



ricci & company llc

Certified Public Accountants

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

FINANCIAL STATEMENTS

JUNE 30, 2012

**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

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**STATE OF NEW MEXICO
COUNTY OF TORRANCE**

Official Roster
June 30, 2012

COUNTY COMMISSION

Vanessa Chavez-Gutierrez	Chairman
Leanna Tapia	Commissioner
Lonnic Freyburger	Commissioner

ELECTED OFFICIALS

Linda Kayser	County Clerk
Dorothy Sandoval	County Treasurer
Betty Cabber	County Assessor
Heath White	Sheriff
Jim Summers	Probate Judge

ADMINISTRATIVE OFFICIALS

Joy Ansley	County Manager
Annette Ortiz	Deputy County Manager
Tracy Sedillo	Comptroller

Independent Auditor's Report

Mr. Hector H. Balderas, State Auditor

and

To the Honorable Members of the Board of County Commissioners

State of New Mexico - County of Torrance

Estancia, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue fund of the State of Mexico, County of Torrance (County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's non-major governmental funds and the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our 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 of the County as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the County as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparisons for the non-major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor
and
To the Honorable Members of the Board of County Commissioners
State of New Mexico - County of Torrance
Estancia, New Mexico

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the County's basic financial statements and on the combining and individual fund financial statements and the budgetary comparisons. 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 financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ricci & Company LLC

Albuquerque, New Mexico
November 13, 2012

**STATE OF NEW MEXICO
COUNTY OF TORRANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Torrance County's discussion and analysis is designed to (a) provide an overview of the County's financial activities, its mission and function, (b) provide a description of significant capital assets, (c) provide a brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide, (d) provide an analysis of the County's financial position, and (e) identify any material deviations from the financial plan (approved budget).

Torrance County Government Mission Statement

Torrance County is committed to effective, efficient and responsible public policy, excellent public service, courteous public contact, sensitivity to cultural beliefs and preservations of their heritage, providing quality services as required by law or mandated by the public, enhancing the health, safety and general well-being of the citizens of Torrance County and conducting county operations in a legal, ethical and fair manner.

The County of Torrance is a political subdivision of the State of New Mexico, created in 1905 under Section NMSA 4-30-1 to 4-30-2.

Financial Highlights

- Torrance County's total net assets at June 30, 2012 were \$14,613,880, which is an increase of \$248,050 over FY2011 when taking into account the restatement of \$519,997 over the FY2011 reported balance.
- As of the close of the fiscal year 2012, the County's government wide financial statements showed current assets of \$5,438,071 and net capital assets of \$13,622,404.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to Torrance County's basic financial statements. Torrance County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Torrance County's finances, in a manner similar to the private-sector business. These statements consist of the statement of net assets and the statement of activities.

STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

The 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, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of Torrance County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 10-11 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 expendable resources, as well as on balances of expendable 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.

**STATE OF NEW MEXICO
COUNTY OF TORRANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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 other individual governmental funds that are classified as Special Revenue funds. Of these, the Road, Jail and Civil Defense 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.)

Torrance County adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for the governmental funds to demonstrate budget compliance.

The basic governmental fund financial statements can be found on pages 12-18 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 19 to 49 of this report.

Budgetary Comparisons. GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both the original and the final approved budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the County's budgetary (cash) basis. As required by the Office of the New Mexico State Auditor under 2.2.2 NMAC, "*Requirements for Contracting and Conducting Audits of Agencies*," the budgetary comparison statements of the non-major governmental funds are presented as supplemental information. Budgetary information is provided at the approved budget level to demonstrate compliance with legal requirements.

Other Information. The combining statements referred to earlier in connection with non-major government funds are presented immediately following the Notes to the Financial Statements. Combining and individual fund statements can be found on pages 55 to 136 of this report.

**STATE OF NEW MEXICO
COUNTY OF TORRANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$14,613,880 at the close of the most recent fiscal year. Comparative net assets are shown below:

	Governmental Activities June 30, 2012	Governmental Activities June 30, 2011, as restated
Assets:		
Current assets:		
Cash and investments	\$ 3,396,926	3,518,138
Other current assets	<u>2,041,109</u>	<u>1,926,380</u>
Total current assets	5,438,035	5,444,518
Capital assets, net	<u>13,622,404</u>	<u>13,834,288</u>
Total assets	<u>19,060,475</u>	<u>19,278,806</u>
Liabilities:		
Current liabilities	1,405,048	1,312,268
Non-current liabilities	<u>3,041,547</u>	<u>3,600,708</u>
Total liabilities	<u>4,446,595</u>	<u>4,912,976</u>
Net assets:		
Invested in capital assets net of related debt	10,032,210	9,713,933
Restricted for debt service	389,746	307,719
Restricted for capital projects	-	90,237
Special projects	1,748,813	2,022,567
Unrestricted	<u>2,443,111</u>	<u>2,231,374</u>
Total net assets	<u>\$ 14,613,880</u>	<u>14,365,830</u>

The increase of \$248,050 from the previous year is primarily related to:

- An increase in property tax receivables as it related to the restatement.
- A decrease in overall long term debt.

**STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Changes in Net Assets: The overall increase in the County's net assets is shown in the following schedule:

	Governmental Activities June 30, 2012	Governmental Activities June 30, 2011, as restated
Program revenues		
Charges for services	\$ 373,097	290,386
Operating grants	3,401,725	2,634,718
Capital grants	541,473	1,154,711
General revenues		
Property taxes	3,757,658	3,692,175
Local and State share taxes	2,294,823	2,791,098
IRB payment in lieu of taxes	325,000	325,000
Investment	5,121	4,519
Other Miscellaneous Revenues	4,620	485
Loss on disposal of capital assets	-	(1,721)
Total revenues	<u>10,703,517</u>	<u>10,891,371</u>
Expenses		
General Government	3,834,549	3,555,099
Public safety	4,010,468	3,738,341
Highways and streets	1,262,567	1,344,345
Health and Welfare	935,467	881,360
Culture and recreation	277,566	231,777
Interest on long-term debt	<u>134,850</u>	<u>183,107</u>
Total expenses	<u>10,455,467</u>	<u>9,734,029</u>
Change in net assets	248,050	1,157,342
Beginning net assets, July 1	14,365,830	13,180,554
Restatement (see note below)	-	<u>27,484</u>
Ending net assets, June 30	<u>\$ 14,613,880</u>	<u>14,365,380</u>

Note: this restatement is related to fix asset additions that were made in 2010 and never capitalized on the County's fixed asset listing.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, and balances of expendable resources. Such information is more useful in assessing the County's financial position than the government-wide statements, because the fund financial statements better reflect the reality that certain revenues are legally restricted for specific purposes and cannot be used to cover the costs of other operations.

