018 | 854,456 | - | - |
| ⊛ | BERNALILLO NM 4.0% | 085279NK1 | 8/1/2018 | 768,264 | - | - |
| ⊛ | BLOOMFIELD NM 5.0% | 094077KP8 | 9/1/2020 | 812,588 | - | - |
| ⊛ | RUIDOSO NM 4.125% | 781338HD3 | 8/1/2022 | 654,528 | - | - |
| ⊛ | LEA CNTY NM PSD 3.25% | 521513AV3 | 6/15/2019 | 784,138 | - | - |
| * | FNMA-PT AR9199 | 3138W7GH1 | 3/1/2043 | - | 97,194 | - |
| * | FNMA-PT AR1086 | 3138NXF44 | 2/1/2043 | - | 1,434,031 | - |
| * | FNMA-PT AQ9991 | 3138MSC56 | 2/1/2043 | - | 101,354 | - |
| * | FNMA-PT AE0215 | 31419AGZ4 | 12/1/2039 | - | 199,452 | - |
| * | FNMA-PT AR3856 | 3138W1JA6 | 2/1/2043 | - | 1,303,354 | - |
| * | FNMA-PT AH8825 | 3138AAYX3 | 3/1/2041 | - | 1,077,182 | - |
| * | FNMA-PT AB7505 | 31417EKT7 | 1/1/2043 | - | 1,709,131 | - |
| * | FNMA-PT AD6388 | 31418UC28 | 5/1/2025 | - | 1,010,651 | - |
| * | FNMA-PT AJ0784 | 3138AR2S2 | 9/1/2041 | - | 957,320 | - |
| * | FNMA-PT AO9665 | 3138M1W38 | 7/1/2042 | - | 882,372 | - |
| * | FNMA-PT AO2970 | 3138LTJQ2 | 5/1/2042 | - | 4,000,178 | - |
| * | FNMA-PT AJ5921 | 3138AXSK8 | 11/1/2026 | - | 1,284,994 | - |
| * | FNMA-PT 2B0186 | 3128LLF35 | 2/1/2042 | - | 1,249,265 | - |
| * | FNMA-PT AJ4482 | 3138AV6U4 | 12/1/2026 | - | 2,349,116 | - |
| * | FNMA-PT AP2467 | 3138M5W54 | 8/1/2042 | - | 3,414,261 | - |
| * | FNMA-PT AO8780 | 3138M0XJ4 | 8/1/2042 | - | 2,049,471 | - |
| * | FNMA-PT AL0959 | 3128EHB50 | 11/1/2041 | - | 2,090,463 | - |
| * | FNMA-PT A16897 | 3138ALUX3 | 10/1/2026 | - | 1,263,420 | - |
| * | FNMA-PT AH0965 | 318A2CB3 | 12/1/2025 | - | 176,099 | - |
| * | FNMA-PT AH9937 | 3138ACBF3 | 5/1/2041 | - | 1,422,968 | - |
| * | FNMA-PT JL6662 | 3128PVMK1 | 9/1/2026 | - | 1,684,272 | - |
| * | FNMA-PT MA0934 | 31418ABC1 | 11/1/2026 | - | 5,846,564 | - |
| * | FNMA-PT A11163 | 3138AEJH7 | 4/1/2041 | - | 1,559,554 | - |

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL (Continued)

Schedule G-4

Page 2 of 2

| | Lea County State Bank Hobbs, NM | Western Commerce Bank Carlsbad, NM | Pioneer Savings Bank Hobbs, NM | Wells Fargo Bank Hobbs, NM | First American Bank Hobbs, NM | TOTAL | | |
|--------------------------------|---------------------------------------|--|--------------------------------------|----------------------------------|-------------------------------------|--------------|--------------|--------------|
| * FHLMC #781086 | 781086/001 | 12/1/2033 | - | - | 1,202,754 | - | 1,202,754 | |
| * FHLMC #781721 | 781721/001 | 7/1/2034 | - | - | 1,026,531 | - | 1,026,531 | |
| * FHLMC #782804 | 782804/001 | 11/1/2034 | - | - | 201,755 | - | 201,755 | |
| * FHLMC #782847 | 782847/001 | 11/1/2034 | - | - | 204,826 | - | 204,826 | |
| * FHLMC #782928 | 782928/001 | 1/1/2035 | - | - | 128,329 | - | 128,329 | |
| * FHLMC #789868 | 789868/001 | 9/1/2032 | - | - | 104,163 | - | 104,163 | |
| * FNMA #805152 | 805152/001 | 1/1/2035 | - | - | 105,979 | - | 105,979 | |
| * FNMA #845529 | 845529/001 | 12/1/2035 | - | - | 305,397 | - | 305,397 | |
| * FHLMC #847032 | 847032/001 | 7/1/2032 | - | - | 64,779 | - | 64,779 | |
| * FNMA #920547 | 920547/001 | 9/1/2036 | - | - | 180,051 | - | 180,051 | |
| * FNMA #AJ1622 | 1622/001 | 10/1/2026 | - | - | 436,151 | - | 436,151 | |
| * FNMA #651556 | 651556/001 | 7/1/2032 | - | - | 168,490 | - | 168,490 | |
| * FNMA #759453 | 759453/001 | 1/12034 | - | - | 160,862 | - | 160,862 | |
| ≈ GALLUP MCKINELY NM SD | 364010NQ7 | 8/1/2015 | - | - | - | 265,150 | 265,150 | |
| ≈ LAS VEGAS N NEX CITY SC | 51778FCJ6 | 2/15/2017 | - | - | - | 539,360 | 539,360 | |
| ≈ CHAVES CNTY NM | 162634BM0 | 8/1/2017 | - | - | - | 521,794 | 521,794 | |
| ≈ GALLUP MCKINELY CNTY | 364010PD4 | 8/1/2017 | - | - | - | 333,561 | 333,561 | |
| ≈ LEA CNTY NM PUBLIC SCH | 521513BS9 | 1/15/2018 | - | - | - | 463,019 | 463,019 | |
| ≈ ROOSEVELT CNTY NM GRC | 776461AN5 | 6/1/2019 | - | - | - | 372,562 | 372,562 | |
| ≈ CLOVIS NM UNI SD | 189414GM1 | 8/1/2019 | - | - | - | 535,545 | 535,545 | |
| ≈ LUNA CNTY NM | 550340DP5 | 8/1/2019 | - | - | - | 1,058,710 | 1,058,710 | |
| ≈ LOVINGTON NM | 547473CK2 | 10/1/2019 | - | - | - | 1,067,140 | 1,067,140 | |
| ≈ TEXICO NM | 883005CH1 | 8/1/2021 | - | - | - | 183,704 | 183,704 | |
| ≈ MBS GNMA I | 3620AQXB4 | 2/15/2025 | - | - | - | 494,397 | 494,397 | |
| ≈ CLOVIS NM UNI SD | 189414JB2 | 8/1/2025 | - | - | - | 853,146 | 853,146 | |
| ≈ NEW MEXICO ST FIN AUTH | 64711NGR0 | 6/1/2028 | - | - | - | 556,695 | 556,695 | |
| ≈ MBS GNMA II | 36202EXW4 | 11/20/2038 | - | - | - | 185,888 | 185,888 | |
| Total pledged securities | | | 6,518,354 | 5,309,551 | 4,290,067 | 37,162,666 | 7,430,671 | 60,711,309 |
| Under (over) pledged | | | (2,768,429) | (706,129) | (1,415,067) | (15,438,950) | (2,967,069) | (23,295,643) |
| Uninsured and uncollateralized | | | \$ 981,498 | \$ 3,897,294 | \$ 1,459,933 | \$ - | \$ 1,496,534 | \$ 7,835,259 |

Name and Location
of Safekeeper:

* Federal Home Loan Bank
Dallas, TX

≈ First American Bank
Artesia, NM

⊙ Leas County State Bank
Hobbs, NM

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2013

Schedule H-1

| Federal Grantor/ Pass-Through Grantor | Program Title/ Grant Number | Federal CFDA Number | Expenditures |
|---|--|---------------------------|---------------------|
| Executive Office of the President Office of National Drug Control Policy | High Intensity Drug Trafficking Area Grant Program Grant number: G12SN0017A | 95.001 | \$ 1,749,549 (1) |
| Department of Defense Department of Homeland Security and Emergency Management | Emergency Operations Center Grant Program Grant number: 2010-EO-MX-0018 | 97.052 | 316,499 (1) |
| Federal Aviation Administration | Airport Master Plan | 20.106 | 125,734 |
| Department of Home Land Security | State Home Land Security Program | 97.067 | 68,045 |
| Department of Interior | Taylor Grazing Act - Wildlife | 15.237 | 48,000 |
| Department of Homeland Security | Criminal Alien Assistance Program | 16.606 | 23,934 |
| Department of Justice | Bulletproof Vest Partnership | 16.607 | 5,270 |
| | | | \$ 2,337,031 |

Note A: (1) Denotes Major Federal Financial Assistance Program

Note B: This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The accompanying notes are an integral part of these statements.



JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
County Manager, Board of Commissioners and
Citizens of Lea County
Lovington, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and the combining and individual funds and related budgetary comparisons of the County, presented as supplemental information, and have issued our report thereon dated November 7, 2013.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
County Manager, Board of Commissioners and
Citizens of Lea County
Lovington, New Mexico

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

Johnson, Miller & Co.

Hobbs, New Mexico
November 7, 2013



JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
County Manager, Board of Commissioners and
Citizens of Lea County
Lovington, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Lea County, New Mexico's (the County) compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1. Our opinion on each major federal program is not modified with respect to these matters.

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
County Manager, Board of Commissioners and
Citizens of Lea County
Lovington, New Mexico

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

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the type of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Johnson, Miller & Co.

Hobbs, New Mexico
November 7, 2013

**State of New Mexico
Lea County
Schedule of Findings and Questioned Costs
Summary of Auditors' Results
June 30, 2013**

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Board of Commissioners
Lea County
Lea County, New Mexico

| <u>ITEM</u> | <u>DESCRIPTION</u> |
|--|--|
| Type of report on financial statements | Unqualified opinion |
| Other Matters | None |
| Significant Deficiencies in Internal Control | None |
| Material Weaknesses in Internal Control | None |
| Noncompliance Material to the Financial Statements | No material noncompliance related to the financial statements noted. |
| Significant Deficiencies in Internal Control over Major Programs | None |
| Material Weaknesses in Internal Control over Major Programs | None |
| Type of Report on Compliance with Major Programs | Unmodified opinion |
| Audit Findings Required to be Reported under 510(a) of Circular A-133 | None |
| Findings and Questioned Costs for Federal Awards | One |
| Dollar Threshold Considered Between Type A and Type B Federal Programs | \$300,000 |
| Low Risk Auditee Statements | The County is classified as a low-risk auditee in context of OMB-Circular A-133. |

**State of New Mexico
Lea County
Schedule of Findings and Questioned Costs
Summary of Auditors' Results
June 30, 2013
Major Federal Programs**

High Intensity Drug Trafficking Area Program
Grant #G12SN0017A
CFDA#95.001

Pass Through Entity

Office of National Drug Control Policy

Emergency Operations Center Grant Program
Grant #2010-EO-MX-0018
CFDA#97.052

Pass Through Entity

Department of Homeland Security and Emergency
Management

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| | |
|----------------------|--|
| Finding 13-1: | Other |
| Federal requirement: | Equipment and Real Property Management |
| Federal program: | Emergency Operations Center Grant Program |
| CFDA number: | 97.052 |
| Grant number: | 2010-EO-MX-0018 |
| Federal agency: | Department of Defense |
| Pass-through entity: | Department of Homeland Security and Emergency Management |
| Condition: | Equipment purchased with funds provided by the Department of Homeland Security Emergency Management (DHSEM) was not appropriately labeled "Purchased with funds provided by the U.S. Department of Homeland Security". |
| Criteria: | <p>Equipment and real property management under OMB Circular A-133 requires federal award recipients to maintain proper records for equipment and adequately safeguard and maintain equipment.</p> <p>DHSEM, under grant agreement's terms and conditions, requires that Lea County, as sub-recipient, maintains an effective property management system and when practical, prominently display a " Purchased with funds provided by the U.S. Department of Homeland Security" label on all equipment purchased with DHSEM grant funds.</p> |
| Effect: | The County did not comply with Property and Equipment Management requirement to label any equipment purchased with DHSEM grant funds "Purchased with funds provided by the U.S. Department of Homeland Security". |
| Cause: | The County did not prepare inventory tags for equipment purchased with DHSEM funds as outlined per grant agreement's terms and conditions. |
| Recommendation: | We recommend the County adheres to the policies outlined in the Recording and Maintenance of Fixed Asset Files section of the Procurement Policies, Supplement One, Capital Outlay of Fixed Assets. |
| Agency Response: | Prior to July 31, 2013, Lea County purchased an inventory system and labeled equipment purchased with DHSEM grant funds according to the recommendations made in the "Monitoring Review Report". Lea County received notice of compliance from the DHSEM on July 31, 2013 indicating that the operations of Lea County were compliant with the sub-grant requirements. |

SCHEDULE OF STATUS OF PRIOR FINDINGS

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
County Manager, Board of Commissioners and
Citizens of LEA County
Lovington, New Mexico

PRIOR YEAR FINDINGS

Finding 12-1 Actual transfers exceeded budgeted transfers in the Indigent Fund – Finding resolved and not repeated.

FINANCIAL STATEMENT PRESENTATION

The financial statements were prepared from the original books and records of Lea County as of June 30, 2013 by Johnson, Miller & Co., Certified Public Accountants, A Professional Corporation.

OTHER DISCLOSURES
Year Ended June 30, 2013

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
County Manager, Board of Commissioners and
Citizens of Lea County
Lovington, New Mexico

EXIT CONFERENCE

The contents of this report and its schedules were discussed on November 7, 2013. The following persons were in attendance.

County Officials

Ron R. Black, Vice-Chairman

Michael Gallagher, County Manager

Sherri Bunch, CPA, Finance Director

Auditors

Mary Hinds, CPA

Carmen Montoya, Senior Auditor

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
County Manager, Board of Commissioners and
Citizens of LEA County
Lovington, New Mexico

PASSED ADJUSTMENTS

The State Auditor's Rule 2.2.2.10 J (2) states that the auditor must present a list of passed adjustments to the agency management and governing board representatives, and a copy of the list must be attached to the audit report submitted to the State Auditor for review.

The following passed adjustments were identified during the audit for Lea County, New Mexico for the year ended June 30, 2013.

| | | |
|-------------------------|---------|---------|
| PERA | 66,327 | |
| FICA | 55,454 | |
| ACCRUED LIABILITES | | 121,781 |
| PERA | 33,200 | |
| FICA | 55,454 | |
| HEALTH INSURANCE | 13,410 | |
| ACCRUED LIABILITES | | 102,064 |
| PROPERTY TAX RECEIVABLE | 206,987 | |
| CURRENT TAXES | | 206,987 |

BASIC FINANCIAL STATEMENTS

SUPPLEMENTAL INFORMATION

OTHER SUPPLEMENTAL INFORMATION

NOTES TO FINANCIAL STATEMENTS