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M** **CHESTER W. MATTOCKS**
CERTIFIED PUBLIC ACCOUNTANT

STATE OF NEW MEXICO
COUNTY OF TORRANCE

**ANNUAL FINANCIAL REPORT AND INDEPENDENT
AUDITOR'S REPORT FOR THE YEAR ENDED
JUNE 30, 2005**

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005**

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STATE OF NEW MEXICO
COUNTY OF TORRANCE

OFFICIAL ROSTER

As Of

June 30, 2005

COUNTY COMMISSION

James Frost
Paul Chavez
Leroy Candelaria

Chairman
Commissioner
Commissioner

ELECTED OFFICIALS

Linda Kayser
James Hall
Cris Pohl
Pete Golden
Mary Ann C. Anaya

County Clerk
County Treasurer
County Assessor
Sheriff
Probate Judge

ADMINISTRATIVE OFFICIALS

Bob Ayre
Tracy Sedillo

County Manager
Comptroller

C
W
M Chester W. Mattocks
Certified Public Accountant

P.O. Box 25941
Albuquerque, New Mexico 87125
(505) 299-5233

INDEPENDENT AUDITOR'S REPORT

Members of the Board of County Commissioners
County of Torrance
Estancia, New Mexico
and
Mr. Domingo P. Martinez, CGFM
State Auditor
Santa Fe, New Mexico

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the General Fund and the Road, Jail, and Universal Hiring Special Revenue Funds of the State of New Mexico, County of Torrance (County) as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the Table of Contents. I also have audited the financial statements of each of the County's nonmajor governmental and fiduciary funds including budgetary comparisons presented as supplemental information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2005, as listed in the Table of Contents. I have also audited the budgetary comparison financial statement of the major fund, Debt Service, which has been included in the supplemental information. These financial statements are the responsibility of the County's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements and the combining and individual fund financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information, as well as the fiduciary funds, of the County as of June 30, 2005 and the respective changes in financial position of each major fund and the respective budgetary comparisons for the General Fund and the Road, Jail, and Universal Hiring Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund of the County as of June 30, 2005, and the respective changes in financial position, thereof and the respective budgetary comparison for each nonmajor governmental fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the budgetary comparison financial statement for the major fund, Debt Service, presents fairly, in all material respects, the respective budgetary comparison for the major fund, Debt Service.

In accordance with Government Auditing Standards, I have also issued a report dated April 19, 2006, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing 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 and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, I did not audit the information and do not express an opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements and on the combining and individual fund financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements and the combining and individual fund financial statements of the County. The accompanying financial information listed as Supplementary Information - Supporting Schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements and the combining and individual fund financial statements of the County. Such schedule and such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and the combining and individual fund financial statements and, in my opinion, are fairly stated in all material respects, in relation to the basic financial statements and the financial statements of each of the respective individual funds taken as a whole.

Chester W. Mattocks, CPA

April 19, 2006

Management's Discussion and Analysis. This section includes information on the use of the annual report, and management's analysis of the financial position and results of operations for the County.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The first of the government-wide financial statements (Statement of Net Assets) presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The second of the government-wide financial statements (Statement of Activities) presents information showing how the County's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement on the full accrual method of accounting, wherein revenue is recognized when earned, regardless of when actually received, and expenses are recognized when incurred, regardless of when paid.

The government-wide Statement of Activities of the County reflects the activities of the County by its governmental functions. The Statement of Activities identifies financial resources that are directly related to the governmental function. Financial resources that are not specifically related to the governmental functions are shown as general resources in the bottom portion of this statement. The Statement of Activities also shows the change in net assets for the fiscal year.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements – Governmental Funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County are considered *Governmental Funds*, except for the *Agency Funds* of the County, which report on financial resources collected, held for, and distributed to other governmental entities by the County Treasurer.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements and resources.

The governmental funds use the modified accrual basis of accounting whereby revenues are recognized when they become available and measurable as net current assets. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide financial statements.

In addition to the General Fund, the County maintained forty-five (45) other individual governmental funds that are classified as Special Revenue funds. Of these, the Road, Jail and Universal Hiring Special Revenue Funds are considered major funds. (A fund is considered to be a major fund depending on the amount of its assets, liabilities, revenues, or expenditures.) The County also maintained a Debt Service Fund which is considered a major Fund.

	<u>2005</u>	<u>2004</u>
Net Assets:		
Invested in capital assets, net of related debt	1,549,678	522,764
Restricted for:		
Debt Service	226,738	150,243
Capital Projects	115,196	153,486
Special Projects	57,082	
Unrestricted	<u>3,574,871</u>	<u>3,514,719</u>
Total net assets	<u>\$ 5,523,565</u>	<u>\$ 4,341,212</u>

See page 10 for a more detailed look at the Statement of Net Assets.

Total net assets increased due to two main factors: 1) The County conducted a detailed inventory of capital assets this year, which resulted in an increase over prior year net assets of \$443,710; 2) The County made its regular payments on its bonds, notes, and lease-purchase payable debt amounts.

Governmental Activities. The overall increase in the County's net assets is shown in the following schedule. (A point to note is that the total depreciation expense of \$582,525 was allocated to the various functional categories for the year ended June 30, 2005. Depreciation expense for the year ended June 30, 2004 was not allocated in this manner.)

	<u>2005</u>	<u>2004</u>
Expenses:		
General government	\$ 1,920,082	\$ 1,860,708
Public safety	3,390,692	3,148,169
Highways and streets	773,130	1,027,295
Health and welfare	833,282	1,174,796
Culture and recreation	42,561	19,500
Depreciation – unallocated		832,176
Interest on long-term obligations	<u>209,423</u>	<u>140,519</u>
Total Governmental Activities	<u>7,169,170</u>	<u>8,203,163</u>
Program revenues:		
Charges for services	706,669	364,223
Operating grants and contributions	1,468,963	1,507,489
Capital grants and contributions	<u>396,672</u>	<u>356,233</u>
Total Program Revenues	<u>2,572,304</u>	<u>2,227,945</u>
Net (Expenses) Revenue	<u>(4,596,866)</u>	<u>(5,975,218)</u>
General Revenues:		
Property taxes	3,395,375	3,015,545
Gross receipts taxes	1,728,639	1,658,210
Federal and state aid not restricted to specific purposes	217,090	681,789
Interest and investment earnings	<u>7,042</u>	<u>9,308</u>
Total General Revenues	<u>5,348,146</u>	<u>5,364,852</u>
Increase (decrease) in net assets	<u>\$ 751,280</u>	<u>\$ (610,366)</u>

The building additions for the year include the newly completed Esperanza Clinic, as well as the building which housed the former Hope Clinic.

The changes to capital assets during the year ended June 30, 2005 are summarized below.

	Restated Balance at <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2005</u>
Capital Assets	\$ 8,138,967	\$ 1,147,961	\$ (327,059)	\$ 8,959,869
Accumulated Depreciation	(3,304,441)	(582,525)	-0-	(3,886,966)
Net Capital Assets	<u>\$ 4,834,526</u>	<u>\$ 565,436</u>	<u>\$ (327,059)</u>	<u>\$ 5,072,903</u>

Changes in Long-Term Liabilities of the County

During the year ended June 30, 2005, the County received an emergency loan from the State of New Mexico State Board of Finance in the amount of \$131,000. Originally scheduled to be repaid in April of 2005, the loan repayment has been extended for at least one year. Also, \$100,000 in general obligation bonds were paid off in accordance with the terms of the bonds, \$25,688 in notes payable from the New Mexico Finance Authority were paid off, and \$219,139 of the principal of capital lease obligations were paid off during the year ended June 30, 2005. Compensated absences payable (accrued vacation) decreased by a net of \$4,656. More detailed information on long-term debt is contained in Note 5 to the Financial Statements.

Request for information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or any request for additional financial information should be addressed to Bob Ayre, County Manager P.O. Box 48 Estancia, NM 87016.

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
EXPENSES:					
Governmental activities:					
General government	\$ 1,920,082	\$ 512,190	\$ 149,972		\$ (1,257,920)
Public safety	3,390,692	155,581	766,055	\$ 10,000	(2,459,056)
Highways and streets	773,130	17,241	200,950		(554,939)
Health and welfare	833,282	21,657	351,986	386,672	(72,967)
Culture and recreation	42,561				(42,561)
Interest on long-term obligations	209,423				(209,423)
Total governmental activities	<u>7,169,170</u>	<u>706,669</u>	<u>1,468,963</u>	<u>396,672</u>	<u>(4,596,866)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					3,083,393
Property taxes, levied for debt service					311,982
Gross receipts taxes (all types)					1,728,639
Federal and State aid not restricted to specific purposes					217,090
Interest and investment earnings					<u>7,042</u>
Subtotal, general revenues					<u>5,348,146</u>
Change in net assets					751,280
Net assets - beginning of year, as restated					<u>4,772,285</u>
Net assets - end of year					\$ 5,523,565

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

<u>Universal Hiring</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$ 300
		1,243,824
	\$ 855,548	2,384,889
	6,049	41,013
	134,925	331,899
		3,510,023
\$ 135,276		139,533
<u>\$ 135,276</u>	<u>\$ 996,522</u>	<u>\$ 7,651,481</u>
\$ 412,266	\$ 272,315	\$ 2,384,889
		100,101
	135,110	797,648
	9,376	49,741
		139,533
	2,942	2,942
		3,389,151
<u>412,266</u>	<u>419,743</u>	<u>6,864,005</u>
		300
		226,738
		388,160
(276,990)	461,583	57,082
	115,196	115,196
<u>(276,990)</u>	<u>576,779</u>	<u>787,476</u>
<u>\$ 135,276</u>	<u>\$ 996,522</u>	<u>\$ 7,651,481</u>

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Universal Hiring	Other Governmental Funds	Total Governmental Funds
\$ 3,828	\$ 149,182	\$ 3,191,133
	315,050	360,823
	968,070	1,728,639
	503,335	1,266,800
		730,925
		345,846
	5,412	7,042
<u>3,828</u>	<u>1,941,049</u>	<u>7,631,208</u>
	157,204	1,927,756
	728,072	3,112,791
		857,559
	653,327	763,537
	38,998	38,998
	548,068	735,902
		100,000
		135,487
	<u>2,125,669</u>	<u>7,672,030</u>
<u>3,828</u>	<u>(184,620)</u>	<u>(40,822)</u>
100,000	120,695	131,000
	(23,489)	855,513
		(855,513)
<u>100,000</u>	<u>97,206</u>	<u>131,000</u>
103,828	(87,414)	90,178
<u>(380,818)</u>	<u>664,193</u>	<u>697,298</u>
<u>\$ (276,990)</u>	<u>\$ 576,779</u>	<u>\$ 787,476</u>

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	401			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Property taxes	\$ 3,299,002	\$ 3,299,002	\$ 2,866,599	\$ (432,403)
Other local sources	89,522	89,522	200,079	110,557
State-shared taxes	468,504	468,504	509,995	41,491
State sources	45,000	45,000	50,400	5,400
Federal sources	211,908	211,908	217,090	5,182
Charges for services	348,215	348,215	318,399	(29,816)
Interest			1,561	1,561
Total Revenues	4,462,151	4,462,151	4,164,123	(298,028)
EXPENDITURES:				
General government	1,699,224	1,845,781	1,788,710	57,071
Public safety	1,259,704	1,250,325	1,256,648	(6,323)
Highways and streets				
Health and welfare	147,242	147,242	110,018	37,224
Culture and recreation				
Total Expenditures	3,106,170	3,243,348	3,155,376	87,972
Other financing uses:				
Transfers out	832,024	832,024	832,024	
Total expenditures and other financing sources	3,938,194	4,075,372	3,987,400	87,972
Excess (deficiency) of revenues over expenditures and other financing uses	\$ 523,957	\$ 386,779	\$ 176,723	\$ (210,056)

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - JAIL
FOR THE YEAR ENDED JUNE 30, 2005**

	420			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources	\$ 329,433	\$ 329,433	\$ 218,597	\$ (110,836)
State-shared taxes				
State sources	83,863	83,863	56,300	(27,563)
Federal sources				
Charges for services	50,000	50,000	3,224	(46,776)
Interest				
Total Revenues	463,296	463,296	278,121	(185,175)
Other financing sources:				
Transfers in	431,371	431,371	431,371	
Total revenues and other financing sources	894,667	894,667	709,492	(185,175)
EXPENDITURES:				
General government				
Public safety	930,280	930,280	895,908	34,372
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures	930,280	930,280	895,908	34,372
Excess (deficiency) of revenues and other financing sources over expenditures	(35,613)	(35,613)	\$ (186,416)	\$ (150,803)
Prior year cash balance required to balance budget	\$ 35,613	\$ 35,613		

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

STATE OF NEW MEXICO
COUNTY OF TORRANCE

STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Agency Funds</u>
ASSETS	
Due from other governmental unit	\$ 100,101
Total assets	<u>\$ 100,101</u>
LIABILITIES	
Deposits held for others	\$ 100,101
Total liabilities	<u>\$ 100,101</u>

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

receivables as well as long-term debt and obligations. The County did not have any business-type activities during the year ended June 30, 2005.

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

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). Historically, the previous mode did not summarize or present net cost by function or activity. The County does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of the County as an entity and in aggregate financial position resulting from the activities of the current fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Nonmajor funds (by category) are summarized into a single column.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the County's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the government-wide presentation.

Internal activity between the various funds is eliminated in the government-wide financial statements. Interfund receivables and payables at June 30, 2005 have been eliminated. These consist of amounts titled "Interfund receivable (payable)" and "Due from (to) other funds."

The County's fiduciary funds (agency funds) are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are presented separately in the governmental funds and are not incorporated into the government-wide statements.

C. BASIS OF PRESENTATION

The accounts of the County are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Fiduciary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers all property tax revenues available if they are collected within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Property taxes are recognized when levied. Derived tax revenues are recognized when the exchange transaction takes place. Property tax and interest revenue are susceptible to accrual. Gross receipt taxes collected and held by the state at year end on behalf of the governmental are also recognized as revenue. These are generally received within 60 days of year end. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

E. PROPERTY TAXES

The County Treasurer receives deposits of monies from and collect taxes for the various County funds and other entities located within the County. These monies are deposited by the Treasurer in banks. In the accompanying financial statements, monies held for other than County entities are presented as Agency Fund monies.

Taxes are collected directly from taxpayers by the County with the Treasurer acting as an employee of the County and as an agent for the entities for whom the collections are ultimately distributed.

The County property tax bills must be mailed by November 1st, the first half of the assessed tax is due November 10th and becomes delinquent December 10th, the second half of the assessed tax becomes due April 10th and becomes delinquent May 10th. The applicable property is subject to lien and penalties and interest is assessed when property taxes become delinquent. When property taxes are delinquent three years, the property is transferred to the State Property Tax Department for public sale.

Chapter 7, Articles 35 through 38, New Mexico Statutes Annotated, 1978 is the Property Tax Code. The code provides for valuation, administration and enforcement of property taxes. The Department of Finance and Administration sets tax rates for the governmental units sharing in the tax.

- e. Upon the approval of the director of the Department of Finance and Administration, authorize the transfer of funds from one budget item to another when such transfer is requested and an emergency condition exists meriting such transfer and such transfer is not prohibited by law. In case of emergency necessitating the expenditure for item or items not provided for in the budget, upon approval of the director of the Department of Finance and Administration, the budget may be revised to authorize such expenditures;
 - f. With written approval of the director of the Department of Finance and Administration, increase the total budget of the County in the event the County undertakes an activity, service, project or construction program which was not contemplated at the time the final budget was adopted and approved and which activity, service, project or construction program will produce sufficient revenue to cover such increase in the budget or the County has surplus funds on hand not necessary to meet the expenditures provided for in the budget with which to cover such increase in the budget;
 - g. Supervise the disbursement of funds to the end that expenditures will not be made in excess of budgeted items or for items not budgeted and that there will not be illegal expenditures;
 - h. Prescribe the form for all budgets, books, records and accounts for the County; and
 - i. With the approval of the director of the Department of Finance and Administration, make rules and regulations relating to budgets, records, reports, handling and disbursement of public funds, or in any matter relating to the financial affairs of the County.
- 3. The County Manager is authorized to transfer budgeted amounts between departments within any fund;
 - 4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds.

Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). Budgetary and actual comparisons presented for these funds in this report are on the non-GAAP (cash) budgetary basis;

- 5. Budgeted amounts are as originally adopted, or as amended by the County Commissioners and approved by the Department of Finance and Administration;
- 6. The level of classification detail in which expenditures may not legally exceed appropriation for budget is at the fund level.

G. ASSETS, LIABILITIES AND FUND EQUITY

1. *Deposits and Investments*

The County's cash and investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of one year or less from the date of acquisition. State statutes (Public Monies Act 6-10-1 through 6-10-63 NMSA 1978) authorize the County to invest in (1) bond or negotiable securities of the United States, the state 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 (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time

subsequent periods, when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

5. *Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets. The General Funds is typically the fund used to liquidate compensated absences not liquidated by another fund.

6. *Long-term Liabilities*

For government-wide reporting, the costs associated with bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34, the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

7. *Fund Balances of Fund Financial Statements*

Reservations of fund balance represent amounts that are not appropriable for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The County designates the portion of the year end fund balance, not otherwise designated or reserved, for subsequent years' expenditures. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

8. *Restricted Net Assets*

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets used are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

The County's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

9. *Interfund Transactions*

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

deposited after deducting the amount of Federal Deposit Insurance Corporation insurance coverage for each financial institution.

A schedule of the collateral pledged against the deposits of the County is shown elsewhere in this report.

C. Investments

The County invests cash in the Local Government Investment Pool operated by the New Mexico State Treasurer.

Total cash invested with New Mexico
State Treasurer at June 30, 2005

\$ 657,370

The Local Government Investment Pool is operated by the New Mexico State Treasurer who is responsible for monitoring the collateralization requirements of these funds.

The credit risk for the balances above for the New Mexico State Treasurer's Investment Pool cannot be determined. The risk would be determined at the State Treasurer's Investment Pool level. The accounts of the State Treasurer's Investment Pool are monitored by the State Treasurers Office and the State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

The investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer's Local Government Investment Pool is not SEC registered. Section 6-10-10. 1, 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 Local Government Investment 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 amounts in the fund were invested. Participation in the local government investment pool is voluntary.

D. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's policy regarding custodial credit risk is to comply with Section 6-10-17, NMSA (1978 Comp). At June 30, 2005, all funds of the County on deposit were covered either by Federal Deposit Insurance or by securities pledged by the institution in the County's name.

Depreciation expense was charged as a direct expense to the functions of the government as follows:

General government	\$	160,709
Public safety		283,798
Highways and streets		64,710
Health and welfare		69,745
Culture and recreation		3,563
		<u> </u>
Total depreciation expense	\$	<u>582,525</u>

5. LONG-TERM DEBT

During the fiscal year ended June 30, 2005, the following changes occurred in the Long-Term Debt:

	Balance, June 30, 2004	Additions	Deletions	Balance, June 30, 2005	Due Within One Year
General obligation bonds payable	\$ 2,900,000		\$ (100,000)	\$ 2,800,000	\$ 125,000
Notes payable	101,688	\$ 131,000	(25,688)	207,000	139,000
Capital leases payable	866,364		(219,139)	647,225	214,678
Compensated absences payable	76,396	85,000	(89,656)	71,740	71,740
	<u>\$ 3,944,448</u>	<u>\$ 216,000</u>	<u>\$ (434,483)</u>	<u>\$ 3,725,965</u>	<u>550,418</u>
			Amount considered Long-Term		<u>3,175,547</u>
			Total	\$	<u>3,725,965</u>

A. General Obligation Bonds

During the fiscal year ended June 30, 2002, the County issued \$3,050,000 of General Obligation Bonds, to acquire and improve a necessary site for and acquiring constructing, furnishing, equipping and improving a new County Courthouse. The bonds are secured by the full faith and credit of the county and are payable from taxes levied on all property located within the County. The annual requirements to amortize to maturity the general obligation bonds are as follows:

Year Ended June 30	Principal	Interest	Total
2006	\$ 125,000	\$ 129,019	\$ 254,019
2007	150,000	121,300	271,300
2008	150,000	113,613	263,613
2009	175,000	105,894	280,894
2010	200,000	97,238	297,238
2011-2015	1,350,000	320,639	1,670,639
2016-2017	<u>650,000</u>	<u>31,119</u>	<u>681,119</u>
Totals	<u>\$ 2,800,000</u>	<u>\$ 918,822</u>	<u>\$ 3,718,822</u>

Description	Date of Contract	Effective Rate of Interest	Original Amount	Principal Balance June 30, 2005
4. Bank One - (2) Motor Graders	September, 2001	5.32%	294,174	163,610
5. Wells Fargo - (7) Sheriff Vehicles	November, 2002	4.02%	132,600	53,547
Totals			\$ 1,410,645	\$ 647,225

The annual requirements to amortize to maturity these agreements payable are as follows:

Year ended June 30	Total Payments
2006	\$ 249,657
2007	249,657
2008	151,297
2009	44,389
2010	19,004
Total	714,004
Less amount representing interest	(66,779)
Present value of minimum lease payments	\$ 647,225

D. Accrued Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Sick leave accumulates at the rate of 3.69 hours per pay period. Accrued sick leave is forfeited upon termination of employment.

Full-time county employees accrue annual leave according to the following schedule:

Hours Per Pay Period	Accrual Rate Per Pay Period	Years of Service
64	2.46	Less than 3 years of service
64	2.95	3 or more but less than 7
64	3.68	7 or more but less than 11
64	4.43	11 or more but less than 15
64	4.92	15 or more years of service

7. TAX ROLL RECONCILIATION

Property taxes receivable, beginning of year	\$ 1,577,732
Changes to Tax Roll:	
Taxes charged to treasurer for fiscal year	5,913,195
Adjustments:	
Net adjustments	65,331
Charge off of taxes receivable	<u>(31,536)</u>
Total receivables prior to collections	7,524,722
 Collections for fiscal year ended June 30, 2005	 <u>(6,029,531)</u>
Property taxes receivable, end of year	<u>\$ 1,495,191</u>
Property taxes receivable by years:	
1995	\$ 22,891
1996	(6,164)
1997	(819)
1998	1,918
1999	5,389
2000	6,661
2001	52,378
2002	225,367
2003	542,511
2004	<u>645,059</u>
Total taxes receivable	<u>\$ 1,495,191</u>

8. OPERATING LEASES

The County has entered into operating leases for office equipment and vehicles. The minimum lease payments are:

2006	\$ 111,672
2007	111,672
2008	15,732
	<u>\$ 239,076</u>

The operating lease expenditures for the year ended June 30, 2005 were \$129,756.

9. COMMITMENTS, CONTINGENT LIABILITIES AND LITIGATION

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

NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990, and former legislators who served at least two years.

Fund Contributions: Each participating employer makes contributions to the fund in the amount of 1.30% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to 0.65% of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Gov't. Center, 401 Roma NW, Ste. 200, Albuquerque, NM 87102.

For the fiscal year ended June 30, 2005, the County remitted \$25,337 in employer contributions and \$12,669 in employee contributions to the Retiree Health Care Authority.

12. INSURANCE COVERAGE

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters, for which the County carries insurance through the New Mexico Insurance authority and the New Mexico Association of Counties Multi-Line Pool. The following is a summary of some of the more significant insurance coverage information related to the County.

Coverage provided to the County through membership in the New Mexico County Insurance Authority Multi-Line Pool (Authority) includes tort liability limits for casualty coverage (general automobile, civil rights and public officials liability) on a "claims made" basis with an additional \$200,000 for defense costs above the tort limits. Property is subject to a limit of \$50,000,000 each occurrence, with sublimits for certain coverage extensions. Crime coverage has a limit of \$200,000. The County pays a deductible of \$500 for each property or crime loss and deductible of \$3,000 for each civil rights claim. The Authority pays losses up to \$150,000 for property and \$250,000 for liability per occurrence.

Coverage provided by the Authority's Worker's Compensation Pool includes up to \$300,000 for each accident and up to \$300,000 for each employee or occupational disease. The County also has volunteer firefighters and boiler and machine insurance coverage through the Authority's multi-line pool.

Coverage provided to the County through membership in the New Mexico Association of Counties Law Enforcement Liability Program (Association) includes tort liability limits for police professional liability coverage on a claims made basis. The County pays an operational deductible of \$10,000 per occurrence. The Association pays covered losses above the deductible up to \$250,000 per occurrence from the

15. TRANSFERS

The following transfers occurred during the year. These transfers, mainly from the General Fund, served the following purposes: a) close out grant funds which had deficit fund balances; b) subsidize the operations of the Road Fund and Jail Fund; and c) transfer the required matching funds to grant funds.

<u>Fund</u>	<u>To</u>	<u>Amount</u>
<u>Major Fund</u>		
General	Road	\$ 203,447
General	Jail	431,371
General	Universal Hiring	100,000
General	Nonmajor Governmental Funds (Net)	97,206
	Total	<u>\$ 832,024</u>

16. DEFICIT FUND BALANCES

The following individual funds have deficit fund balances at June 30, 2005, as a result of a) expenditure of grant funds in excess of reimbursements or b) deficit in operations. If collections or reimbursements in future years are not sufficient, it is likely that the General Fund will be required to make up these deficits.

<u>Special Revenue:</u>	<u>Fund Balance (Deficit) at</u> <u>June 30, 2005</u>
Major:	
Jail	\$ (588,555)
Universal Hiring	(276,990)
Nonmajor:	
Fire Dept. Admin.	(7,532)
Indigent	(37,981)
Civil Defense	(37,063)
Energy Conservation	(10,135)
Domestic Violence	(24,919)
UHP 2002	(26,314)
Traffic Safety	(5,256)
COPS in Schools	(103,218)

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2005**

	Special Revenue	Capital Projects	Total Other Governmental Funds
Revenues:			
Local sources	\$ 149,182		\$ 149,182
State-shared taxes	315,050		315,050
State sources	695,859	\$ 272,211	968,070
Federal sources	378,874	124,461	503,335
Charges for services			
Interest	2,822	2,590	5,412
Total Revenues	1,541,787	399,262	1,941,049
Expenditures:			
Current:			
General government	117,373	39,831	157,204
Public safety	728,072		728,072
Highways and streets			
Health and welfare	653,327		653,327
Culture and recreation	19,500	19,498	38,998
Capital outlay	169,845	378,223	548,068
Total Expenditures	1,688,117	437,552	2,125,669
Excess (deficiency) of revenues over expenditures	(146,330)	(38,290)	(184,620)
Other financing sources (uses):			
Operating transfers in	108,058	12,637	120,695
Operating transfers out	(23,489)		(23,489)
Total other financing sources (uses)	84,569	12,637	97,206
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(61,761)	(25,653)	(87,414)
Fund Balances, beginning of year, as restated	523,344	140,849	664,193
Fund Balances, end of year	\$ 461,583	\$ 115,196	\$ 576,779

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

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Farm and Range Fund - To account for the operations of farm and range activities, including soil and water conservation, predatory animal and insect control. Financing is provided from distributions made under the Taylor Grazing Act. Authority is Section 6-11-6, NMSA 1978.

Recreation Fund - To account for the operations and maintenance of County owned recreational facilities. Financing is provided by state shared one-cent cigarette tax, which is required by state law to be used for recreational facilities and salaries of instructors and other employees necessary to the operation of such facilities. Authority is Section 7-12-15, NMSA 1978.

Fire District Funds - To account for the operations of the five fire districts, which are defined by the area served. The individual fire districts are Northeast Torrance, Torrance County District II, Duran, McIntosh, and Torreon-Tajique. Financing is provided from the County's share of the fire allotment issued by the State Fire Marshall under 59A-53-5, NMSA 1978, and also by gross receipts taxes approved by the voters of the County.

Law Enforcement Protection Fund - To account for a grant from the State of New Mexico Corrections Department through the Law Enforcement Protection Act. The funding is to be used for law enforcement improvements. Authority is 29-13-1, NMSA 1978.

Fire Pool 1/4% Tax Fund - To account for expenditures incurred in providing services and equipment purchases for the fire districts. Financing is provided by the County's share of gross receipts tax and may be used only for that purpose. Authority granted by Section 7-20E-15 and 7-20E-16, NMSA 1978.

County Fair Board Fund - To account for the proceeds and expenditures of a special gross receipts tax. The purpose of the tax is to fund the annual county fair. Authority is the County Commission.

Fire Department Administration Fund - This fund is used to provide resources to administer the volunteer fire districts. Funds are provided by an allotment from the State Fire Marshall and gross receipts taxes. Authorized by 59A-53-5, NMSA 1978.

Indigent Fund - To account for expenditures incurred in providing services for the care of indigents. Financing is provided by the County's share of gross receipts tax and may be used only for that purpose. Authority is 27-5-7, NMSA 1978.

Emergency Medical Services (EMS) Fund - To account for a grant from the State of New Mexico to be used for the provision of emergency medical services to County residents. Sources of funds are the State of New Mexico Health Department Emergency Medical Services Bureau. Authority is Section 24-10A-3 through 10, NMSA 1978.

DWI Seizure Fund - To account for resources collected under the DWI Seizure Ordinance. Authority is Torrance County Ordinance No. 2004-1, pursuant to authority contained in Section 4-37-1, NMSA, 1978.

Maternal Health Care Fund - To account for a grant from the State of New Mexico Department of Health, to provide maternal child health coordination, adolescent pregnancy prevention, prenatal care coordination, information and referral services and maternal child health tracking services. Also included in this fund are grants for substance abuse prevention and transportation services for health-related issues. Authority is Section 24-1B-1 to 24-1B-7, NMSA 1978.

Environmental Gross Receipts Tax Fund - To account for funds received for environmental gross receipts taxes that are then provided to the Torrance County Solid Waste Authority to help pay a loan agreement with the New Mexico Finance Authority. Authority is the County Commission.

Title III Forest Reserve Fund - To account for resources received from the Secure Rural Schools and Community Self Determination Act of 2000 to be used only for Search, Rescue and Emergency Services, Community Service Work Camps or Easement Purchases. Authority is P.L. 106-393.

UHP 2002 Fund - To account for a newer grant under the Universal Hiring program. Authority is the U.S. Department of Justice.

Drug Education Program Fund - To account for fees received from offenders (instead of a fine) to be used to educate people about the dangers of drug abuse. Authority is 9-17-17 NMSA 1978.

Traffic Safety Fund - To account for funds received from the U.S. Department of Transportation passed through the State of New Mexico Highway and Transportation Department for the purpose of helping local law enforcement officers reduce highway deaths and injuries resulting from individuals riding unrestrained or improperly restrained in motor vehicles, to increase seat belt use rates, and to discourage drunk driving. Authority is the U.S. Department of Transportation.

Forest Service Patrol Fund - To account for funds received from the U.S. Forest Service for the provision of police services in and around National Forest areas. Authority is the U.S. Forest Service.

Bulletproof Vest Fund - To account for resources received from the Department of Justice to purchase armor vests meeting established ballistic or stab standards. The Authority is the Department of Justice.

COPS in School Fund - To account for a grant from the U.S. Department of Justice, Office of Community Oriented Policing Services (COPS), to be used to hire four new, additional full-time officers. Authority is the U.S. Department of Justice.

Emergency 911 Fund - To account for grant funds that are to be used to pay for 911 training. Financing is provided by a grant from New Mexico Department of Finance and Administration pursuant to Section 63-9D-1, NMSA 1978, "Enhanced 911 Act".

<u>408</u> <u>McIntosh</u> <u>Fire</u> <u>District</u>	<u>409</u> <u>Torreón-</u> <u>Tajique</u> <u>Fire District</u>	<u>410</u> <u>Law</u> <u>Enforcement</u> <u>Protection</u>	<u>411</u> <u>Fire Pool</u> <u>1/4% Tax</u>	<u>412</u> <u>County Fair</u> <u>Board</u>	<u>413</u> <u>Fire Dept.</u> <u>Admin.</u>
\$ 3,246	\$ 125,735	\$ 2,409	\$ 27,861		
<u>125</u>	<u>62</u>		<u>62</u>	\$ 5,243	
<u>\$ 3,371</u>	<u>\$ 125,797</u>	<u>\$ 2,409</u>	<u>\$ 27,923</u>	<u>\$ 5,243</u>	<u>\$ -0-</u>
					\$ 7,532
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>7,532</u>
<u>3,082</u> <u>289</u>	<u>124,866</u> <u>931</u>	<u>2,409</u>	<u>27,485</u> <u>438</u>	<u>5,243</u>	<u>(7,532)</u>
<u>3,371</u>	<u>125,797</u>	<u>2,409</u>	<u>27,923</u>	<u>5,243</u>	<u>(7,532)</u>
<u>\$ 3,371</u>	<u>\$ 125,797</u>	<u>\$ 2,409</u>	<u>\$ 27,923</u>	<u>\$ 5,243</u>	<u>\$ -0-</u>

<u>600</u>	<u>604</u>	<u>605</u>	<u>606</u>	<u>609</u>	<u>610</u>
<u>Safety Program</u>	<u>Civil Defense</u>	<u>DWI Program</u>	<u>Energy Conservation</u>	<u>Treasurer's Fee</u>	<u>Reappraisal</u>
\$ 20,802 2,624				\$ 654	\$ 108,713 2,425
		\$ 40,952			
<u>\$ 23,426</u>	<u>\$ -0-</u>	<u>\$ 40,952</u>	<u>\$ -0-</u>	<u>\$ 654</u>	<u>\$ 111,138</u>
\$ 6,725	\$ 26,488 10,000 575	\$ 36,692 3,000 1,260	\$ 10,135		
<u>6,725</u>	<u>37,063</u>	<u>40,952</u>	<u>10,135</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
13,875 <u>2,826</u>	(37,063)		(10,135)	654	111,138
<u>16,701</u>	<u>(37,063)</u>		<u>(10,135)</u>	<u>654</u>	<u>111,138</u>
<u>\$ 23,426</u>	<u>\$ -0-</u>	<u>\$ 40,952</u>	<u>\$ -0-</u>	<u>\$ 654</u>	<u>\$ 111,138</u>

<u>675</u>	<u>680</u>	<u>685</u>	<u>690</u>	<u>692</u>	<u>693</u>
Rural Addressing	Forest Co-op Grant	Planning & Zoning Court Fees	Domestic Violence	Domestic Violence Court Fee	Title III Forest Reserve
\$ 10,635		\$ 4,325		\$ 10,382	\$ 14,902
<u>62</u>					
<u>\$ 10,697</u>	<u>\$ -0-</u>	<u>\$ 4,325</u>	<u>\$ -0-</u>	<u>\$ 10,382</u>	<u>\$ 14,902</u>
			\$ 22,797 995 1,127		
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>24,919</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
9,720 977		700 3,625	(24,919)	10,138 244	14,006 896
<u>10,697</u>		<u>4,325</u>	<u>(24,919)</u>	<u>10,382</u>	<u>14,902</u>
<u>\$ 10,697</u>	<u>\$ -0-</u>	<u>\$ 4,325</u>	<u>\$ -0-</u>	<u>\$ 10,382</u>	<u>\$ 14,902</u>

<u>810</u>	<u>911</u>	
<u>COPS In Schools</u>	<u>Emergency 911</u>	<u>Total</u>
		\$ 740,352 6,049
	<u>\$ 6,507</u>	<u>134,925</u>
<u>\$ -0-</u>	<u>\$ 6,507</u>	<u>\$ 881,326</u>

\$ 101,213	\$ 11,826	\$ 272,315
	8,568	135,110
2,005	2,733	9,376
		<u>2,942</u>
<u>103,218</u>	<u>23,127</u>	<u>419,743</u>

		584,416
<u>(103,218)</u>	<u>(16,620)</u>	<u>(122,833)</u>
<u>(103,218)</u>	<u>(16,620)</u>	<u>461,583</u>
<u>\$ -0-</u>	<u>\$ 6,507</u>	<u>\$ 881,326</u>

408 McIntosh Fire District	409 Torreon- Tajique Fire District	410 Law Enforcement Protection	411 Fire Pool 1/4% Tax	412 County Fair Board	413 Fire Dept. Admin.
\$ 1,387 18,681 32,502	\$ 927 7,154 32,502	\$ 30,800	\$ 2,943 7,154	\$ 17,840	\$ 32,502
387 <u>52,957</u>	690 <u>41,273</u>	<u>30,800</u>	<u>10,097</u>	<u>17,840</u>	<u>32,502</u>
67,967	7,101	28,391	5,543		31,621
				19,000	
<u>67,967</u>	<u>7,101</u>	<u>28,391</u>	<u>1,100</u> <u>6,643</u>	<u>19,000</u>	<u>31,621</u>
<u>(15,010)</u>	<u>34,172</u>	<u>2,409</u>	<u>3,454</u>	<u>(1,160)</u>	<u>881</u>
8,372					
<u>8,372</u>					
(6,638)	34,172	2,409	3,454	(1,160)	881
<u>10,009</u>	<u>91,625</u>		<u>24,469</u>	<u>6,403</u>	<u>(8,413)</u>
<u>\$ 3,371</u>	<u>\$ 125,797</u>	<u>\$ 2,409</u>	<u>\$ 27,923</u>	<u>\$ 5,243</u>	<u>\$ (7,532)</u>

<u>600</u>	<u>604</u>	<u>605</u>	<u>606</u>	<u>609</u>	<u>610</u>
<u>Safety Program</u>	<u>Civil Defense</u>	<u>DWI Program</u>	<u>Energy Conservation</u>	<u>Treasurer's Fee</u>	<u>Reappraisal</u>
\$ 12,079		\$ 109,105		\$ 654	\$ 72,487
	\$ 11,593				
<u>12,079</u>	<u>11,593</u>	<u>109,105</u>	<u>\$ -0-</u>	<u>\$ 654</u>	<u>\$ 72,487</u>
	65,288	107,121	22,377		66,218
7,907					
<u>7,907</u>	<u>65,288</u>	<u>1,984</u> <u>109,105</u>	<u>22,377</u>		<u>66,218</u>
<u>4,172</u>	<u>(53,695)</u>		<u>(22,377)</u>	<u>654</u>	<u>6,269</u>
	14,964		24,971		29,252
	<u>14,964</u>		<u>24,971</u>		<u>29,252</u>
4,172	(38,731)		2,594	654	35,521
<u>12,529</u>	<u>1,668</u>		<u>(12,729)</u>		<u>75,617</u>
<u>\$ 16,701</u>	<u>\$ (37,063)</u>	<u>\$ -0-</u>	<u>\$ (10,135)</u>	<u>\$ 654</u>	<u>\$ 111,138</u>

<u>675</u>	<u>680</u>	<u>685</u>	<u>690</u>	<u>692</u>	<u>693</u>
<u>Rural</u> <u>Addressing</u>	<u>Forest Co-op</u> <u>Grant</u>	<u>Planning &</u> <u>Zoning</u> <u>Court Fees</u>	<u>Domestic</u> <u>Violence</u>	<u>Domestic</u> <u>Violence</u> <u>Court Fee</u>	<u>Title III</u> <u>Forest Reserve</u>
\$ 1,108		\$ 3,695	2,624	\$ 2,220	
7,154			100,034		\$ 2,584
<u>\$ 8,262</u>	<u>\$ -0-</u>	<u>3,695</u>	<u>102,658</u>	<u>2,220</u>	<u>2,584</u>
4,057			78,825	353	
<u>4,057</u>			<u>22,761</u>	<u>353</u>	
			<u>101,586</u>		
<u>4,205</u>		<u>3,695</u>	<u>1,072</u>	<u>1,867</u>	<u>2,584</u>
	9,544				(9,544)
	<u>9,544</u>				<u>(9,544)</u>
4,205	9,544	3,695	1,072	1,867	(6,960)
<u>6,492</u>	<u>(9,544)</u>	<u>630</u>	<u>(25,991)</u>	<u>8,515</u>	<u>21,862</u>
<u>\$ 10,697</u>	<u>\$ -0-</u>	<u>\$ 4,325</u>	<u>\$ (24,919)</u>	<u>\$ 10,382</u>	<u>\$ 14,902</u>

<u>810</u>	<u>911</u>	
<u>COPS In Schools</u>	<u>Emergency 911</u>	<u>Total</u>
		\$ 149,182
		315,050
		695,859
\$ 38,314		378,874
		2,822
<u>38,314</u>	<u>\$ -0-</u>	<u>1,541,787</u>
		117,373
141,532	16,892	728,072
		653,327
		19,500
		169,845
<u>141,532</u>	<u>16,892</u>	<u>1,688,117</u>
<u>(103,218)</u>	<u>(16,892)</u>	<u>(146,330)</u>
		108,058
		(23,489)
		84,569
(103,218)	(16,892)	(61,761)
	<u>272</u>	<u>523,344</u>
<u>\$ (103,218)</u>	<u>\$ (16,620)</u>	<u>\$ 461,583</u>

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - RECREATION
FOR THE YEAR ENDED JUNE 30, 2005**

	404			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local sources				
State-shared taxes	\$ 182	\$ 182	\$ 206	\$ 24
State sources				
Federal sources				
Charges for services				
Interest				
Total Revenues	182	182	206	24
Other financing sources:				
Transfers in	261	261	261	
Total revenues and other financing sources	443	443	467	24
EXPENDITURES:				
General government				
Public safety				
Highways and streets				
Health and welfare				
Culture and recreation	1,300	1,300	500	800
Total Expenditures	1,300	1,300	500	800
Excess (deficiency) of revenues and other financing sources over expenditures	(857)	(857)	\$ (33)	\$ 824
Prior year cash balance required to balance budget	\$ 857	\$ 857		

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - FIRE DISTRICT NO. II
FOR THE YEAR ENDED JUNE 30, 2005**

	406			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Local sources				
State-shared taxes	\$ 14,140	\$ 14,140	\$ 19,584	\$ 5,444
State sources	45,000	45,000	45,338	338
Federal sources				
Charges for services				
Interest	800	800	631	(169)
Total Revenues	<u>59,940</u>	<u>59,940</u>	<u>65,553</u>	<u>5,613</u>
EXPENDITURES:				
General government				
Public safety	115,577	115,577	21,182	94,395
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures	<u>115,577</u>	<u>115,577</u>	<u>21,182</u>	<u>94,395</u>
Excess (deficiency) of revenues over expenditures	(55,637)	(55,637)	<u>\$ 44,371</u>	<u>\$ 100,008</u>
Prior year cash balance required to balance budget	<u>\$ 55,637</u>	<u>\$ 55,637</u>		

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

STATE OF NEW MEXICO
COUNTY OF TORRANCE

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - MCINTOSH FIRE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2005

	408			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local sources			\$ 1,387	\$ 1,387
State-shared taxes	\$ 14,140	\$ 14,140	20,914	6,774
State sources	32,260	32,260	32,502	242
Federal sources		99,500		(99,500)
Charges for services				
Interest	200	200	387	187
Total Revenues	46,600	146,100	55,190	(90,910)
Other financing sources:				
Transfers in	8,372	8,372	8,372	
Total revenues and other financing sources	54,972	154,472	63,562	(90,910)
EXPENDITURES:				
General government				
Public safety	62,622	162,122	67,967	94,155
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures	62,622	162,122	67,967	94,155
Excess (deficiency) of revenues and other financing sources over expenditures	(7,650)	(7,650)	\$ (4,405)	\$ 3,245
Prior year cash balance required to balance budget	\$ 7,650	\$ 7,650		

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

STATE OF NEW MEXICO
COUNTY OF TORRANCE

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - LAW ENFORCEMENT PROTECTION FOR THE YEAR ENDED JUNE 30, 2005

	410			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Local sources				
State-shared taxes				
State sources	\$ 30,800	\$ 30,800	\$ 30,800	
Federal sources				
Charges for services				
Interest				
Total Revenues	<u>30,800</u>	<u>30,800</u>	<u>30,800</u>	<u>\$ -0-</u>
EXPENDITURES:				
General government				
Public safety	30,800	30,800	28,391	2,409
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures	<u>30,800</u>	<u>30,800</u>	<u>28,391</u>	<u>2,409</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -0-</u>	<u>-0-</u>	<u>\$ 2,409</u>	<u>\$ 2,409</u>

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

STATE OF NEW MEXICO
COUNTY OF TORRANCE

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - COUNTY FAIR BOARD
FOR THE YEAR ENDED JUNE 30, 2005

	412			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources				
State-shared taxes	\$ 19,000	\$ 19,000	\$ 19,000	
State sources				
Federal sources				
Charges for services				
Interest				
Total Revenues	19,000	19,000	19,000	\$ -0-
EXPENDITURES:				
General government				
Public safety				
Highways and streets				
Health and welfare				
Culture and recreation	19,000	19,000	19,000	
Total Expenditures	19,000	19,000	19,000	
Excess (deficiency) of revenues over expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - INDIGENT
FOR THE YEAR ENDED JUNE 30, 2005**

	414			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local sources	\$ 5,000	\$ 5,000	\$ 7,042	\$ 2,042
State-shared taxes	110,665	110,665	17,305	(93,360)
State sources				
Federal sources				
Charges for services				
Interest				
Total Revenues	115,665	115,665	24,347	(91,318)
EXPENDITURES:				
General government				
Public safety				
Highways and streets				
Health and welfare	218,274	218,274	130,514	87,760
Culture and recreation				
Total Expenditures	218,274	218,274	130,514	87,760
Excess (deficiency) of revenues over expenditures	(102,609)	(102,609)	\$ (106,167)	\$ (3,558)
Prior year cash balance required to balance budget	\$ 102,609	\$ 102,609		

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

STATE OF NEW MEXICO
COUNTY OF TORRANCE

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - DWI SEIZURE ORDINANCE
FOR THE YEAR ENDED JUNE 30, 2005

	416			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Local sources				
State-shared taxes				
State sources				
Federal sources				
Charges for services		\$ 250	\$ 100	\$ (150)
Interest				
Total Revenues	<u>\$ -0-</u>	<u>250</u>	<u>100</u>	<u>(150)</u>
EXPENDITURES:				
General government				
Public safety		250	226	24
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures		<u>250</u>	<u>226</u>	<u>24</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (126)</u>	<u>\$ (126)</u>

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - ENVIRONMENTAL GROSS RECEIPTS TAX
FOR THE YEAR ENDED JUNE 30, 2005**

	423			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local sources				
State-shared taxes	\$ 71,000	\$ 71,000	\$ 67,884	\$ (3,116)
State sources				
Federal sources				
Charges for services				
Interest				
Total Revenues	71,000	71,000	67,884	(3,116)
EXPENDITURES:				
General government				
Public safety				
Highways and streets				
Health and welfare	71,000	71,000	67,884	3,116
Culture and recreation				
Total Expenditures	71,000	71,000	67,884	3,116
Excess (deficiency) of revenues over expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - CIVIL DEFENSE
FOR THE YEAR ENDED JUNE 30, 2005**

	604			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local sources	\$ 5,000	\$ 5,000		\$ (5,000)
State-shared taxes				
State sources				
Federal sources	20,000	49,778	\$ 11,592	(38,186)
Charges for services				
Interest				
Total Revenues	25,000	54,778	11,592	(43,186)
Other financing sources:				
Transfers in	14,964	14,964	14,964	
Total revenues and other financing sources	39,964	69,742	26,556	(43,186)
EXPENDITURES:				
General government				
Public safety	42,082	71,860	55,162	16,698
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures	42,082	71,860	55,162	16,698
Excess (deficiency) of revenues and other financing sources over expenditures	(2,118)	(2,118)	\$ (28,606)	\$ (26,488)
Prior year cash balance required to balance budget	\$ 2,118	\$ 2,118		

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - ENERGY CONSERVATION
FOR THE YEAR ENDED JUNE 30, 2005**

	606			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources				
State-shared taxes				
State sources		\$ 10,500		\$ (10,500)
Federal sources				
Charges for services				
Interest				
Total Revenues	\$ -0-	10,500	\$ -0-	(10,500)
Other financing sources:				
Transfers in	24,971	24,971	24,971	
Total revenues and other financing sources	24,971	35,471	24,971	(10,500)
EXPENDITURES:				
General government	12,242	22,742	22,377	365
Public safety				
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures	12,242	22,742	22,377	365
Excess (deficiency) of revenues and other financing sources over expenditures	\$ 12,729	\$ 12,729	\$ 2,594	\$ (10,135)

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - REAPPRAISAL
FOR THE YEAR ENDED JUNE 30, 2005**

	610			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local sources	\$ 42,024	\$ 42,024	\$ 70,062	\$ 28,038
State-shared taxes				
State sources				
Federal sources				
Charges for services				
Interest				
Total Revenues	42,024	42,024	70,062	28,038
Other financing sources:				
Transfers in	29,252	29,252	29,252	
Total revenues and other financing sources	71,276	71,276	99,314	28,038
EXPENDITURES:				
General government	150,147	150,147	69,472	80,675
Public safety				
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures	150,147	150,147	69,472	80,675
Excess (deficiency) of revenues and other financing sources over expenditures	(78,871)	(78,871)	\$ 29,842	\$ 108,713
Prior year cash balance required to balance budget	\$ 78,871	\$ 78,871		

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

STATE OF NEW MEXICO
COUNTY OF TORRANCE

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - ESPERANZA CLINIC
FOR THE YEAR ENDED JUNE 30, 2005

	630			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources				
State-shared taxes				
State sources				
Federal sources				
Charges for services		\$ 600	\$ 600	
Interest				
Total Revenues	\$ -0-	600	600	\$ -0-
EXPENDITURES:				
General government				
Public safety				
Highways and streets				
Health and welfare		600		600
Culture and recreation				
Total Expenditures		600		600
Excess (deficiency) of revenues over expenditures	\$ -0-	\$ -0-	\$ 600	\$ 600

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

STATE OF NEW MEXICO
COUNTY OF TORRANCE

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - ESTANCIA BASIN WATER STUDY FOR THE YEAR ENDED JUNE 30, 2005

	650			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources	\$ 10,000	\$ 10,000	\$ 10,120	\$ 120
State-shared taxes				
State sources			4,000	4,000
Federal sources				
Charges for services				
Interest				
Total Revenues	10,000	10,000	14,120	4,120
EXPENDITURES:				
General government				
Public safety				
Highways and streets				
Health and welfare	11,140	11,140	10,474	666
Culture and recreation				
Total Expenditures	11,140	11,140	10,474	666
Excess (deficiency) of revenues over expenditures	(1,140)	(1,140)	\$ 3,646	\$ 4,786
Prior year cash balance required to balance budget	\$ 1,140	\$ 1,140		

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - NM EMNR GRANT
FOR THE YEAR ENDED JUNE 30, 2005**

	680			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources				
State-shared taxes				
State sources			\$ 7,037	\$ 7,037
Federal sources				
Charges for services				
Interest				
Total Revenues	\$ -0-	\$ -0-	7,037	7,037
Other financing sources:				
Transfers in	16,581	16,581	9,544	(7,037)
Total revenues and other financing sources	16,581	16,581	16,581	
EXPENDITURES:				
General government				
Public safety				
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures				
Excess (deficiency) of revenues and other financing sources over expenditures	\$ 16,581	\$ 16,581	\$ 16,581	\$ -0-

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - DOMESTIC VIOLENCE
FOR THE YEAR ENDED JUNE 30, 2005**

	690			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources				
State-shared taxes			\$ 2,624	\$ 2,624
State sources				
Federal sources	\$ 100,000	\$ 100,000	100,034	34
Charges for services				
Interest				
Total Revenues	100,000	100,000	102,658	2,658
EXPENDITURES:				
General government				
Public safety	74,545	100,000	100,000	
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures	74,545	100,000	100,000	
Excess (deficiency) of revenues over expenditures	\$ 25,455	\$ -0-	\$ 2,658	\$ 2,658

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND -
TITLE III FOREST RESERVE
FOR THE YEAR ENDED JUNE 30, 2005**

	693			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources				
State-shared taxes				
State sources				
Federal sources	\$ 3,689	\$ 3,689	\$ 2,585	\$ (1,104)
Charges for services				
Interest				
Total Revenues	3,689	3,689	2,585	(1,104)
EXPENDITURES:				
General government				
Public safety				
Highways and streets				
Health and welfare	8,970	8,970		8,970
Culture and recreation				
Total Expenditures	8,970	8,970		8,970
Other financing uses:				
Transfers out	16,581	16,581	9,544	7,037
Total expenditures and other financing uses	25,551	25,551	9,544	16,007
Excess (deficiency) of revenues over expenditures and other financing uses	(21,862)	(21,862)	\$ (6,959)	\$ 14,903
Prior year cash balance required to balance budget	\$ 21,862	\$ 21,862		

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

STATE OF NEW MEXICO
COUNTY OF TORRANCE

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - DRUG EDUCATION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2005

	804			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources	\$ 15,211	\$ 15,211	\$ 14,015	\$ (1,196)
State-shared taxes				
State sources				
Federal sources				
Charges for services				
Interest				
	<u>15,211</u>	<u>15,211</u>	<u>14,015</u>	<u>(1,196)</u>
Total Revenues				
EXPENDITURES:				
General government				
Public safety				
Highways and streets	40,087	40,087	8,935	31,152
Health and welfare				
Culture and recreation				
	<u>40,087</u>	<u>40,087</u>	<u>8,935</u>	<u>31,152</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	(24,876)	(24,876)	\$ 5,080	\$ 29,956
Prior year cash balance required to balance budget	\$ <u>24,876</u>	\$ <u>24,876</u>		

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

STATE OF NEW MEXICO
COUNTY OF TORRANCE

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - FOREST SERVICE PATROL
FOR THE YEAR ENDED JUNE 30, 2005

	808			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources				
State-shared taxes				
State sources				
Federal sources	\$ 11,000	\$ 11,000	\$ 10,065	\$ (935)
Charges for services				
Interest				
Total Revenues	<u>11,000</u>	<u>11,000</u>	<u>10,065</u>	<u>(935)</u>
EXPENDITURES:				
General government				
Public safety	12,730	12,730	8,519	4,211
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures	<u>12,730</u>	<u>12,730</u>	<u>8,519</u>	<u>4,211</u>
Excess (deficiency) of revenues over expenditures	(1,730)	(1,730)	\$ 1,546	\$ 3,276
Prior year cash balance required to balance budget	<u>\$ 1,730</u>	<u>\$ 1,730</u>		

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

STATE OF NEW MEXICO
COUNTY OF TORRANCE

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND - COPS IN SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2005

	810			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources				
State-shared taxes				
State sources				
Federal sources	\$ 167,888	\$ 167,888	\$ 66,675	\$ (101,213)
Charges for services				
Interest				
Total Revenues	<u>167,888</u>	<u>167,888</u>	<u>66,675</u>	<u>(101,213)</u>
EXPENDITURES:				
General government				
Public safety	140,476	140,476	140,476	
Highways and streets				
Health and welfare				
Culture and recreation				
Total Expenditures	<u>140,476</u>	<u>140,476</u>	<u>140,476</u>	
Excess (deficiency) of revenues over expenditures	<u>\$ 27,412</u>	<u>\$ 27,412</u>	<u>\$ (73,801)</u>	<u>\$ (101,213)</u>

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

DEBT SERVICE FUND

The Debt Service Fund accumulates resources to service the debt resulting from the issuance of general obligation bonds.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition, construction and repair of major capital assets.

Judicial Complex - To account for resources from General Obligation Bonds issued for the purpose of improving a necessary site for and acquiring, constructing, furnishing, and equipping a new County Courthouse.

CDBG Medical Clinic - To account for resources provided by a grant from the CDBG (Community Development Block Grant) program of the U.S. Department of Housing and Urban Development to provide funds for the construction of a medical clinic in the Estancia area.

Seniors Capital Outlay Fund - To account for resources received from a state appropriation from the State Agency on Aging Chapter 21, Laws of 2000 to purchase a vehicle for Torrance County. Also, for an appropriation from the State Agency on Aging, Chapter 21, Laws of 2000 to purchase a freezer for the Senior Citizen Program.

Legislative Appropriations - To account for resources received from State of New Mexico Legislative Appropriations for the acquisition of capital assets for Torrance County. Authorized by the legislation involved.

803

<u>Legislative Appropriations</u>	<u>Total</u>
\$ 11,334	\$ 115,196
<u>\$ 11,334</u>	<u>\$ 115,196</u>

<u>\$ -0-</u>	<u>\$ -0-</u>
---------------	---------------

1,334	105,196
<u>10,000</u>	<u>10,000</u>
<u>11,334</u>	<u>115,196</u>
<u>\$ 11,334</u>	<u>\$ 115,196</u>

<u>803</u>	
<u>Legislative Appropriations</u>	<u>Total</u>
\$ 272,211	\$ 272,211
	124,461
	<u>2,590</u>
<u>272,211</u>	<u>399,262</u>
	39,831
19,498	19,498
<u>253,762</u>	<u>378,223</u>
<u>273,260</u>	<u>437,552</u>
<u>(1,049)</u>	<u>(38,290)</u>
	12,637
	<u>12,637</u>
(1,049)	(25,653)
<u>12,383</u>	<u>140,849</u>
<u>\$ 11,334</u>	<u>\$ 115,196</u>

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - CAPITAL PROJECTS FUND - CDBG - MEDICAL CLINIC
FOR THE YEAR ENDED JUNE 30, 2005**

	622			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Local sources				
State-shared taxes				
State sources				
Federal sources	\$ 307,900	\$ 307,900	\$ 307,900	
Charges for services				
Interest				
Total Revenues	307,900	307,900	307,900	\$ -0-
EXPENDITURES:				
Current:				
General government				
Public safety				
Highways and streets				
Health and welfare				
Culture and recreation				
Capital Outlay	307,900	307,900	307,900	
Total Expenditures	307,900	307,900	307,900	
Excess (deficiency) of revenues over expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) - CAPITAL PROJECTS FUND - LEGISLATIVE APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

	803			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Local sources				
State-shared taxes				
State sources	\$ 371,090	\$ 371,090	\$ 387,133	\$ 16,043
Federal sources				
Charges for services				
Interest				
Total Revenues	<u>371,090</u>	<u>371,090</u>	<u>387,133</u>	<u>16,043</u>
EXPENDITURES:				
Current:				
General government				
Public safety				
Highways and streets				
Health and welfare				
Culture and recreation				
Capital Outlay	<u>270,752</u>	<u>367,807</u>	<u>275,461</u>	<u>92,346</u>
Total Expenditures	<u>270,752</u>	<u>367,807</u>	<u>275,461</u>	<u>92,346</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 100,338</u>	<u>\$ 3,283</u>	<u>\$ 111,672</u>	<u>\$ 108,389</u>

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

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**COMBINING BALANCE SHEET - ALL AGENCY FUNDS
JUNE 30, 2005**

	Children's Trust Fund	Undistributed Taxes	Overpayment Of Taxes	Taxes Paid In Advance	Cost to State/ Penalty and Interest	Total
ASSETS						
Due from other governmental unit	\$ 210	\$ 78,124	\$ 1,947	\$ 16,064	\$ 3,756	\$ 100,101
Total Assets	<u>\$ 210</u>	<u>\$ 78,124</u>	<u>\$ 1,947</u>	<u>\$ 16,064</u>	<u>\$ 3,756</u>	<u>\$ 100,101</u>
LIABILITIES						
Deposit held for others	\$ 210	\$ 78,124	\$ 1,947	\$ 16,064	\$ 3,756	\$ 100,101
Total Liabilities	<u>\$ 210</u>	<u>\$ 78,124</u>	<u>\$ 1,947</u>	<u>\$ 16,064</u>	<u>\$ 3,756</u>	<u>\$ 100,101</u>

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

STATE OF NEW MEXICO
COUNTY OF TORRANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Number or Pass-Through Number	Federal Expenditures
<u>U.S. Department of the Interior</u>			
Bureau of Land Management			
Payments in Lieu of Taxes	15.226	None	\$ 217,090
Passed through Department of Finance and Administration:			
Taylor Grazing Act	15.227	None	1,488
Total U.S. Department of the Interior			218,578
<u>U.S. Department of Agriculture</u>			
Forest Service Patrol	10.664	01-LE-11030300-010	8,507
Forest Reserve – Title I	10.664	None	10,500
Title III Forest Reserve	10.664	None	2,584
Total U.S. Department of Agriculture			21,591
<u>U.S. Department of Justice</u>			
COPS in Schools	16.710	2001-SHWX-0208	38,314
Universal Hiring	16.710	2002-UMWX-0239	35,176
Total U.S. Department of Justice			73,490
<u>U.S. Department of Health and Human Services</u>			
Passed through New Mexico Department of Health:			
Drug-Free Communities	93.000	None	53,946
Passed through NM Voices for Children:			
Covering Kids	93.000	030064	78,580
Total U.S. Department of Health and Human Services			132,526
<u>Federal Emergency Management Agency</u>			
Emergency Equipment Grant	83.000	None	144,000
Passed through the State of New Mexico			
Department of Finance and Administration:			
Civil Defense	83.007	None	11,593
Total U.S. Federal Emergency Management Agency			155,593
<u>Department of Homeland Security</u>			
Passed through New Mexico Office of the Governor:			
Emergency Preparedness Program	97.004	None	56,000
Total Department of Homeland Security			56,000

SUPPLEMENTARY INFORMATION - SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

Description:	Estancia Valley Solid Waste Authority
Purpose:	Coordinate solid waste resources in the area.
Participants:	County of Torrance, City of Moriarty, Town of Estancia and Mountainair, Village of Willard and Encino.
Party responsible for operations:	Estancia Valley Solid Waste Authority.
Beginning date of agreement:	1996.
Ending date:	When parties decide.
Total estimated amount of project:	Unknown.
Amount County contributed in current fiscal year:	\$67,884 for loan payment.
Audit responsibility:	Estancia Valley Solid Waste Authority.
Fiscal Agent:	N/A.
Name of government where revenues and expenditures are reported:	Estancia Valley Solid Waste Authority.
Description:	Estancia Valley Regional Animal Shelter
Purpose:	Animal shelter facilities.
Participants:	County of Torrance, City of Moriarty, Town of Estancia, Edgewood.
Party responsible for operations:	Estancia Valley Regional Animal Shelter Board.
Beginning date of agreement:	2003.
Ending date:	When parties decide.
Total estimated amount of project:	Unknown.
Amount County contributed in current fiscal year:	Salary of staff.
Audit responsibility:	County of Torrance.
Fiscal Agent:	County of Torrance.
Name of government where revenues and expenditures are reported:	Revenues: County of Torrance. Expenditures: Each participant.

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS - (Continued)
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
TAXES PAID IN ADVANCE:				
ASSETS:				
Due from other governmental unit	\$ 20,616	\$ -0-	\$ 4,552	\$ 16,064
Total Assets	<u>\$ 20,616</u>	<u>\$ -0-</u>	<u>\$ 4,552</u>	<u>\$ 16,064</u>
LIABILITIES				
Deposits held for others	\$ 20,616	\$ -0-	\$ 4,552	\$ 16,064
Total Liabilities	<u>\$ 20,616</u>	<u>\$ -0-</u>	<u>\$ 4,552</u>	<u>\$ 16,064</u>
COST TO STATE / PENALTY AND INTEREST:				
ASSETS:				
Due from other governmental unit	\$ 4,268	\$ 41,778	\$ 42,290	\$ 3,756
Total Assets	<u>\$ 4,268</u>	<u>\$ 41,778</u>	<u>\$ 42,290</u>	<u>\$ 3,756</u>
LIABILITIES:				
Deposits held for others	\$ 4,268	\$ 41,778	\$ 42,290	\$ 3,756
Total Liabilities	<u>\$ 4,268</u>	<u>\$ 41,778</u>	<u>\$ 42,290</u>	<u>\$ 3,756</u>
TOTALS - ALL AGENCY FUNDS:				
ASSETS:				
Due from other governmental unit	\$ 92,688	\$ 3,001,337	\$ 2,993,924	\$ 100,101
Total Assets	<u>\$ 92,688</u>	<u>\$ 3,001,337</u>	<u>\$ 2,993,924</u>	<u>\$ 100,101</u>
LIABILITIES:				
Deposits held for others	\$ 92,688	\$ 3,001,337	\$ 2,993,924	\$ 100,101
Total Liabilities	<u>\$ 92,688</u>	<u>\$ 3,001,337</u>	<u>\$ 2,993,924</u>	<u>\$ 100,101</u>

OTHER REPORTS

functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider the following items to be material weaknesses: 00-1, 02-3, 03-3, 05-1, and 05-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 00-7, 02-3, 02-4, 03-2, 03-3, 05-2, and 05-4.

This report is intended solely for the information and use of the County Commission, management of the County, the State of New Mexico Office of the State Auditor, the Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chester W. Mattabo, CPA

April 19, 2006

In my opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted a certain matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. This reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as the following item: 05-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable condition described above, I consider the following item to be a material weakness: 05-2.

This report is intended solely for the information and use of the County Commission, management of the County, the State of New Mexico Office of the State Auditor, the Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chester W. Matlock, CPA

April 19, 2006

STATE OF NEW MEXICO
COUNTY OF TORRANCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

II. Financial Statement Findings

00-1 - COUNTY'S MATCHING SHARE

Statement of finding: In prior years, the County did not record and/or transfer its matching share of funds for the Universal Hiring Grant, CFDA 16.710, Grant # 95CFWX4761. The total not transferred was \$412,266.

Criteria: The County should budget and transfer all grant matches as required.

Effect: The County did not follow proper procedure for matching requirements.

Cause: The matching requirement was not known at the time of the grant inception.

Recommendation: All grant match requirements should be budgeted each year.

Management's response: The County Commission has adopted a procedure for approving and accepting new grants. This will allow the Commission an opportunity to review new grants and know about the required matching funds. In the past, grants were accepted by elected officials or department heads without proper approval by the County Commission. In addition, copies of the grant agreements were not given to the County Manager's office for proper monitoring. The County was unaware of the matching requirement until the grant was renewed. The County has made every effort to comply with the requirement of the grant including the matching part. The expenditures were made and now the County will make transfers from the General Fund to that grant fund as it can until the grant deficit (which is the matching requirement) is taken care of in full.

00-7 - LATE AUDIT REPORT

Statement of finding: The June 30, 2005 audit report was not submitted to the State Auditor by the required deadline. It was submitted on June 6, 2006.

Criteria: County audits are required to be submitted to the State Auditor by November 15 of the year in question, per State Auditor Rule 2.2.2.9A(1) (c).

Effect: The County was not in compliance with Rule 2.2.2.9A(1)(c), which is a violation of state regulation. Loss of funding could result.

Cause: The prior year's audit report was late, which delayed the completion of this year's audit.

Recommendation: The County should institute procedures to comply with Rule 2.2.2.9A(1)(c).

Management's response: The County had an issue with a potential component unit that caused the audit report for 2005 to be late. The 2006 audit is scheduled to be on time.

STATE OF NEW MEXICO
COUNTY OF TORRANCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

02-4 - COUNTY TREASURER'S PROPERTY TAX SCHEDULE

Statement of finding: The County Treasurer, after much effort, is still not able to obtain all of the detailed data by entity in order to provide a Property Tax Schedule that conforms to the State Auditor's Rule 2.2.2.12D(2).

Criteria: State Auditor's Rule 2.2.2.12D(2) requires a property tax schedule providing detailed information on taxes assessed and collected by tax year by entity for the past ten years.

Effect: The County Treasurer was not in compliance with Rule 2.2.2.12D(2).

Cause: The software used by the Treasurer's Office cannot provide this type of information for the required schedule.

Recommendation: The County Treasurer should continue to work with the software vendor in hopes of accessing this information in the future.

Management's response: The County Treasurer is working with the computer software provider to accommodate the ten year format required by the State Auditor.

03-2 - DFA CASH BALANCE REQUIREMENT NOT MET

Statement of finding: The County did not meet the requirement to maintain a cash balance in the General Fund equal to 3/12 (25%) of its budgeted expenditures.

Criteria: The State of New Mexico Department of Finance and Administration (DFA), Local Government Division, the state oversight agency, requires that counties maintain a cash balance equal to 3/12 (25%) of its budgeted expenditures in the General Fund.

Effect: The County was not in compliance with this regulation.

Cause: Cash flow problems were the cause.

Recommendation: The County should take steps in order to be in compliance with this regulation.

Management's response: The County continues to have ongoing problems with cash flow and incarceration debt. The Financial Oversight Committee was formed by the Commission to establish budgetary awareness amongst departments. The function of this committee is to monitor the budget and cash flow issues. The County has been working closely with the Department of Finance and Administration to meet the 3/12th reserve requirement.

STATE OF NEW MEXICO
COUNTY OF TORRANCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

05-2 - FEMA GRANT DOCUMENTS NOT AVAILABLE

Statement of finding: Documents relating to an Emergency Equipment Grant in the amount of \$144,000 from the Federal Emergency Management Agency (FEMA) were not available for inspection by the independent auditors or by FEMA personnel.

Criteria: All pertinent documentation relating to federal or state grant awards should be retained and available for inspection, as per federal regulations and State of New Mexico Audit Rule 2.2.2 NMAC.

Effect: The independent auditors were unable to determine if there was any matching requirement associated with this grant. FEMA auditors also cited the County for this violation.

Cause: The person who originally applied for this grant did not retain the necessary documentation. In addition, the documentation was not forwarded to the County Comptroller, as required by County policy.

Recommendation: All grant activity should be conducted under the authority of and in cooperation with the offices of the County Manager and County Comptroller.

Management's response: The County is in the process of developing extensive grant management procedures. These procedures will prevent this from happening in the future.

05-3 - NONPROFIT ORGANIZATION

Statement of finding: Former members of a County advisory board formed a 501c (3) nonprofit organization which may have then received funds intended for the County.

Criteria: All receipts belonging to the County or intended for the County must be deposited with the County Treasurer.

Effect: This nonprofit organization may have been in violation of state statutes.

Cause: The organization was formed by former members of a County Advisory Board and the former members were associated with a person who had contracted with the County to perform health-related services.

Recommendation: County management should institute policies which insure that all organizations associated with the County operate according to County procedures. Any funds intended for Torrance County or obtained as a result of an association with Torrance County must be deposited with the County Treasurer.

Management's response: This matter has been forwarded to the County Attorney for review and policy development.

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (Continued)
FOR THE YEAR ENDED JUNE 30, 2005**

III. Federal Award Findings and Questioned Costs

The following finding relates to the Federal Emergency Management Agency (FEMA) Emergency Management Grant (83.000).

05-2 - FEMA GRANT DOCUMENTS NOT AVAILABLE

Statement of finding: Documents relating to an Emergency Equipment Grant in the amount of \$144,000 from the Federal Emergency Management Agency (FEMA) were not available for inspection by the independent auditors or by FEMA personnel.

Criteria: All pertinent documentation relating to federal or state grant awards should be retained and available for inspection, as per federal regulations and State of New Mexico Audit Rule 2.2.2 NMAC.

Effect: The independent auditors were unable to determine if there was any matching requirement associated with this grant. FEMA auditors also cited the County for this violation.

Cause: The person who originally applied for this grant did not retain the necessary documentation. In addition, the documentation was not forwarded to the County Comptroller, as required by County policy.

Questioned costs: None.

Recommendation: All grant activity should be conducted under the authority of and in cooperation with the offices of the County Manager and County Comptroller.

Management's response: The County is in the process of developing extensive grant management procedures. These procedures will prevent this from happening in the future.

Note: The financial statements in this report were substantially prepared by the independent auditor, Chester W. Mattocks, CPA, with the assistance of County management.

STATE OF NEW MEXICO
COUNTY OF TORRANCE

EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2005

An exit conference was held on May 31, 2006 to discuss the above findings. Attending were the following persons:

Representing the County:

James Frost	Chair (by telephone)
Bob Ayre	County Manager
James Hall	County Treasurer
Tracy Sedillo	Comptroller
Annette Ortiz	Executive Assistant

Representing the Auditor:

Richard H. Torrence, CPA

