

STATE OF NEW MEXICO
OTERO COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

INTRODUCTORY SECTION

STATE OF NEW MEXICO

Otero County
Official Roster
June 30, 2007

<u>Name</u>		<u>Title</u>
	<u>Board of County Commissioners</u>	
Doug Moore		Chairman
Clarissa McGinn		Vice-Chairperson
Michael Nivison		Commissioner
	<u>Elected Officials</u>	
Dale Palkki		County Assessor
Robyn Holmes		County Clerk
John Blansett		County Sheriff
Grace Gonzalez		County Treasurer
Yvonne Boyle		County Probate Judge
	<u>Administrative Officials</u>	
Martin D. Moore, Ph.D.		County Administrator
Ray Backstrom		Assistant County Administrator
Donna Brandon		Finance Director

STATE OF NEW MEXICO

Otero County

June 30, 2007

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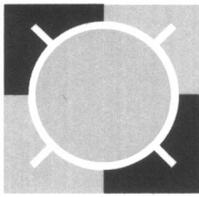
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FINANCIAL SECTION



Accounting & Consulting Group, LLP

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
To the County Administrator and County Commissioners
Otero County
Otero, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and each major special revenue fund and the aggregate remaining fund information of the Otero County as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental funds and budgetary comparisons for the major capital projects fund and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of County management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 such 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, 2007, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the General Fund, Fire Special Revenue Fund and Road 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 nonmajor governmental fund of the County as of June 30, 2007, and the respective changes in financial position, thereof, and the budgetary comparisons for the Legislative Grants Capital Projects Fund and the remaining nonmajor governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

2700 San Pedro Northeast (87110-3333) ■ P.O. Box 3130, Albuquerque, New Mexico 87190-3130
866.307.2727 ■ 505.883.2727 ■ Fax 505.884.6719 ■ albuquerque.office@acgnm.com ■ www.acgnm.com

Alamogordo ■ Albuquerque ■ Carlsbad ■ Clovis ■ Hobbs

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2007 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 9 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements, 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 the 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 accompanying financial information listed as supporting Schedules I through V in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Otero County, New Mexico. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and each of the County's nonmajor governmental funds financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements and each of the County's nonmajor governmental funds financial statements, taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
September 28, 2007

STATE OF NEW MEXICO
Otero County
Management's Discussion and Analysis
June 30, 2007

As management of Otero County (the County), we offer readers of Otero County financial statements this narrative overview and analysis of the financial activities of Otero County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the financial statements of Otero County and additional information provided.

Financial Highlights

- The assets of Otero County exceeded its liabilities at the close of the most recent fiscal year by \$32,389,186 (*net assets*). Of this amount, \$7,463,275 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.
- Change in net assets for the year end was \$2,723,224. The increase is primarily due to an increase in capital grants and gross receipts tax revenue.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$5,584,028, or 45 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Otero County's basic financial statements. Otero County's basic financial statements are comprised 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 Otero County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Otero 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 Otero County is improving or deteriorating.

The *statement of activities* presents information showing how the government'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).

Both of the government-wide financial statements distinguish functions of Otero County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs. The governmental activities of Otero County include general government, public safety, public works, culture and recreation, and health and welfare.

The government-wide financial statements can be found at Exhibits A and B of this report.

Fund financial statements. 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. Otero 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 Otero County can be divided into two categories: governmental funds and fiduciary funds.

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Governmental Funds. *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.

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 government'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 *governmental funds* and *governmental activities*.

Otero County maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, fire special revenue fund, road special revenue fund and legislative grants capital projects fund, all of which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Otero County adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the general fund, fire special revenue fund, road special revenue fund and legislative grants capital projects fund to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental funds include budgetary comparison data.

The basic governmental fund financial statements can be found at Exhibits B-1 and B-2 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Otero County's own programs.

Otero County fiduciary funds account for the collection of property taxes and special fees and their remittance to other governmental agencies.

The basic fiduciary fund financial statements can be found at Exhibit D-1 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 fund financial statements. The notes to the financial statements can be found on pages 30-51 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 56-89 of this report.

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Government-wide Financial Analysis

Since this is the fourth year to report all activities on the accrual basis of accounting, a detailed comparison to the prior year is presented.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Otero County, assets exceeded liabilities by \$32,389,186 and \$32,438,295 at the close of the fiscal years ended June 30, 2007 and June 30, 2006, respectively.

The largest portion of the County's net assets (57 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion (\$7,396,120) of Otero County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$7,463,275) may be used to meet the government's ongoing obligations to citizens and creditors.

Otero County is able to report positive balances in all three categories (Invested in capital assets, net of related debt, Restricted, and Unrestricted) of net assets, for the government as a whole as of June 30, 2007.

OTERO COUNTY'S NET ASSETS
June 30, 2007

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 16,469,623	\$ 15,496,651
Capital assets	<u>20,410,337</u>	<u>21,365,248</u>
Total assets	<u>36,879,960</u>	<u>36,861,899</u>
Current liabilities	2,135,551	1,507,484
Non-current liabilities	<u>2,355,223</u>	<u>2,916,120</u>
Total liabilities	<u>4,490,774</u>	<u>4,423,604</u>
Net assets:		
Invested in capital assets, net of related debt	17,529,791	17,992,563
Restricted	7,396,120	789,701
Unrestricted	<u>7,463,275</u>	<u>13,656,031</u>
Total net assets	<u>\$ 32,389,186</u>	<u>\$ 32,438,295</u>

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Changes in Net Assets

The County's total revenues of \$25,001,626 and program expenses of \$22,278,402 resulted in a change in net assets of \$2,723,224.

This section contains a condensed comparison of revenues and expenditures and explanations for significant differences. The table shows the summarized revenues and expenditures for the years ended June 30, 2007 and June 30, 2006.

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Program revenues:		
Charges for service	\$ 2,566,304	\$ 2,688,443
Operating grants and contributions	4,989,290	5,388,652
Capital grants and contributions	1,638,651	484,420
General revenues:		
Property taxes	8,833,628	9,944,437
Gross receipts taxes	3,839,614	2,078,888
Gasoline, motor vehicle and cigarette taxes	409,983	366,789
Investment income	865,504	593,403
Miscellaneous revenue and licenses and fees	1,858,688	983,605
Loss on disposal of capital assets	(36)	(102,778)
Total revenues	<u>25,001,626</u>	<u>22,425,859</u>
Program expenses:		
General government	5,110,331	4,695,759
Public safety	9,689,009	9,479,906
Public Works	3,718,615	2,319,107
Culture and recreation	645,015	296,311
Health and welfare	2,998,678	2,499,888
Interest on long-term debt	116,754	108,281
Total expenses	<u>22,278,402</u>	<u>19,399,252</u>
Change in net assets	<u>\$ 2,723,224</u>	<u>\$ 3,026,607</u>

Financial Analysis of the Government's Funds

As noted earlier, Otero County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of Otero County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Otero County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Otero County's governmental funds reported combined ending fund balances of \$14,796,801, an increase of \$217,173 in comparison with the prior year. Approximately 61 percent of this total amount, \$8,989,488, constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion, and 39 percent of this total amount, \$5,807,313, is *reserved for prepaid expenses, inventory, and designated for subsequent year's expenditures*. This is an internal designation of unreserved fund balance.

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The general fund is the chief operating fund of Otero County. At the end of the current fiscal year, *unreserved, undesignated* fund balance of the general fund was \$5,584,028, while total fund balance was \$8,038,506. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 45 percent of total general fund expenditures, while total fund balance represents 65 percent of that same amount. Fund balance of Otero County's general fund increased by \$225,570 during the current fiscal year.

The Fire Fund has a total fund balance of \$3,027,671. At the end of the current fiscal year, *unreserved, undesignated* fund balance of the fire fund was \$587,748. The net increase in fund balance during the current year in the fire fund was \$889,203. This increase is due to increased gross receipts taxes revenue and decreased expenditures.

The Road Fund has a total fund balance of \$379,015, of which \$338,295 is *unrestricted and undesignated*. The net increase in the current year was \$254,672. This increase was due primarily to an increase of tax revenue and intergovernmental income.

The Legislative Grants Capital Projects Fund has a total fund balance of \$348,210, of which \$315,577 is *unrestricted and undesignated*. The net increase in the current year was \$273,228. This increase was due primarily to an increase in capital grants revenues for the year.

Budgetary Highlights

County budgets reflect the same pattern as seen in the revenue and expenditures of the County. The State of New Mexico budget process is defined under state law and regulation. To enhance the process of developing a budget at the county level, Otero County utilizes goals and objectives defined by the County Commissioners, community input meetings, long term plans and input from various staff groups to develop the County budget. County priorities are well defined through this process.

GASB 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

The total variation in expenditures from the original and final budgets in the general fund was \$705,574. The significant variations were in the general government and public safety functions, which were increases of \$281,170 and \$466,680, respectively. This increase was to allow for more vehicles for the County's Sheriff and fire districts.

The following table examines the summary budget performance of the major and aggregate non-major funds for the fiscal year ending June 30, 2007. Detail budget performance is reported in the budgetary comparison statements for each major fund and the statements of revenues and expenditures budget and actual for the non-major funds.

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Fund Expenditure Budget Performance

	<u>Final Budget</u>	<u>Actual on Cash (Budgetary) Basis</u>	<u>Favorable (Unfavorable) Variance</u>
General Fund	\$ 13,159,292	\$ 12,437,056	\$ 722,236
Fire Fund	4,041,771	1,637,269	2,404,502
Road Fund	3,085,246	2,803,615	281,631
Legislative Grants Capital Projects Fund	6,415,410	1,750,118	4,665,292
Other Governmental Funds	<u>5,985,160</u>	<u>4,436,728</u>	<u>1,548,432</u>
Total for Governmental Funds	<u>\$ 32,686,879</u>	<u>\$ 23,064,786</u>	<u>\$ 9,622,093</u>

The County amends its budget during the year in response to unexpected changes in its operating environment. The original and final budgets are reported and can be examined in the budgetary comparison statements for each major fund and the statements of revenues and expenditures budget and actual for the non-major funds.

Capital Asset and Debt Administration

Capital assets

Otero County's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$20,410,337 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, furniture and equipment and vehicles. The table below shows the summarized capital assets of Otero County as of June 30, 2007 and June 30, 2006.

Otero County's Capital Assets, Net of Depreciation

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Property, plant and equipment		
Land	\$ 1,966,699	\$ 1,673,222
Buildings and improvements	20,927,944	19,780,278
Furniture and equipment	17,879,418	11,904,741
Vehicles	<u>3,444,148</u>	<u>7,751,491</u>
Total property, plant and equipment	44,218,209	41,109,732
Less: accumulated depreciation	<u>(23,807,872)</u>	<u>(19,744,484)</u>
Total property, plant and equipment, Net of accumulated depreciation	<u>\$ 20,410,337</u>	<u>\$ 21,365,248</u>

The County had vehicle additions of \$271,163 during the year. Many of these additions replaced old and obsolete vehicles of the County Sheriff and fire districts within Otero County. The County also replaced old furniture and equipment in the County's administration building. The County recognized \$1,781,828 in depreciation expense during the year. Additional information on Otero County's capital assets can be found in the notes to the financial statements.

The County had several commitments to construction companies at June 30, 2007. Additional information on Otero County's commitments can be found in the notes to the financial statements.

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Long-term debt

At June 30, 2007, Otero County had total bonded debt outstanding of \$1,660,000 and loans and capital leases outstanding of \$1,220,546 all of which is secured by pledged gross receipts tax revenues.

Otero County's Outstanding Debt

	<u>2007</u>	<u>2006</u>
		<u>Governmental</u>
		<u>Activities</u>
	<u>2007</u>	<u>2006</u>
Bonds	\$ 1,660,000	\$ 2,300,000
Loans and capital leases payable	<u>1,220,546</u>	<u>1,072,685</u>
Total outstanding debt	<u>\$ 2,880,546</u>	<u>\$ 3,372,685</u>

The County reduced bonds payable by their principal payment of \$640,000. They also added four New Mexico Finance Authority loans and capital leases for new fire vehicles and equipment totaling \$371,109. The County made principal payments towards loans and capital leases payable in the amount of \$271,470. Additional information on Otero County's long-term debt can be found in the notes to the financial statements.

Economic Factor and Next Year's Budgets and Rates

- Inflationary trends in the region compare favorably to national indices.

This factor was considered in preparing Otero County's budget for the 2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$7,749,019. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2007 fiscal year.

Request for Information

This financial report is designed to provide a general overview of Otero County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the County Administrator, Otero County, 1000 New York Ave., Room 101, Alamogordo, NM 88310-6935.

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Otero County
Statement of Net Assets
June 30, 2007

Exhibit A-1
Page 1 of 2

	Governmental Activities
Assets	
Current Assets	
Cash and cash equivalents	\$ 7,555,380
Investments	5,138,185
Receivables:	
Property taxes	611,207
Other taxes	379,214
Other receivables	1,614,929
Inventory	40,720
Prepaid expenses	289,487
Total Current Assets	15,629,122
Noncurrent Assets	
Restricted cash and cash equivalents	840,501
Capital assets	44,218,209
Less: accumulated depreciation	(23,807,872)
Total Noncurrent Assets	21,250,838
Total Assets	\$ 36,879,960

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
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Statement of Net Assets
June 30, 2007

Exhibit A-1
Page 2 of 2

	Governmental Activities
Liabilities	
Current Liabilities	
Accounts payable	\$ 906,372
Accrued payroll expenses	304,028
Accrued interest	38,963
Current portion of long-term debt	886,188
Total Current Liabilities	2,135,551
Non-current Liabilities	
Accrued compensated absences	360,865
Bonds payable	1,010,000
Loans and capital leases payable	984,358
Total Non-current Liabilities	2,355,223
Total Liabilities	4,490,774
Net Assets	
Invested in capital assets, net of related debt	17,529,791
Restricted for:	
Debt service	1,441,538
Capital projects	314,998
Other purposes	5,639,584
Unrestricted	7,463,275
Total Net Assets	32,389,186
Total Liabilities and Net Assets	\$ 36,879,960

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Otero County
Statement of Activities
For the Year Ended June 30, 2007

Exhibit A-2

<i>Functions/Programs:</i>	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total Governmental Activities
Primary Government					
General government	\$ 5,110,331	\$ 898,900	\$ 1,066,251	\$ -	\$ (3,145,180)
Public safety	9,689,009	1,023,539	2,491,094	-	(6,174,376)
Public works	3,718,615	-	684,335	-	(3,034,280)
Culture and recreation	645,015	-	545,701	1,638,651	1,539,337
Health and welfare	2,998,678	643,865	201,909	-	(2,152,904)
Interest on long-term debt	116,754	-	-	-	(116,754)
<i>Total governmental activities</i>	<u>\$ 22,278,402</u>	<u>\$ 2,566,304</u>	<u>\$ 4,989,290</u>	<u>\$ 1,638,651</u>	(13,084,157)
General Revenues:					
Taxes					
Property taxes, levied for general purposes					8,102,914
Property taxes, levied for debt service					730,714
Gross receipts taxes					3,839,614
Gasoline, motor vehicle and cigarette taxes					409,983
Licenses and fees					1,602,224
Investment income					865,504
Miscellaneous income					256,464
Loss on disposal of capital assets					(36)
Total general revenues and transfers					<u>15,807,381</u>
Change in net assets					<u>2,723,224</u>
Net assets, beginning					32,438,295
Net assets, restatement (Note 20)					<u>(2,772,333)</u>
Net assets, beginning as restated					<u>29,665,962</u>
Net assets, ending					<u>\$ 32,389,186</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Otero County
Balance Sheet
Governmental Funds
June 30, 2007

Exhibit B-1
Page 1 of 3

	General Fund	Fire Fund	Road Fund
<i>Assets</i>			
Cash and cash equivalents	\$ 2,170,205	\$ 2,982,112	\$ 221,737
Investments	5,138,185	-	-
Receivables:			
Property taxes	611,207	-	-
Other taxes	177,827	49,878	-
Other receivables	346,731	-	173,225
Inventory	-	-	40,720
Prepaid expenses	289,487	-	-
Restricted cash and cash equivalents	-	-	-
	<u>\$ 8,733,642</u>	<u>\$ 3,031,990</u>	<u>\$ 435,682</u>
<i>Total assets</i>			
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 122,234	\$ 4,319	\$ 18,567
Accrued payroll expenses	237,268	-	38,100
Deferred revenue	335,634	-	-
	<u>695,136</u>	<u>4,319</u>	<u>56,667</u>
<i>Total liabilities</i>			
<i>Fund balances</i>			
Reserved for:			
Inventory	-	-	40,720
Prepaid expenses	289,487	-	-
Unreserved	5,584,028	-	-
Unreserved, designated for subsequent year's expenditures	2,164,991	2,439,923	-
Unreserved, reported in:			
Special revenue funds	-	587,748	338,295
Debt service fund	-	-	-
Capital projects funds	-	-	-
	<u>8,038,506</u>	<u>3,027,671</u>	<u>379,015</u>
<i>Total fund balances</i>			
<i>Total liabilities and fund balances</i>	<u>\$ 8,733,642</u>	<u>\$ 3,031,990</u>	<u>\$ 435,682</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Otero County
Balance Sheet
Governmental Funds
June 30, 2007

Exhibit B-1
Page 2 of 3

	Legislative Grants Capital Projects Fund	Other Governmental Funds	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 73,285	\$ 2,108,041	\$ 7,555,380
Investments	-	-	5,138,185
Receivables:			
Property taxes	-	-	611,207
Other taxes	-	151,509	379,214
Other receivables	986,931	108,042	1,614,929
Inventory	-	-	40,720
Prepaid expenses	-	-	289,487
Restricted cash and cash equivalents	-	840,501	840,501
	<u>\$ 1,060,216</u>	<u>\$ 3,208,093</u>	<u>\$ 16,469,623</u>
<i>Total assets</i>			
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 585,218	\$ 176,034	\$ 906,372
Accrued payroll expenses	-	28,660	304,028
Deferred revenue	126,788	-	462,422
	<u>712,006</u>	<u>204,694</u>	<u>1,672,822</u>
<i>Total liabilities</i>			
<i>Fund balances</i>			
Reserved for:			
Inventory	-	-	40,720
Prepaid expenses	-	-	289,487
Unreserved	-	-	5,584,028
Unreserved, designated for subsequent year's expenditures	32,633	839,559	5,477,106
Unreserved, reported in:			
Special revenue funds	-	1,377,858	2,303,901
Debt service fund	-	785,982	785,982
Capital projects funds	315,577	-	315,577
	<u>348,210</u>	<u>3,003,399</u>	<u>14,796,801</u>
<i>Total fund balances</i>			
<i>Total liabilities and fund balances</i>			
	<u>\$ 1,060,216</u>	<u>\$ 3,208,093</u>	<u>\$ 16,469,623</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Otero County
 Governmental Funds
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 June 30, 2007

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

Fund balances - total governmental funds	\$ 14,796,801
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	20,410,337
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds:	
Deferred property taxes	335,634
Deferred state capital grant revenue	126,788
Accrued interest	(38,963)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable	(1,660,000)
Capital leases payable	(1,220,546)
Compensated absences	(360,865)
Net assets of governmental activities	\$ 32,389,186

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Otero County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit B-2
Page 1 of 3

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Road Fund</u>
<i>Revenues:</i>			
Taxes:			
Property	\$ 8,073,795	\$ -	\$ -
Gross receipts	2,035,845	518,768	-
Gasoline and motor vehicle	-	-	409,220
Other	340	-	-
Intergovernmental:			
Federal operating grants	-	37,750	-
State operating grants	1,066,251	1,638,603	684,335
State capital grants	-	-	-
Charges for services	1,936,377	-	-
Licenses and fees	833,098	-	686,202
Investment income	647,294	139,967	-
Miscellaneous	129,132	39,300	14,881
<i>Total revenues</i>	<u>14,722,132</u>	<u>2,374,388</u>	<u>1,794,638</u>
<i>Expenditures:</i>			
Current:			
General government	4,757,162	-	-
Public safety	6,746,237	812,736	-
Public works	27,414	-	2,296,470
Culture and recreation	73,728	-	-
Health and welfare	640,062	-	-
Capital outlay	189,775	598,540	346,626
Debt service:			
Principal	-	222,934	48,536
Interest	-	41,383	6,834
<i>Total expenditures</i>	<u>12,434,378</u>	<u>1,675,593</u>	<u>2,698,466</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,287,754</u>	<u>698,795</u>	<u>(903,828)</u>
<i>Other financing sources (uses)</i>			
Loan proceeds	-	211,109	-
Transfers in	423,201	-	1,158,500
Transfers out	(2,485,385)	(20,701)	-
<i>Total other financing sources (uses)</i>	<u>(2,062,184)</u>	<u>190,408</u>	<u>1,158,500</u>
<i>Net change in fund balance</i>	<u>225,570</u>	<u>889,203</u>	<u>254,672</u>
<i>Fund balance - beginning of year</i>	7,812,936	3,428,396	124,343
<i>Fund balance - restatement (Note 20)</i>	-	(1,289,928)	-
<i>Fund balance - beginning of year, restated</i>	<u>7,812,936</u>	<u>2,138,468</u>	<u>124,343</u>
<i>Fund balance - end of year</i>	<u>\$ 8,038,506</u>	<u>\$ 3,027,671</u>	<u>\$ 379,015</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Otero County

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit B-2

Page 2 of 3

	Legislative Grants Capital Projects Fund	Other Governmental Funds	Total
<i>Revenues:</i>			
Taxes:			
Property	\$ -	\$ 730,714	\$ 8,804,509
Gross receipts	-	1,285,001	3,839,614
Gasoline and motor vehicle	-	-	409,220
Other	-	423	763
Intergovernmental:			
Federal operating grants	-	399,638	437,388
State operating grants	-	617,012	4,006,201
State capital grants	2,057,564	-	2,057,564
Charges for services	-	629,927	2,566,304
Licenses and fees	-	82,924	1,602,224
Investment income	-	78,243	865,504
Miscellaneous	-	73,151	256,464
<i>Total revenues</i>	<u>2,057,564</u>	<u>3,897,033</u>	<u>24,845,755</u>
<i>Expenditures:</i>			
Current:			
General government	-	197,802	4,954,964
Public safety	-	876,391	8,435,364
Public works	1,179,078	-	3,502,962
Culture and recreation	543,553	3,487	620,768
Health and welfare	-	2,253,501	2,893,563
Capital outlay	612,705	513,490	2,261,136
Debt service:			
Principal	-	640,000	911,470
Interest	-	81,319	129,536
<i>Total expenditures</i>	<u>2,335,336</u>	<u>4,565,990</u>	<u>23,709,763</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(277,772)</u>	<u>(668,957)</u>	<u>1,135,992</u>
<i>Other financing sources (uses)</i>			
Loan proceeds	160,000	-	371,109
Transfers in	475,000	851,885	2,908,586
Transfers out	(84,000)	(318,500)	(2,908,586)
<i>Total other financing sources (uses)</i>	<u>551,000</u>	<u>533,385</u>	<u>371,109</u>
<i>Net change in fund balance</i>	<u>273,228</u>	<u>(135,572)</u>	<u>1,507,101</u>
<i>Fund balance - beginning of year</i>	74,982	3,138,971	14,579,628
<i>Fund balance - restatement (Note 20)</i>	-	-	(1,289,928)
<i>Fund balance - beginning of year, restated</i>	<u>74,982</u>	<u>3,138,971</u>	<u>13,289,700</u>
<i>Fund balance - end of year</i>	<u>\$ 348,210</u>	<u>\$ 3,003,399</u>	<u>\$ 14,796,801</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Otero County

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Exhibit B-2

Page 3 of 3

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

Net change in fund balances - total governmental funds	\$ 1,507,101
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital expenditures	2,261,136
Depreciation expense	(1,781,828)
Loss on disposition of assets	(36)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Change in deferred revenue related to property taxes receivable	29,119
Change in deferred revenue related to grant revenue receivable	126,788
The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
Decrease in accrued interest	12,782
Increase in the reserve for compensated absences	27,801
Proceeds from issuance of loans	(371,109)
Principal payments on bonds payable	640,000
Principal payments on capital leases payable	<u>271,470</u>
Change in net assets of governmental activities	<u>\$ 2,723,224</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

Otero County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
	<i>Revenues:</i>			
<i>Taxes:</i>				
Property	\$ 7,558,408	\$ 7,558,408	\$ 8,102,141	\$ 543,733
Gross receipts	1,870,000	1,870,000	2,021,418	151,418
Gasoline and motor vehicle	-	-	-	-
Other	950	950	340	(610)
<i>Intergovernmental income:</i>				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	815,727	962,652	1,066,251	103,599
State capital grants	-	-	-	-
Charges for services	1,455,087	1,569,087	1,804,954	235,867
Licenses and fees	784,250	784,250	742,627	(41,623)
Investment income	442,400	532,400	647,294	114,894
Miscellaneous	159,424	335,445	238,325	(97,120)
<i>Total revenues</i>	<u>13,086,246</u>	<u>13,613,192</u>	<u>14,623,350</u>	<u>1,010,158</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	4,788,775	5,069,945	4,698,537	371,408
Public safety	6,494,086	6,960,766	6,759,981	200,785
Public works	101,054	101,054	26,150	74,904
Culture and recreation	74,790	74,790	73,649	1,141
Health and welfare	645,660	645,660	640,062	5,598
Capital outlay	349,353	307,077	238,677	68,400
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>12,453,718</u>	<u>13,159,292</u>	<u>12,437,056</u>	<u>722,236</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>632,528</u>	<u>453,900</u>	<u>2,186,294</u>	<u>1,732,394</u>
<i>Other financing sources (uses)</i>				
Designated cash	965,356	1,501,784	-	(1,501,784)
Transfers in	992,201	992,201	423,201	(569,000)
Transfers out	(2,590,085)	(2,947,885)	(2,485,385)	462,500
<i>Total other financing sources (uses)</i>	<u>(632,528)</u>	<u>(453,900)</u>	<u>(2,062,184)</u>	<u>(1,608,284)</u>
<i>Net change in fund balance</i>	-	-	124,110	124,110
<i>Fund balance - beginning of year</i>	-	-	7,184,280	7,184,280
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,308,390</u>	<u>\$ 7,308,390</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

Otero County

Fire Fund Special Revenue Fund

Statement of Revenue, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	434,450	434,450	510,639	76,189
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental income:</i>				
Federal operating grants	-	269,431	37,750	(231,681)
Federal capital grants	-	-	-	-
State operating grants	750	289,500	290,950	1,450
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	80,200	80,200	139,967	59,767
Miscellaneous	31,166	41,505	46,009	4,504
<i>Total revenues</i>	<u>546,566</u>	<u>1,115,086</u>	<u>1,025,315</u>	<u>(89,771)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	1,610,890	2,030,995	1,146,180	884,815
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	1,862,261	2,010,776	491,089	1,519,687
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,473,151</u>	<u>4,041,771</u>	<u>1,637,269</u>	<u>2,404,502</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,926,585)</u>	<u>(2,926,685)</u>	<u>(611,954)</u>	<u>2,314,731</u>
<i>Other financing sources (uses)</i>				
Designated cash	2,947,286	2,947,386	-	(2,947,386)
Loan proceeds	-	-	211,109	211,109
Transfers in	-	-	-	-
Transfers out	(20,701)	(20,701)	(20,701)	-
<i>Total other financing sources (uses)</i>	<u>2,926,585</u>	<u>2,926,685</u>	<u>190,408</u>	<u>(2,736,277)</u>
<i>Net change in fund balance</i>	-	-	(421,546)	(421,546)
<i>Fund balance - beginning of year</i>	-	-	3,403,658	3,403,658
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,982,112</u>	<u>\$ 2,982,112</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-3

Otero County

Road Fund Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	387,000	387,000	378,162	(8,838)
Other	-	-	-	-
<i>Intergovernmental income:</i>				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	511,009	581,009	657,539	76,530
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	645,000	645,000	570,831	(74,169)
Investment income	-	-	-	-
Miscellaneous	-	-	14,881	14,881
<i>Total revenues</i>	<u>1,543,009</u>	<u>1,613,009</u>	<u>1,621,413</u>	<u>8,404</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	2,605,413	2,652,421	2,396,315	256,106
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	349,833	432,825	407,300	25,525
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,955,246</u>	<u>3,085,246</u>	<u>2,803,615</u>	<u>281,631</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,412,237)</u>	<u>(1,472,237)</u>	<u>(1,182,202)</u>	<u>290,035</u>
<i>Other financing sources (uses)</i>				
Designated cash	(4,763)	(4,763)	-	4,763
Transfers in	1,417,000	1,477,000	1,158,500	(318,500)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,412,237</u>	<u>1,472,237</u>	<u>1,158,500</u>	<u>(313,737)</u>
<i>Net change in fund balance</i>	-	-	(23,702)	(23,702)
<i>Fund balance - beginning of year</i>	-	-	245,439	245,439
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,737</u>	<u>\$ 221,737</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Otero County
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2007

<i>Assets</i>	
Cash	\$ 413,498
Taxes receivable	<u>1,012,006</u>
<i>Total assets</i>	<u>\$ 1,425,504</u>
<i>Liabilities</i>	
Due to other taxing units	<u>\$ 1,425,504</u>
<i>Total liabilities</i>	<u>\$ 1,425,504</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 1. Summary of Significant Accounting Policies

Otero County is a political sub-division of the State of New Mexico established and regulated by the constitution of the State of New Mexico. The County operates under a Board of County Commissions-manager form of government and provides the following services as authorized by public law: public safety (sheriff, fire, emergency medical, etc.), roads, health and social services, recreation, sanitation, planning and zoning, property assessment, tax collection and general administrative services.

The County of Otero is a body politic and corporate under the name and form of government selected by its qualified electors. The County may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico.
6. Protect generally the property of its county and its inhabitants;
7. Preserve peace and order within the county; and
8. Establish rates for services provided by the County utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of Otero County is presented to assist in the understanding of Otero County's financial statements. The financial statements and notes are the representation of Otero County's management who is responsible for their integrity and objectivity. The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the County, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the County does not have any component units required to be reported under GASB Statements No. 14 and No. 39.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The County does not have any *business-type activities*.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt obligations. The County's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

The County reports the following major governmental funds:

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

The *Fire Special Revenue Fund* is used to account for monies received from the New Mexico State Fire Marshall's Office and fire protection gross receipts tax proceeds. These funds are to be used to support the twenty volunteer fire departments in the region.

The *Road Special Revenue Fund* is used to account for funds used to maintain roads for which the County has responsibility. Financing sources include gasoline taxes, motor vehicle registration fees and New Mexico State Highway Department Cooperative Agreement funds. Expenditures are restricted for the construction and maintenance of county roads. The fund was created by authority of State Statutes Section 67-4-1 NMSA, 1978 Compilation.

The *Legislative Grants Capital Projects Fund* is used to account for revenues and expenditures of various State appropriations. Majority of monies received are for equipment and vehicles for the various fire departments throughout the County.

Additionally, the government reports the following fund types:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* accounts for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The County's fiduciary funds are used to account for the collection and payment of property taxes and special fees to other governmental agencies. They also account for collection and disbursement of inmate funds for the Otero County Detention Center.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the County's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the County's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of County facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The County reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The County does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments: The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the County are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded as revenue when levied.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

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

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the County during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	40-45
Office furniture and equipment	5-10
Vehicles	5

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2007, along with applicable PERA and Retiree Health Care.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Assets or Fund Equity (continued)*

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as deferred revenue.

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. In prior years, substantially all of the related expenditures have been liquidated by the general fund. 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.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds Payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums, discounts as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another 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.

Net Assets or Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt:
Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets:
Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets:
All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the County are prepared prior to June 1 and must be approved by resolution of the County Commissioners, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the County Commissioners and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total by fund.

These budgets are prepared on the Non-GAAP budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been properly amended by County Commissioners in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ 632,528	\$ 453,900
Fire Fund	\$ (2,926,585)	\$ (2,926,685)
Road Fund	\$ (1,412,237)	\$ (1,472,237)
Legislative Grants Capital Projects Fund	\$ 9,017	\$ 9,017
Other Governmental Funds	\$ (794,678)	\$ (1,129,131)

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2007 is presented.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information (continued)

The following is a reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund type.

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Road Fund</u>	<u>Legislative Grants Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>
Excess (deficiency) of revenues over expenditures (GAAP basis)	\$ 2,287,754	\$ 698,795	\$ (903,828)	\$ (277,772)	\$ (668,957)
Adjustments: To revenues for tax accruals, earnings on investments, and other deferrals and accruals.	(98,782)	(1,349,073)	(173,225)	(860,143)	(151,867)
Adjustments: To adjust expenditures for payables, payroll taxes, prepaid expenses and other accruals.	<u>(2,678)</u>	<u>38,324</u>	<u>(105,149)</u>	<u>585,218</u>	<u>129,262</u>
Excess (deficiency) of revenues over expenditures (budget basis)	<u>\$ 2,186,294</u>	<u>\$ (611,954)</u>	<u>\$ (1,182,202)</u>	<u>\$ (552,697)</u>	<u>\$ (691,562)</u>

NOTE 3. Deposits and Investments

State statutes authorize the investment of County funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the County properly followed State investment requirements as of June 30, 2007.

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

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

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

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 3. Deposits and Investments (continued)

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2007, \$8,862,687 of the County's bank balance of \$9,662,687 was exposed to custodial credit risk. \$6,406,194 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the County's name and \$2,456,493 was uninsured and uncollateralized. At June 30, 2007, the carrying amount of all deposits was \$8,808,454.

	Alamogordo First National Bank	Alamogordo National Bank	Western Bank	
Amount of deposits	\$ 3,585,993	\$ 100,000	\$ 1,515,331	
FDIC coverage	200,000	100,000	200,000	
Total uninsured public funds	<u>3,385,993</u>	<u>-</u>	<u>1,315,331</u>	
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the County's name	2,257,990	-	780,674	
Uninsured and uncollateralized	<u>\$ 1,128,003</u>	<u>\$ -</u>	<u>\$ 534,657</u>	
Collateral requirement (50%)	\$ 1,692,997	\$ -	\$ 657,666	
Pledged securities	2,257,990	587,023	780,674	
Over (under) collateralized	<u>\$ 564,993</u>	<u>\$ 587,023</u>	<u>\$ 123,008</u>	
	Alamogordo Federal Savings & Loan	Pioneer Savings Bank	Wells Fargo Bank	Total
Amount of deposits	\$ 1,000,000	\$ 1,252,000	\$ 2,209,363	\$ 9,662,687
FDIC coverage	100,000	100,000	100,000	800,000
Total uninsured public funds	<u>900,000</u>	<u>1,152,000</u>	<u>2,109,363</u>	<u>8,862,687</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the County's name	494,844	763,323	2,109,363	6,406,194
Uninsured and uncollateralized	<u>\$ 405,156</u>	<u>\$ 388,677</u>	<u>\$ -</u>	<u>\$ 2,456,493</u>
Collateral requirement (50%)	\$ 450,000	\$ 576,000	\$ 1,054,682	\$ 4,431,345
Pledged securities	494,844	763,323	3,258,455	8,142,309
Over (under) collateralized	<u>\$ 44,844</u>	<u>\$ 187,323</u>	<u>\$ 2,203,773</u>	<u>\$ 3,710,964</u>

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 3. Deposits and Investments (continued)

Investments

As of June 30, 2007, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Rating</u>	<u>Par/Fair Value</u>	<u>Investment Maturities</u>	
			<u>Less than 1 Year</u>	<u>1 to 10 Years</u>
Freddie Mac Discount Note	AAA	\$ 501,358	\$ 501,358	\$ —
Freddie Mac Medium Term Note	AAA	737,238	737,238	—
Federal Home Loan Bank Note	AAA	3,899,589	—	3,899,589
Total		<u>\$ 5,138,185</u>	<u>\$ 1,238,596</u>	<u>\$ 3,899,589</u>

The investments are listed on Schedule II of this report.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's policy related to investments is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The securities are not subject to custodial credit risk as they are registered and held in the name of Otero County. The carrying value of the County's investments at June 30, 2007 was \$5,138,185.

Interest Rate Risk - Investments. The County has nine investments in which the maturity date is greater than one year. Schedule II in this report specifically identifies the investment type and amount of investment for these securities. The fair value of the securities exposed to interest rate risk is \$5,138,185. There are not any call options available with regards to these securities. The County's policy related to interest rate risk with investments is to comply with the state as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Concentration Credit Risk - Investments. For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the County. The investments in the Federal Home Loan Bank and Freddie Mac represent 75.9% and 24.1%, respectively, of the investment portfolio. Since the County only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the County. The County's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

The County utilizes pooled accounts for their funds. The general fund, special revenue funds, capital projects funds and agency funds are all in multiple accounts. Separate accounts exist for sheriff and confiscation related funds.

Reconciliation of Cash and Cash Equivalents

Reconciliation to the Statement of Net Assets

Cash and cash equivalents per Exhibit A-1	\$ 7,555,380
Restricted cash and cash equivalents per Exhibit A-1	840,501
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit E-1	413,498
Total cash and cash equivalents	<u>8,809,379</u>
Add: Outstanding checks and other reconciling items	<u>854,233</u>
	9,663,612
Less: petty cash	(925)
Bank balance of deposits	<u>\$ 9,662,687</u>

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 4. Receivables

Receivables as of June 30, 2007, are as follows:

	General	Fire Fund	Road Fund	Legislative Grants Fund	Total Nonmajor Funds	Total
Property taxes	\$ 611,207	\$ -	\$ -	\$ -	\$ -	\$ 611,207
Other taxes	177,827	49,878	-	-	151,509	379,214
Other receivables:						
Licenses and fees	90,471	-	115,371	-	-	205,842
Intergovernmental:						
State	-	-	-	986,931	-	986,931
Federal	-	-	-	-	108,042	108,042
Other	256,260	-	57,854	-	-	314,114
Totals	<u>\$1,135,765</u>	<u>\$ 49,878</u>	<u>\$ 173,225</u>	<u>\$ 986,931</u>	<u>\$ 259,551</u>	<u>\$2,605,350</u>

In accordance with GASB No. 33, property tax receivables are presented gross of deferred revenues in the amount of \$611,207 on the Governmental Fund Financial Statements.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 5. Interfund Receivables, Payables, and Transfers

Net operating transfers, made to close out funds and to supplement other funding sources, were as follows:

Governmental Activities:	<u>Transfers In</u>	<u>Transfers Out</u>
From General Fund to:	\$ -	\$ 2,485,385
Property Valuation	103,085	-
Road	1,158,500	-
C.O.P.S. Grant	40,000	-
HIDTA Grant	80,000	-
Environmental Gross Receipts	447,800	-
Domestic Violence Grant	30,000	-
Hazard Mitigation 2002	150,000	-
Legislative Grants	475,000	-
Tire Recycling Grant	1,000	-
 From Tire Recycling Grant Fund to:	 -	 51,000
General Fund	51,000	-
 From Legislative Grants Fund to:	 -	 84,000
General Fund	84,000	-
 From Indigent Fund to:	 -	 260,000
General Fund	260,000	-
 From Fire Fund to:	 -	 20,701
General Fund	20,701	-
 From Hazard Mitigation-2002 Fund to:	 -	 7,500
General Fund	7,500	-
	<hr/>	<hr/>
Totals	<u>\$ 2,908,586</u>	<u>\$ 2,908,586</u>

There were no interfund balances at June 30, 2007.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 6. Capital Assets

The following is a summary of capital assets and changes occurring during the year ended June 30, 2007. Land is not subject to depreciation.

	Balance June 30, 2006	Adjustments	Additions	Deletions	Balance June 30, 2007
Capital Assets Used in Governmental Activities:					
Capital Assets, not depreciated:					
Land	\$ 1,673,222	\$ 2,637	\$ 290,840	\$ -	\$ 1,966,699
Total Capital Assets, not depreciated	<u>1,673,222</u>	<u>2,637</u>	<u>290,840</u>	<u>-</u>	<u>1,966,699</u>
Capital Assets, depreciated:					
Buildings and building improvements	19,780,278	491,564	656,102	-	20,927,944
Furniture and equipment	11,904,741	4,941,110	1,043,031	9,464	17,879,418
Vehicles	7,751,491	(4,578,506)	271,163	-	3,444,148
Total Capital Assets, depreciated	<u>39,436,510</u>	<u>854,168</u>	<u>1,970,296</u>	<u>9,464</u>	<u>42,251,510</u>
Accumulated Depreciation:					
Buildings and building improvements	8,359,110	1,666,942	470,108	-	10,496,160
Furniture and equipment	7,001,976	2,981,625	1,020,841	9,428	10,995,014
Vehicles	4,383,398	(2,357,579)	290,879	-	2,316,698
Total Accumulated Depreciation	<u>19,744,484</u>	<u>2,290,988</u>	<u>1,781,828</u>	<u>9,428</u>	<u>23,807,872</u>
Net Book Value	<u>\$ 21,365,248</u>	<u>\$ (1,434,183)</u>	<u>\$ 479,308</u>	<u>\$ 36</u>	<u>\$ 20,410,337</u>

Depreciation expense for the year ended June 30, 2006 was charged to governmental activities as follows:

General Government	\$ 160,938
Public Safety	1,269,906
Public Works	214,185
Health and Welfare	23,510
Culture and Recreation	<u>113,289</u>
	<u>\$ 1,781,828</u>

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 7. Long-term Debt

During the year ended June 30, 2007, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
2001 G.O. Refunding Bonds	\$ 2,300,000	\$ -	\$ -	\$ 640,000	\$ 1,660,000	\$ 650,000
Loans and Capital Leases	1,072,685	48,222	371,109	271,470	1,220,546	236,188
Compensated Absences	418,820	-	265,390	323,345	360,865	-
Total long-term debt	\$ 3,791,505	\$ 48,222	\$ 636,499	\$ 1,234,815	\$ 3,241,411	\$ 886,188

General Obligation Bonds

The County issued general obligation bonds to provide funds for the acquisition and construction of a new correctional facility. The original amount of general obligation bonds issued in prior years was \$4,025,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 10 year serial bonds with various amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

General Obligation Jail Refunding Bonds – Series 2001	<u>Interest Rates</u> 4.0% - 4.25%	<u>Balance</u> <u>\$ 1,660,000</u>
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The annual requirements to amortize the Bonds Payable as of June 30, 2007, including interest payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2008	\$ 650,000	\$ 55,519	\$ 705,519
2009	685,000	27,963	712,963
2010	325,000	6,703	331,703
	<u>\$ 1,660,000</u>	<u>\$ 90,185</u>	<u>\$ 1,750,185</u>

A description of bonds payable at June 30, 2007 is as follows:

General Obligation Bonds
Series: 2001
Original Issue: \$4,025,000
Principal: August 1
Interest: February 1 and August 1
Maturity: August 1, 2010
Rate: 4.0% - 4.25%

General obligation bonds have been liquidated by the debt service fund in prior years.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 7. Long-term Debt (continued)

Loans and Capital Leases

The County has entered into several loan agreements with the New Mexico Finance Authority, wherein the County pledged revenue derived from New Mexico Fire Protection Allotments to cover debt service. This revenue is subject to intercept agreements. Additionally, the County entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Equipment	\$ 3,322,740
Less: Accumulated depreciation	<u>(1,276,853)</u>
Total	<u>\$ 2,045,887</u>

The annual requirements to amortize the Loans and Capital Leases Payable as of June 30, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2008	\$ 236,188	\$ 44,805	\$ 280,993
2009	212,365	34,269	246,634
2010	179,466	24,797	204,263
2011	162,718	18,114	180,832
2012	79,846	12,670	92,516
2013-2017	<u>349,963</u>	<u>28,364</u>	<u>378,327</u>
	<u>\$ 1,220,546</u>	<u>\$ 163,019</u>	<u>\$ 1,383,565</u>

Loans and capital leases have been liquidated by the Fire Special Revenue Fund, Road Special Revenue Fund and Legislative Grants Capital Projects Funds in prior years.

Summary of Future Payments

The debt requirements on long-term liabilities having scheduled payments are as follows:

Fiscal Year Ending June 30,	Bonds	Loans and Capital Leases	Total Debt Service
2008	\$ 705,519	\$ 280,993	\$ 986,512
2009	712,963	246,634	959,597
2010	331,703	204,263	535,966
2011	-	180,832	180,832
2012	-	92,516	92,516
2013-2017	<u>-</u>	<u>378,327</u>	<u>378,327</u>
Total Payments	1,750,185	1,383,565	3,133,750
Less Interest	<u>90,185</u>	<u>163,019</u>	<u>253,204</u>
Net Outstanding Debt	<u>\$ 1,660,000</u>	<u>\$ 1,220,546</u>	<u>\$ 2,880,546</u>

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 7. Long-term Debt (continued)

Compensated Absences – Employees of the County are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2007, compensated absences decreased \$57,955 over the prior year accrual.

NOTE 8. Risk Management

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

Otero County is a member and is insured through the New Mexico County Insurance Authority. The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Authority acts as the common carrier for the State of New Mexico counties. The County pays an annual premium to the Authority based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. The County is not liable for more than the premiums paid.

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The following fund reflected a deficit fund balance as of June 30, 2007:

Hazard Mitigation-2002 Fund	\$ <u>19,836</u>
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The fund balance has a deficit because expenditures were in excess of revenues and available cash and there were not sufficient transfers made to cover the deficit. A corrective action plan has not yet been drafted.

- B. Excess of expenditures over appropriations. There were not any funds with expenditures in excess of appropriations.
- C. Designated cash appropriations in excess of available balances. There were not any funds with designated cash appropriations in excess of available balances.

NOTE 10. PERA Pension Plan

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

Funding Policy. Plan members are required to contribute 15.65% for municipal employees, 16.3% for law enforcement and fire protection employees. The County was required to contribute 18.5% for law enforcement and fire protection plan members and required to contribute 11.65% for municipal plan members. The contribution requirements of plan members and Otero County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the years ended June 30, 2007, 2006 and 2005 were \$794,773, \$726,140 and \$653,024, respectively.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 11. Post-Employment Benefits

The County offers the option for eligible retirees to continue coverage for themselves and dependents under the County's active group health care plan. If the retirees so elect, they must bear 100% of the cost. There is no cost to the County to provide this benefit.

NOTE 12. Joint Powers Agreements

Closure of the Dog Canyon Landfill

Participants	Otero County City of Alamogordo
Responsible party	Otero County City of Alamogordo
Description	To perform certain maintenance and monitoring functions at the landfill site for the duration of the post-closure period.
Term of agreement	Thirty years
Amount of project	Estimated to be \$288,420
County contributions	25% of the total post-closure costs
Audit responsibility	Otero County

Regional Emergency Communications Center and Dispatch Services

Participants	Otero County Village of Cloudcroft
Responsible party	Otero County
Description	Establishing a regional emergency communications center and providing for dispatch services
Term of agreement	Indefinite
Amount of project	Village of Cloudcroft will pay \$20,000 for the service
County contributions	Unknown
Audit responsibility	Otero County

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 12. Joint Powers Agreements (continued)

Ambulance Services

Participants	Otero County City of Alamogordo Village of Tularosa Village of Cloudcroft
Responsible party	Otero County
Description	To provide a more efficient and responsible emergency medical system for the citizens and visitors of the participants.
Term of agreement	July 1, 2003 to June 30, 2011
Amount of project	Unknown
County contribution	Approximately 31% of the total cost (based on population)
Audit responsibility	Otero County

Otero/Lincoln County Regional Landfill

Participants	Otero County City of Alamogordo Village of Cloudcroft Village of Tularosa Village of Corona	Lincoln County Town of Carrizozo Village of Capitan Village of Ruidoso Village of Ruidoso Downs
Responsible party	City of Alamogordo	
Description	To establish, finance and operate the Otero/Lincoln County Regional landfill.	
Terms of agreement	Perpetual	
Amount of project	Unknown	
County contributions	100% of Environmental Services Gross Receipts Tax	
Audit responsibility	City of Alamogordo	

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 13. Landfill Closure Costs – Dog Canyon Landfill

The County entered into a joint powers agreement with the City of Alamogordo to participate in the closure of the Dog Canyon Landfill. The City of Alamogordo is responsible for 75% of the closure and post-closure costs and the County is responsible for 25%. State and Federal laws and regulations require the County to place a final cover on the landfill. This was completed on August 2, 2000, however, there have been problems with the cap and the County is working with the contractor to correct the problems. Certain maintenance and monitoring functions at the landfill site must be continued for thirty years after closure. The liability for landfill closure and post-closure care has been estimated at \$288,420 as of June 30, 2002. However, the actual cost of closure and post-closure care may vary due to inflation, changes in technology, or changes in landfill laws and regulations.

The County is required by State and Federal laws and regulations to make annual contributions to closure and post-closure care. The County and the City of Alamogordo have currently funded closure and post-closure costs in the amount of \$237,729. Remaining costs will be funded as current expenditures in future years.

NOTE 14. Otero/Lincoln County Regional Landfill

During the 1993-1994 fiscal years the County entered into joint powers agreement for the operation of a regional landfill. The following entities represent the signers of this agreement:

Otero County:

City of Alamogordo
Otero County
Village of Cloudcroft
Village of Tularosa

Lincoln County:

Lincoln County
Town of Carrizozo
Village of Capitan
Village of Ruidoso
Village of Ruidoso Downs
Village of Corona

The purpose of the joint venture was to establish, finance and operate the Otero/Lincoln County Regional Landfill. Each of the governmental entities has pledged their respective environmental services gross receipts tax revenues as financial support for the purpose of funding the acquisition of capital assets necessary for the operation of the landfill. The Otero and Lincoln County authorities have also agreed to a 50-50 joint ownership and operation of this enterprise.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 14. Otero/Lincoln County Regional Landfill (continued)

It was mutually agreed and covenanted between the entities that:

1. The facility shall be known as the Otero/Lincoln County Regional Landfill;
2. Each entity designated the City of Alamogordo to act as the administrator to issue bonds and pledge the environmental services gross receipts tax revenues of each respective governmental entity as well as the operating revenues of the landfill to service the bonds and operate the landfill;
3. Title to the facility shall be held in undivided-joint tenancy between the Otero and Lincoln Solid Waste Authorities;
4. The entities, through their respective Otero or Lincoln County Authorities, shall be joint owners of a co-equal undivided one-half interest in the assets and also shall be equally responsible for the debt;
5. The entities each agree to maintain an irrevocable, first, but not exclusive, pledge of 100% of their environmental gross receipts tax revenues for the life of the bond issue used for permanent financing;
6. The entities agree that tipping fees collected shall be used to pay principal and interest on the bonds and that the fee established shall be adequate to meet operations, maintenance and financing requirements;
7. The entities agree that the City of Alamogordo shall annually prepare a budget that shall be approved by the Otero and Lincoln County Solid Waste Authorities. Thereafter, the City will operate the Landfill in accordance with good business practice;
8. The governmental entities authorize the exercise of the following joint powers by the City of Alamogordo, acting as agent on their behalf:
 1. In accordance with the approved budget, to acquire, cause to be acquired and maintain the necessary property, equipment and personnel for the landfill.
 2. To approve the issuance of revenue bonds
 3. To enter into agreements for the services of managers, attorneys, appraisers, consultants and employees
 4. To implement adopted policies regarding fees, rates and charges.
9. The landfill shall be a joint venture of the entities acting in a proprietary capacity;
10. Annually, the City of Alamogordo will provide a complete financial report on the operation to each participating entity; and
11. The terms of this agreement are perpetual.

The City of Alamogordo reports the joint venture above as a discretely presented component unit on its annual financial report. During the year ended June 30, 2007, the County paid \$217,440 in Environmental Services Gross Receipts Taxes to the City of Alamogordo as per the agreement. The landfill's fees, however, were enough to meet the expenses of the landfill and the City of Alamogordo refunded all of these gross receipts taxes to the County.

NOTE 15. Federal and State Grants

Otero County participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, Otero County may be required to reimburse the grantor government. As of June 30, 2007, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of Otero County.

NOTE 16. Contingent Liabilities

The County is party to various claims and lawsuits arising in the normal course of business. The County is insured through the New Mexico County Insurance Authority. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the County.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 17. Basis of Presentation of Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Otero County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the governmental fund financial statements.

NOTE 18. Commitments

The County's commitments as of June 30, 2007 are as follows:

<u>Construction Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Remaining Amount</u>
Flickinger Center	National Construction	\$857,610	\$588,474
Red Brick School House	Lancon	\$442,800	\$332,216
Weed Community Center	Jack Wayne	\$79,305	\$70,914
La Luz Fire Station	National Construction	\$330,900	\$43,640

NOTE 19. Subsequent Accounting Standard Pronouncements

In June, 2004 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions, an amendment to GASB Statements No. 10, 12, 27 and 26, which is effective for financial statements for periods beginning after December 15, 2006, with earlier application encouraged. The Statement establishes standards for the measurement, recognition and display of other post employment benefits expense/expenditures and related liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The Authority is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

In September, 2006 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, which is effective for all periods beginning after December 31, 2006. The statement establishes standard for reporting and disclosure of transactions involving the sale of a receivable or future revenue stream. Depending on the continuing involvement of the government, the sale could be recorded as a sale or as a collateralized borrowing. The Authority is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

In November, 2006 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 49, Accounting and financial reporting for Pollution Remediation Obligations, which is effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution *prevention or control* obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The Authority is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming years.

STATE OF NEW MEXICO
Otero County
Notes to the Financial Statements
June 30, 2007

NOTE 19. Subsequent Accounting Standard Pronouncements (continued)

In May, 2007 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27, which is effective for periods beginning after June 15, 2007. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27, Accounting for Pensions by State and Local Governmental Employers, to conform with requirements of Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The Authority is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

In June, 2007 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, which is effective for periods beginning after June 15, 2009. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The Authority is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming years.

NOTE 20. Fund Balance and Net Assets Restatement

The County has restated \$2,772,333 of prior year net assets. Adjustments were made for State Fire Marshall revenues that were not properly classified as deferred revenue in the prior year. As a result, beginning fund balance was decreased in the amount of \$1,289,928. The Fire Fund was the only fund affected by this prior year restatement. Additionally, adjustments were made to properly roll forward capital asset balances from the prior year. As a result, beginning net assets was decreased in the amount of \$1,434,183. No funds were affected by this adjustment. Lastly, an adjustment was made to record a NMFA revenue note that was not properly recorded in prior years. As a result, beginning net assets was decreased by \$48,222. No funds were affected by this adjustment.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
Otero County
Nonmajor Governmental Funds
June 30, 2007

Special Revenue Funds:

DWI Fund – In accordance with NMSA Section 11-6A-1/5 – This fund is to account for funding restricted for the following:

1. Coordination and planning for DWI prevention and evaluation
2. Prosecution and intensive probation supervision
3. Screening and assessment

Southwest Border Prosecution Fund – The County receives monies from the U.S. Department of Justice for participation in the prosecution of various offenders involving federal and state criminal offenses. These funds are used for prosecution activities. Authorization is a contract with the Department of Justice.

Water Planning Fund – Program to develop a forty year water need and source plan to the Tularosa Basin and adjacent regions. The program is funded by a consortium of state, county and city government contributions. Funding sources limit use. As such, special revenue has been established.

Landfill Closure Fund – In accordance with New Mexico Solid Waste Act Section 7-9-40. This fund is to account for a state grant to fund costs relating to the final closure of Dog Canyon Landfill.

C.O.P.S. Grant Fund – To account for a grant from the Department of Justice. Funding is provided by the Anti-Drug Abuse Act of 1988, Public Law 100-690.

Property Valuation Fund – To account for funds used to provide valuation services to the County. The Fund was created under the authority of NMSA Section 7-38-38.1.

Clerk's Equipment Fund – To account for revenues and expenditures for equipment for the Clerk's office. The fund is authorized under Section 14-8-2.2 NMSA 1978.

Farm and Range Fund – To account for the operations and maintenance of county roads and predatory animal control. Financing is provided by the County's share of grazing fees under the authority of NMSA 1978 Section 6-11-6.

Recreation Fund – To account for expenditures for recreational purposes in the County. Funding is provided by a cigarette tax levy Authority NMSA 1978 7-12-1 and 7-12-15.

Law Enforcement Protection Fund – To account for grant funds used for maintenance and development of the County's sheriff office. Funding authority is NMSA 29-13-1.

Tire Recycling Grant Fund – To account for a grant from the New Mexico Environment Department to secure contractual services and purchase materials and equipment for the tire bailing project. Funding authority is set forth by the County Commission.

Hazard Mitigation-2002 and 2003 Funds – To account for expenditures under New Mexico Energy, Minerals and Natural Resources contract 02-521-0463-112.

EMS Fund – To account for grant monies restricted to expenditures for improvement and operations of emergency medical services. Source of funds is the State of New Mexico Health and Environment Department Emergency Medical Services Bureau. Authority is NMSA 24-10A to 24-10A-10.

Environmental Gross Receipts Tax Fund – To account for a gross receipts tax imposed to fund environmental activities, mainly sanitary landfill closure and disposal of solid waste. Authority is NMSA 1978 7-20E-17.

Indigent Fund – To cover local hospital care and/or ambulance service for qualifying indigent residents of Otero County in an amount not to exceed \$10,000 per applicant per claim. In the event the fund has not exceeded its budgeted allotment for indigent care at the end of a fiscal year, the fund may expend more than \$10,000 for any one applicant, and may also pay for hospital services provided to qualified Otero County residents at an out-of-town facility. Funding is provided by one-eighth cent attachment to local gross receipts tax rate. Authority is NMSA Section 7029E-9.

STATE OF NEW MEXICO
Otero County
Nonmajor Governmental Funds
June 30, 2007

Special Revenue Funds (continued):

Domestic Violence Grant – To account for a grant to prevent domestic violence. Authority is grant 2002 WFB x-00-57.

Sheriff's Covert Activity Fund – To account for monies received by the Sheriff's department for forfeiture of cash that results from the auction of seized property and judgments handed down in drug cases. Authorization is commission motion.

HIDTA Grant Fund – To account for a grant from the Department of Justice to combat drug trafficking in a high intensity drug trafficking area. Authorization is a grant from the Department of Justice.

County Partnership Fund – To account for revenues and expenditures for miscellaneous classes and professional education for the County. Finding authority is set forth by the County Commission.

Debt Service Fund:

Debt Service Fund - To account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs of general obligation bonds. The primary source of revenue is property taxes. The authorization is the bond ordinance.

STATE OF NEW MEXICO
Otero County
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

Statement A-1
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	Special Revenue			
	DWI Fund	Southwest Border Prosecution Fund	Water Planning Fund	Landfill Closure Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 93,689	\$ 292,062	\$ 4,906	\$ 98,143
Receivables:				
Other taxes	-	-	-	-
Other receivables	-	32,611	-	-
Restricted cash and cash equivalents	-	-	-	-
<i>Total assets</i>	<u>\$ 93,689</u>	<u>\$ 324,673</u>	<u>\$ 4,906</u>	<u>\$ 98,143</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	5,500	-	-	-
<i>Total liabilities</i>	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Unreserved, designated for subsequent year's expenditures	34,746	213,062	4,690	25,000
Unreserved, reported in:				
Special revenue	53,443	111,611	216	73,143
Debt service	-	-	-	-
<i>Total fund balances</i>	<u>88,189</u>	<u>324,673</u>	<u>4,906</u>	<u>98,143</u>
<i>Total liabilities and fund balances</i>	<u>\$ 93,689</u>	<u>\$ 324,673</u>	<u>\$ 4,906</u>	<u>\$ 98,143</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Otero County
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

Statement A-1
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	<u>Special Revenue</u>			
	<u>C.O.P.S. Grant Fund</u>	<u>Property Valuation Fund</u>	<u>Clerk's Equipment Fund</u>	<u>Farm and Range Fund</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 9,054	\$ 211,925	\$ 122,578	\$ 42,520
Receivables:				
Other taxes	-	-	-	-
Other receivables	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
<i>Total assets</i>	<u>\$ 9,054</u>	<u>\$ 211,925</u>	<u>\$ 122,578</u>	<u>\$ 42,520</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 384	\$ -	\$ -
Accrued payroll expenses	1,742	5,542	-	-
<i>Total liabilities</i>	<u>1,742</u>	<u>5,926</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Unreserved, designated for subsequent year's expenditures	8,864	93,128	42,000	-
Unreserved, reported in:				
Special revenue	(1,552)	112,871	80,578	42,520
Debt service	-	-	-	-
<i>Total fund balances</i>	<u>7,312</u>	<u>205,999</u>	<u>122,578</u>	<u>42,520</u>
<i>Total liabilities and fund balances</i>	<u>\$ 9,054</u>	<u>\$ 211,925</u>	<u>\$ 122,578</u>	<u>\$ 42,520</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
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Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

Statement A-1
3 of 6

	Special Revenue			
	Recreation Fund	Law Enforcement Protection Fund	Tire Recycling Grant Fund	Hazard Mitigation-2003 Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 15,362	\$ 6,812	\$ -	\$ 25,830
Receivables:				
Other taxes	-	-	-	-
Other receivables	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
<i>Total assets</i>	\$ 15,362	\$ 6,812	\$ -	\$ 25,830
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
<i>Total liabilities</i>	-	-	-	-
<i>Fund balances</i>				
Unreserved, designated for subsequent year's expenditures	9,122	6,812	-	25,830
Unreserved, reported in:				
Special revenue	6,240	-	-	-
Debt service	-	-	-	-
<i>Total fund balances</i>	15,362	6,812	-	25,830
<i>Total liabilities and fund balances</i>	\$ 15,362	\$ 6,812	\$ -	\$ 25,830

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Otero County
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

Statement A-1
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	Special Revenue			
	Hazard Mitigation-2002 Fund	EMS Fund	Environmental Gross Receipts Tax Fund	Indigent Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 8,964	\$ 59,217	\$ 5,520	\$ 998,836
Receivables:				
Other taxes	-	-	62,182	89,327
Other receivables	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
<i>Total assets</i>	<u>\$ 8,964</u>	<u>\$ 59,217</u>	<u>\$ 67,702</u>	<u>\$ 1,088,163</u>
<i>Liabilities</i>				
Accounts payable	\$ 28,800	\$ -	\$ 62,808	\$ 84,042
Accrued payroll expenses	-	-	-	2,904
<i>Total liabilities</i>	<u>28,800</u>	<u>-</u>	<u>62,808</u>	<u>86,946</u>
<i>Fund balances</i>				
Unreserved, designated for subsequent year's expenditures	-	59,217	-	243,197
Unreserved, reported in:				
Special revenue	(19,836)	-	4,894	758,020
Debt service	-	-	-	-
<i>Total fund balances</i>	<u>(19,836)</u>	<u>59,217</u>	<u>4,894</u>	<u>1,001,217</u>
<i>Total liabilities and fund balances</i>	<u>\$ 8,964</u>	<u>\$ 59,217</u>	<u>\$ 67,702</u>	<u>\$ 1,088,163</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Otero County
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

Statement A-1
5 of 6

	Special Revenue			
	Domestic Violence Grant Fund	Sheriff's Covert Activity Fund	HIDTA Grant Fund	County Partnership Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 16,531	\$ 76,282	\$ 19,461	\$ 349
Receivables:				
Other taxes	-	-	-	-
Other receivables	-	-	75,431	-
Restricted cash and cash equivalents	-	-	-	-
<i>Total assets</i>	<u>\$ 16,531</u>	<u>\$ 76,282</u>	<u>\$ 94,892</u>	<u>\$ 349</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	1,922	-	11,050	-
<i>Total liabilities</i>	<u>1,922</u>	<u>-</u>	<u>11,050</u>	<u>-</u>
<i>Fund balances</i>				
Unreserved, designated for subsequent year's expenditures	16,156	-	3,216	-
Unreserved, reported in:				
Special revenue	(1,547)	76,282	80,626	349
Debt service	-	-	-	-
<i>Total fund balances</i>	<u>14,609</u>	<u>76,282</u>	<u>83,842</u>	<u>349</u>
<i>Total liabilities and fund balances</i>	<u>\$ 16,531</u>	<u>\$ 76,282</u>	<u>\$ 94,892</u>	<u>\$ 349</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Otero County
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2007

Statement A-1
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	Debt Service	
	Debt Service Fund	Total Nonmajor Governmental Funds
<i>Assets</i>		
Cash and cash equivalents	\$ -	\$ 2,108,041
Receivables:		
Other taxes	-	151,509
Other receivables	-	108,042
Restricted cash and cash equivalents	840,501	840,501
<i>Total assets</i>	\$ 840,501	\$ 3,208,093
<i>Liabilities</i>		
Accounts payable	\$ -	\$ 176,034
Accrued payroll expenses	-	28,660
<i>Total liabilities</i>	-	204,694
<i>Fund balances</i>		
Unreserved, designated for subsequent year's expenditures	54,519	839,559
Unreserved, reported in:		
Special revenue	-	1,377,858
Debt service	785,982	785,982
<i>Total fund balances</i>	840,501	3,003,399
<i>Total liabilities and fund balances</i>	\$ 840,501	\$ 3,208,093

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement A-2

Otero County

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Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2007

	Special Revenue			
	DWI Fund	Southwest Border Prosecution Fund	Water Planning Fund	Landfill Closure Fund
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
State operating grants	24,968	281,381	-	-
Charges for services	201,135	-	-	-
Licenses and fees	27,185	-	-	-
Investment income	-	-	216	5,086
Miscellaneous	551	-	-	-
<i>Total revenues</i>	<u>253,839</u>	<u>281,381</u>	<u>216</u>	<u>5,086</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	306,938	19,078	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	31,187
Capital outlay	-	154,124	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>306,938</u>	<u>173,202</u>	<u>-</u>	<u>31,187</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(53,099)</u>	<u>108,179</u>	<u>216</u>	<u>(26,101)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(53,099)</u>	<u>108,179</u>	<u>216</u>	<u>(26,101)</u>
<i>Fund balances - beginning of year</i>	<u>141,288</u>	<u>216,494</u>	<u>4,690</u>	<u>124,244</u>
<i>Fund balances - end of year</i>	<u>\$ 88,189</u>	<u>\$ 324,673</u>	<u>\$ 4,906</u>	<u>\$ 98,143</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement A-2

Otero County

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Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2007

	Special Revenue			
	C.O.P.S. Grant Fund	Property Valuation Fund	Clerk's Equipment Fund	Farm and Range Fund
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	13,871	-	-	-
State operating grants	-	-	-	20,733
Charges for services	-	174,655	-	-
Licenses and fees	-	-	55,739	-
Investment income	-	-	-	1,039
Miscellaneous	-	476	-	-
<i>Total revenues</i>	<u>13,871</u>	<u>175,131</u>	<u>55,739</u>	<u>21,772</u>
<i>Expenditures:</i>				
Current:				
General government	-	185,146	12,656	-
Public safety	57,718	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	15,000
Capital outlay	-	-	80,661	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>57,718</u>	<u>185,146</u>	<u>93,317</u>	<u>15,000</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(43,847)</u>	<u>(10,015)</u>	<u>(37,578)</u>	<u>6,772</u>
<i>Other financing sources (uses)</i>				
Transfers in	40,000	103,085	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>40,000</u>	<u>103,085</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(3,847)</u>	<u>93,070</u>	<u>(37,578)</u>	<u>6,772</u>
<i>Fund balances - beginning of year</i>	<u>11,159</u>	<u>112,929</u>	<u>160,156</u>	<u>35,748</u>
<i>Fund balances - end of year</i>	<u>\$ 7,312</u>	<u>\$ 205,999</u>	<u>\$ 122,578</u>	<u>\$ 42,520</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Otero County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2007

Statement A-2
3 of 6

	<u>Special Revenue</u>			
	<u>Recreation Fund</u>	<u>Law Enforcement Protection</u>	<u>Tire Recycling Grant Fund</u>	<u>Hazard Mitigation-2003 Fund</u>
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	423	-	-	-
<i>Intergovernmental:</i>				
Federal operating grants	-	-	-	-
State operating grants	-	48,600	64,725	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>423</u>	<u>48,600</u>	<u>64,725</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	8,937	-	-
Culture and recreation	3,487	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	32,851	63,725	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,487</u>	<u>41,788</u>	<u>63,725</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,064)</u>	<u>6,812</u>	<u>1,000</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	1,000	-
Transfers out	-	-	(51,000)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(3,064)</u>	<u>6,812</u>	<u>(49,000)</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>18,426</u>	<u>-</u>	<u>49,000</u>	<u>25,830</u>
<i>Fund balances - end of year</i>	<u>\$ 15,362</u>	<u>\$ 6,812</u>	<u>\$ -</u>	<u>\$ 25,830</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement A-2

Otero County

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Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2007

	Special Revenue			
	Hazard Mitigation-2002 Fund	EMS Fund	Environmental Gross Receipts Tax Fund	Indigent Fund
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	259,375	1,025,626
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	92,500	-	-	-
State operating grants	23,951	108,736	-	-
Charges for services	-	-	254,137	-
Licenses and fees	-	-	-	-
Investment income	-	-	3,504	45,548
Miscellaneous	-	15	24,394	1,078
<i>Total revenues</i>	<u>116,451</u>	<u>108,751</u>	<u>541,410</u>	<u>1,072,252</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	157,590	93,858	1,009,385	946,481
Capital outlay	173,267	3,826	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>330,857</u>	<u>97,684</u>	<u>1,009,385</u>	<u>946,481</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(214,406)</u>	<u>11,067</u>	<u>(467,975)</u>	<u>125,771</u>
<i>Other financing sources (uses)</i>				
Transfers in	150,000	-	447,800	-
Transfers out	(7,500)	-	-	(260,000)
<i>Total other financing sources (uses)</i>	<u>142,500</u>	<u>-</u>	<u>447,800</u>	<u>(260,000)</u>
<i>Net change in fund balances</i>	<u>(71,906)</u>	<u>11,067</u>	<u>(20,175)</u>	<u>(134,229)</u>
<i>Fund balances - beginning of year</i>	<u>52,070</u>	<u>48,150</u>	<u>25,069</u>	<u>1,135,446</u>
<i>Fund balances - end of year</i>	<u>\$ (19,836)</u>	<u>\$ 59,217</u>	<u>\$ 4,894</u>	<u>\$ 1,001,217</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement A-2

Otero County

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Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2007

	Special Revenue			
	Domestic Violence Grant Fund	Sheriff's Covert Activity Fund	HIDTA Grant Fund	County Partnership Fund
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	293,267	-
State operating grants	43,918	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	60	-	-
Miscellaneous	-	46,637	-	-
<i>Total revenues</i>	<u>43,918</u>	<u>46,697</u>	<u>293,267</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	61,337	69,123	353,260	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	4,336	-	700	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>65,673</u>	<u>69,123</u>	<u>353,960</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(21,755)</u>	<u>(22,426)</u>	<u>(60,693)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	30,000	-	80,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>30,000</u>	<u>-</u>	<u>80,000</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>8,245</u>	<u>(22,426)</u>	<u>19,307</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>6,364</u>	<u>98,708</u>	<u>64,535</u>	<u>349</u>
<i>Fund balances - end of year</i>	<u>\$ 14,609</u>	<u>\$ 76,282</u>	<u>\$ 83,842</u>	<u>\$ 349</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Otero County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2007

Statement A-2
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	Debt Service	
	Debt Service Fund	Total Nonmajor Governmental Funds
<i>Revenues:</i>		
Taxes:		
Property	\$ 730,714	\$ 730,714
Gross receipts	-	1,285,001
Gasoline and motor vehicle	-	-
Other	-	423
Intergovernmental:		
Federal operating grants	-	399,638
State operating grants	-	617,012
Charges for services	-	629,927
Licenses and fees	-	82,924
Investment income	22,790	78,243
Miscellaneous	-	73,151
<i>Total revenues</i>	753,504	3,897,033
<i>Expenditures:</i>		
Current:		
General government	-	197,802
Public safety	-	876,391
Culture and recreation	-	3,487
Health and welfare	-	2,253,501
Capital outlay	-	513,490
Debt service:		
Principal	640,000	640,000
Interest	81,319	81,319
<i>Total expenditures</i>	721,319	4,565,990
<i>Excess (deficiency) of revenues over expenditures</i>	32,185	(668,957)
<i>Other financing sources (uses)</i>		
Transfers in	-	851,885
Transfers out	-	(318,500)
<i>Total other financing sources (uses)</i>	-	533,385
<i>Net change in fund balances</i>	32,185	(135,572)
<i>Fund balances - beginning of year</i>	808,316	3,138,971
<i>Fund balances - end of year</i>	\$ 840,501	\$ 3,003,399

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-1

Otero County

DWI Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	36,000	36,000	24,968	(11,032)
State capital grants	-	-	-	-
Charges for services	162,372	162,372	201,135	38,763
Licenses and fees	30,100	30,100	27,185	(2,915)
Investment income	-	-	-	-
Miscellaneous	-	-	551	551
<i>Total revenues</i>	<u>228,472</u>	<u>228,472</u>	<u>253,839</u>	<u>25,367</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	343,139	347,792	307,482	40,310
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>343,139</u>	<u>347,792</u>	<u>307,482</u>	<u>40,310</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(114,667)</u>	<u>(119,320)</u>	<u>(53,643)</u>	<u>65,677</u>
<i>Other financing sources (uses)</i>				
Designated cash	114,667	119,320	-	(119,320)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>114,667</u>	<u>119,320</u>	<u>-</u>	<u>(119,320)</u>
<i>Net change in fund balance</i>	-	-	(53,643)	(53,643)
<i>Fund balance - beginning of year</i>	-	-	147,332	147,332
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,689</u>	<u>\$ 93,689</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-2

Otero County

Southwest Border Prosecution Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	80,000	80,000	248,770	168,770
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>80,000</u>	<u>80,000</u>	<u>248,770</u>	<u>168,770</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	61,500	61,500	19,078	42,422
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	154,994	154,994	154,124	870
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>216,494</u>	<u>216,494</u>	<u>173,202</u>	<u>43,292</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(136,494)</u>	<u>(136,494)</u>	<u>75,568</u>	<u>212,062</u>
<i>Other financing sources (uses)</i>				
Designated cash	136,494	136,494	-	(136,494)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>136,494</u>	<u>136,494</u>	<u>-</u>	<u>(136,494)</u>
<i>Net change in fund balance</i>	-	-	75,568	75,568
<i>Fund balance - beginning of year</i>	-	-	216,494	216,494
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,062</u>	<u>\$ 292,062</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-3

Otero County

Water Planning Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	125	125	216	91
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>125</u>	<u>125</u>	<u>216</u>	<u>91</u>
<i>Expenditures:</i>				
Current:				
General government	2,000	2,000	-	2,000
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,875)</u>	<u>(1,875)</u>	<u>216</u>	<u>2,091</u>
<i>Other financing sources (uses)</i>				
Designated cash	1,875	1,875	-	(1,875)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,875</u>	<u>1,875</u>	<u>-</u>	<u>(1,875)</u>
<i>Net change in fund balance</i>	-	-	216	216
<i>Fund balance - beginning of year</i>	-	-	4,690	4,690
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,906</u>	<u>\$ 4,906</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-4

Otero County

Landfill Closure Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	3,500	3,500	5,086	1,586
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,500</u>	<u>3,500</u>	<u>5,086</u>	<u>1,586</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	20,000	40,000	31,187	8,813
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>20,000</u>	<u>40,000</u>	<u>31,187</u>	<u>8,813</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(16,500)</u>	<u>(36,500)</u>	<u>(26,101)</u>	<u>10,399</u>
<i>Other financing sources (uses)</i>				
Designated cash	16,500	36,500	-	(36,500)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>16,500</u>	<u>36,500</u>	<u>-</u>	<u>(36,500)</u>
<i>Net change in fund balance</i>	-	-	(26,101)	(26,101)
<i>Fund balance - beginning of year</i>	-	-	124,244	124,244
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,143</u>	<u>\$ 98,143</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-5

Otero County

C.O.P.S. Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	20,000	20,000	18,358	(1,642)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>20,000</u>	<u>20,000</u>	<u>18,358</u>	<u>(1,642)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	62,698	62,698	57,700	4,998
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>62,698</u>	<u>62,698</u>	<u>57,700</u>	<u>4,998</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(42,698)</u>	<u>(42,698)</u>	<u>(39,342)</u>	<u>3,356</u>
<i>Other financing sources (uses)</i>				
Designated cash	2,698	2,698	-	(2,698)
Transfers in	40,000	40,000	40,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>42,698</u>	<u>42,698</u>	<u>40,000</u>	<u>(2,698)</u>
<i>Net change in fund balance</i>	-	-	658	658
<i>Fund balance - beginning of year</i>	-	-	8,396	8,396
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,054</u>	<u>\$ 9,054</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Otero County

Schedule B-6

Property Valuation Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	165,000	165,000	174,655	9,655
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	476	476
<i>Total revenues</i>	<u>165,000</u>	<u>165,000</u>	<u>175,131</u>	<u>10,131</u>
<i>Expenditures:</i>				
Current:				
General government	203,503	203,503	185,593	17,910
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>203,503</u>	<u>203,503</u>	<u>185,593</u>	<u>17,910</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(38,503)</u>	<u>(38,503)</u>	<u>(10,462)</u>	<u>28,041</u>
<i>Other financing sources (uses)</i>				
Designated cash	(64,582)	(64,582)	-	64,582
Transfers in	103,085	103,085	103,085	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>38,503</u>	<u>38,503</u>	<u>103,085</u>	<u>64,582</u>
<i>Net change in fund balance</i>	-	-	92,623	92,623
<i>Fund balance - beginning of year</i>	-	-	119,302	119,302
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,925</u>	<u>\$ 211,925</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-7

Otero County

Clerk's Equipment Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	60,000	60,000	55,739	(4,261)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>60,000</u>	<u>60,000</u>	<u>55,739</u>	<u>(4,261)</u>
<i>Expenditures:</i>				
Current:				
General government	12,700	14,039	12,656	1,383
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	82,000	80,661	80,661	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>94,700</u>	<u>94,700</u>	<u>93,317</u>	<u>1,383</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(34,700)</u>	<u>(34,700)</u>	<u>(37,578)</u>	<u>(2,878)</u>
<i>Other financing sources (uses)</i>				
Designated cash	34,700	34,700	-	(34,700)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>34,700</u>	<u>34,700</u>	<u>-</u>	<u>(34,700)</u>
<i>Net change in fund balance</i>	-	-	(37,578)	(37,578)
<i>Fund balance - beginning of year</i>	-	-	160,156	160,156
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,578</u>	<u>\$ 122,578</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-8

Otero County

Farm and Range Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	15,000	15,000	20,733	5,733
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	700	700	1,039	339
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>15,700</u>	<u>15,700</u>	<u>21,772</u>	<u>6,072</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	15,000	15,000	15,000	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>700</u>	<u>700</u>	<u>6,772</u>	<u>6,072</u>
<i>Other financing sources (uses)</i>				
Designated cash	(700)	(700)	-	700
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(700)</u>	<u>(700)</u>	<u>-</u>	<u>700</u>
<i>Net change in fund balance</i>	-	-	6,772	6,772
<i>Fund balance - beginning of year</i>	-	-	35,748	35,748
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,520</u>	<u>\$ 42,520</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-9

Otero County

Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	550	550	423	(127)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>550</u>	<u>550</u>	<u>423</u>	<u>(127)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	9,100	9,100	3,487	5,613
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,100</u>	<u>9,100</u>	<u>3,487</u>	<u>5,613</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(8,550)</u>	<u>(8,550)</u>	<u>(3,064)</u>	<u>5,486</u>
<i>Other financing sources (uses)</i>				
Designated cash	8,550	8,550	-	(8,550)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>8,550</u>	<u>8,550</u>	<u>-</u>	<u>(8,550)</u>
<i>Net change in fund balance</i>	-	-	(3,064)	(3,064)
<i>Fund balance - beginning of year</i>	-	-	18,426	18,426
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,362</u>	<u>\$ 15,362</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-10

Otero County

Law Enforcement Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	48,600	48,600	48,600	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>48,600</u>	<u>48,600</u>	<u>48,600</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	48,600	48,600	41,788	6,812
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>48,600</u>	<u>48,600</u>	<u>41,788</u>	<u>6,812</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>6,812</u>	<u>6,812</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>6,812</u>	<u>6,812</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,812</u>	<u>\$ 6,812</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-11

Otero County

Tire Recycling Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	64,725	64,725	64,725	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>64,725</u>	<u>64,725</u>	<u>64,725</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	6,240	6,240	6,240	-
Capital outlay	57,485	57,485	57,485	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>63,725</u>	<u>63,725</u>	<u>63,725</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	49,000	49,000	-	(49,000)
Transfers in	50,000	50,000	1,000	(49,000)
Transfers out	(100,000)	(100,000)	(51,000)	49,000
<i>Total other financing sources (uses)</i>	<u>(1,000)</u>	<u>(1,000)</u>	<u>(50,000)</u>	<u>(49,000)</u>
<i>Net change in fund balance</i>	-	-	(49,000)	(49,000)
<i>Fund balance - beginning of year</i>	-	-	49,000	49,000
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-12

Otero County

Hazard Mitigation-2003 Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	25,830	25,830
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,830</u>	<u>\$ 25,830</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-13

Otero County

Hazard Mitigation-2002 Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	1,141,317	92,500	(1,048,817)
Federal capital grants	-	-	-	-
State operating grants	27,930	27,930	23,951	(3,979)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>27,930</u>	<u>1,169,247</u>	<u>116,451</u>	<u>(1,052,796)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	72,500	911,962	114,274	797,688
Capital outlay	-	301,855	187,783	114,072
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>72,500</u>	<u>1,213,817</u>	<u>302,057</u>	<u>911,760</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(44,570)</u>	<u>(44,570)</u>	<u>(185,606)</u>	<u>(141,036)</u>
<i>Other financing sources (uses)</i>				
Designated cash	52,070	(47,930)	-	47,930
Transfers in	50,000	150,000	150,000	-
Transfers out	(57,500)	(57,500)	(7,500)	50,000
<i>Total other financing sources (uses)</i>	<u>44,570</u>	<u>44,570</u>	<u>142,500</u>	<u>97,930</u>
<i>Net change in fund balance</i>	-	-	(43,106)	(43,106)
<i>Fund balance - beginning of year</i>	-	-	52,070	52,070
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,964</u>	<u>\$ 8,964</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-14

Otero County

EMS Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	113,283	108,735	108,736	1
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	15	15
<i>Total revenues</i>	<u>113,283</u>	<u>108,735</u>	<u>108,751</u>	<u>16</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	156,379	143,688	93,858	49,830
Capital outlay	5,054	13,197	3,826	9,371
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>161,433</u>	<u>156,885</u>	<u>97,684</u>	<u>59,201</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(48,150)</u>	<u>(48,150)</u>	<u>11,067</u>	<u>59,217</u>
<i>Other financing sources (uses)</i>				
Designated cash	48,150	48,150	-	(48,150)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>48,150</u>	<u>48,150</u>	<u>-</u>	<u>(48,150)</u>
<i>Net change in fund balance</i>	-	-	11,067	11,067
<i>Fund balance - beginning of year</i>	-	-	48,150	48,150
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,217</u>	<u>\$ 59,217</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-15

Otero County

Environmental Gross Receipts Tax Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	220,000	240,000	255,310	15,310
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	220,000	220,000	216,894	(3,106)
Licenses and fees	-	-	-	-
Investment income	2,000	2,000	3,504	1,504
Miscellaneous	35,000	35,000	24,394	(10,606)
<i>Total revenues</i>	<u>477,000</u>	<u>497,000</u>	<u>500,102</u>	<u>3,102</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	922,823	1,020,623	993,057	27,566
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>922,823</u>	<u>1,020,623</u>	<u>993,057</u>	<u>27,566</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(445,823)</u>	<u>(523,623)</u>	<u>(492,955)</u>	<u>30,668</u>
<i>Other financing sources (uses)</i>				
Designated cash	25,823	25,823	-	(25,823)
Transfers in	420,000	497,800	447,800	(50,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>445,823</u>	<u>523,623</u>	<u>447,800</u>	<u>(75,823)</u>
<i>Net change in fund balance</i>	-	-	(45,155)	(45,155)
<i>Fund balance - beginning of year</i>	-	-	50,675	50,675
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,520</u>	<u>\$ 5,520</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-16

Otero County

Indigent Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,402,500	1,402,500	1,018,622	(383,878)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	30,000	30,000	45,548	15,548
Miscellaneous	-	-	1,078	1,078
<i>Total revenues</i>	<u>1,432,500</u>	<u>1,432,500</u>	<u>1,065,248</u>	<u>(367,252)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	1,205,269	1,437,269	862,375	574,894
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,205,269</u>	<u>1,437,269</u>	<u>862,375</u>	<u>574,894</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>227,231</u>	<u>(4,769)</u>	<u>202,873</u>	<u>207,642</u>
<i>Other financing sources (uses)</i>				
Designated cash	102,769	334,769	-	(334,769)
Transfers in	-	-	-	-
Transfers out	(330,000)	(330,000)	(260,000)	70,000
<i>Total other financing sources (uses)</i>	<u>(227,231)</u>	<u>4,769</u>	<u>(260,000)</u>	<u>(264,769)</u>
<i>Net change in fund balance</i>	-	-	(57,127)	(57,127)
<i>Fund balance - beginning of year</i>	-	-	1,055,963	1,055,963
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 998,836</u>	<u>\$ 998,836</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-17

Otero County

Domestic Violence Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	33,900	33,900	43,918	10,018
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>33,900</u>	<u>33,900</u>	<u>43,918</u>	<u>10,018</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	59,064	59,064	58,788	276
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	6,987	6,987	6,987	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>66,051</u>	<u>66,051</u>	<u>65,775</u>	<u>276</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(32,151)</u>	<u>(32,151)</u>	<u>(21,857)</u>	<u>10,294</u>
<i>Other financing sources (uses)</i>				
Designated cash	2,151	2,151	-	(2,151)
Transfers in	30,000	30,000	30,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>32,151</u>	<u>32,151</u>	<u>30,000</u>	<u>(2,151)</u>
<i>Net change in fund balance</i>	-	-	8,143	8,143
<i>Fund balance - beginning of year</i>	-	-	8,388	8,388
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,531</u>	<u>\$ 16,531</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-18

Otero County

Sheriff's Covert Activity Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	60	60
Miscellaneous	344,894	344,894	46,637	(298,257)
<i>Total revenues</i>	<u>344,894</u>	<u>344,894</u>	<u>46,697</u>	<u>(298,197)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	344,894	344,894	69,123	275,771
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>344,894</u>	<u>344,894</u>	<u>69,123</u>	<u>275,771</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(22,426)	(22,426)
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(22,426)	(22,426)
<i>Fund balance - beginning of year</i>	-	-	98,708	98,708
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,282</u>	<u>\$ 76,282</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-19

Otero County

HIDTA Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	274,322	299,193	217,836	(81,357)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>274,322</u>	<u>299,193</u>	<u>217,836</u>	<u>(81,357)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	360,431	381,927	352,157	29,770
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	2,500	5,875	700	5,175
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>362,931</u>	<u>387,802</u>	<u>352,857</u>	<u>34,945</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(88,609)</u>	<u>(88,609)</u>	<u>(135,021)</u>	<u>(46,412)</u>
<i>Other financing sources (uses)</i>				
Designated cash	8,609	(11,391)	-	11,391
Transfers in	80,000	100,000	80,000	(20,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>88,609</u>	<u>88,609</u>	<u>80,000</u>	<u>(8,609)</u>
<i>Net change in fund balance</i>	-	-	(55,021)	(55,021)
<i>Fund balance - beginning of year</i>	-	-	74,482	74,482
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,461</u>	<u>\$ 19,461</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-20

Otero County

County Partnership Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	349	349
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349</u>	<u>\$ 349</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-21

Otero County

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ 740,000	\$ 740,000	\$ 730,714	\$ (9,286)
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	11,000	11,000	22,790	11,790
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>751,000</u>	<u>751,000</u>	<u>753,504</u>	<u>2,504</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	640,000	640,000	640,000	-
Interest	81,319	81,319	81,319	-
<i>Total expenditures</i>	<u>721,319</u>	<u>721,319</u>	<u>721,319</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>29,681</u>	<u>29,681</u>	<u>32,185</u>	<u>2,504</u>
<i>Other financing sources (uses)</i>				
Designated cash	(29,681)	(29,681)	-	29,681
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(29,681)</u>	<u>(29,681)</u>	<u>-</u>	<u>29,681</u>
<i>Net change in fund balance</i>	-	-	32,185	32,185
<i>Fund balance - beginning of year</i>	-	-	808,316	808,316
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 840,501</u>	<u>\$ 840,501</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-22

Otero County

Legislative Grants Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	6,151,427	6,424,427	1,197,421	(5,227,006)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>6,151,427</u>	<u>6,424,427</u>	<u>1,197,421</u>	<u>(5,227,006)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,282,413	1,554,213	638,857	915,356
Culture and recreation	1,236,514	1,236,514	326,162	910,352
Health and welfare	-	-	-	-
Capital outlay	3,623,483	3,624,683	785,099	2,839,584
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,142,410</u>	<u>6,415,410</u>	<u>1,750,118</u>	<u>4,665,292</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>9,017</u>	<u>9,017</u>	<u>(552,697)</u>	<u>(561,714)</u>
<i>Other financing sources (uses)</i>				
Designated cash	74,983	(25,017)	-	25,017
Loan proceeds	-	-	160,000	160,000
Transfers in	400,000	500,000	475,000	(25,000)
Transfers out	(484,000)	(484,000)	(84,000)	400,000
<i>Total other financing sources (uses)</i>	<u>(9,017)</u>	<u>(9,017)</u>	<u>551,000</u>	<u>560,017</u>
<i>Net change in fund balance</i>	-	-	(1,697)	(1,697)
<i>Fund balance - beginning of year</i>	-	-	74,982	74,982
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,285</u>	<u>\$ 73,285</u>

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Otero County
Schedule of Collateral Pledged by Depository
For Public Funds
June 30, 2007

Schedule I

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value June 30, 2007	Name and Location of Safekeeper
Alamogordo First National Bank					
	FNMA Pool #252149	6/1/26	31371HBS6	\$ 111,552	FHLB Dallas
	FHLMC E91492	9/1/12	3128GVUR9	188,337	FHLB Dallas
	FHLMC #M30281	11/1/17	31282CJ24	169,645	FHLB Dallas
	FHLMC #E01418	7/1/18	31294KSF3	552,647	FHLB Dallas
	FHLMC #M08912	4/1/11	31282SAM4	597,846	FHLB Dallas
	FHLMC #M80935	9/1/11	31282SBC	637,963	FHLB Dallas
	Total Alamogordo First National Bank			<u>2,257,990</u>	
Alamogordo National Bank					
	FNMA	12/1/15	31386PM3	318,036	FHLB Dallas
	Federal Home Loan Bank	1/23/09	31339YFD9	142,922	FHLB Dallas
	FHLMC Gold C90281	6/1/19	31335HJ20	126,065	FHLB Dallas
	Total Alamogordo National Bank			<u>587,023</u>	
Western Bank					
	FNMA #70864-A	9/20/27	31362TWZ2	51,226	FHLB Dallas
	FNMA #70864-B	9/20/27	31362TWZ2	51,225	FHLB Dallas
	GGNMA	3/20/28	36225CFW1	28,057	FHLB Dallas
	GNMA	7/30/23	36202KEU5	78,775	FHLB Dallas
	GNMA #80681	3/20/33	36225CXK7	99,797	FHLB Dallas
	FHLMC	9/1/18	31294KTD7	243,994	FHLB Dallas
	FNMA #725462	1/4/34	31402C5X6	85,713	FHLB Dallas
	GNMA	11/20/25	36202KWD3	81,321	FHLB Dallas
	GNMA	12/20/28	36225CHW9	60,566	FHLB Dallas
	Total Western Bank			<u>780,674</u>	
Alamogordo Federal Savings & Loan					
	FFCB Note, Cusip 31331MJX39	11/14/08	31331MJX39	494,844	FHLB Dallas
	Total Alamogordo Federal Savings & Loan			<u>494,844</u>	
Pioneer Savings Bank					
	FNMA, 7.082%	6/1/32	31390KQK7	129,813	FHLB Dallas
	FHLMC	7/1/33	31336STG3	83,290	FHLB Dallas
	FNMA, 7.082%	9/1/32	31391BES2	135,476	FHLB Dallas
	FHLMC	7/1/32	3128HDY52	58,038	FHLB Dallas
	FHLMC	7/1/34	31349S4E0	356,706	FHLB Dallas
	Total Pioneer Savings Bank			<u>763,323</u>	
Wells Fargo					
	Freddie Mac Discount Note	11/28/07	312BXL0X0	743,175	
	Federal Home Loan Note	11/28/07	3133XANZ6	497,300	
	Federal Home Loan Note	6/19/08	3133XXAA3	499,300	
	Federal Home Loan Note	11/17/08	3133XKVB9	499,450	
	Federal Home Loan Note	5/21/09	3133XXCD4	499,750	
	Freddie Mac Discount Note	7/9/07	313396HX4	519,480	
				<u>3,258,455</u>	
	Total Pledged Collateral			<u>\$ 8,142,309</u>	

See accompanying independent auditors' report.

STATE OF NEW MEXICO
Otero County

Schedule of Deposit and Investment Accounts
For the Year Ended June 30, 2007

Bank Account Type/Name	Alamogordo First National Bank	Alamogordo National Bank	Western Bank	Alamogordo Federal Savings & Loan	Pioneer Savings Bank	Wells Fargo Bank	Vining Sparks	Multi-Bank Securities Inc.	Coastal Securities	Totals
Cash and cash equivalents:										
General Operating - Checking	\$ 2,670,881	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,670,881
Inmate Trust - Checking	12,204	-	-	-	-	-	-	-	-	12,204
Detention - Checking	3,665	-	-	-	-	-	-	-	-	3,665
Certificate of Deposit	350,000	-	-	-	-	-	-	-	-	350,000
Certificate of Deposit	549,243	-	-	-	-	-	-	-	-	549,243
Certificate of Deposit	-	100,000	-	-	-	-	-	-	-	100,000
Narcotics Enforcement Unit - Checking	-	-	138,020	-	-	-	-	-	-	138,020
Covert Activities - Checking	-	-	35,989	-	-	-	-	-	-	35,989
Covert Activities - Checking	-	-	41,322	-	-	-	-	-	-	41,322
Certificate of Deposit	-	-	500,000	-	-	-	-	-	-	500,000
Certificate of Deposit	-	-	250,000	-	-	-	-	-	-	250,000
Certificate of Deposit	-	-	300,000	-	-	-	-	-	-	300,000
Certificate of Deposit	-	-	250,000	-	-	-	-	-	-	250,000
Certificate of Deposit	-	-	-	1,000,000	-	-	-	-	-	1,000,000
Certificate of Deposit	-	-	-	-	700,000	-	-	-	-	700,000
Certificate of Deposit	-	-	-	-	250,000	-	-	-	-	250,000
Certificate of Deposit	-	-	-	-	300,000	-	-	-	-	300,000
Money Market	-	-	-	-	2,000	-	-	-	-	2,000
Certificate of Deposit	-	-	-	-	-	2,209,363	-	-	-	2,209,363
Investments:										
Freddie Mac Discount Note	-	-	-	-	-	501,358	-	-	-	501,358
Freddie Mac Medium Term Note	-	-	-	-	-	737,238	-	-	-	737,238
Federal Home Loan Bank Note	-	-	-	-	-	496,985	-	-	-	496,985
Federal Home Loan Bank Note	-	-	-	-	-	500,956	-	-	-	500,956
Federal Home Loan Bank Note	-	-	-	-	-	500,712	-	-	-	500,712
Federal Home Loan Bank Note	-	-	-	-	-	500,936	-	-	-	500,936
Federal Home Loan Bank Note	-	-	-	-	-	-	250,000	-	-	250,000
Federal Home Loan Bank Note	-	-	-	-	-	-	700,000	-	-	700,000
Federal Home Loan Bank Note	-	-	-	-	-	-	-	250,000	-	250,000
Federal Home Loan Bank Note	-	-	-	-	-	-	-	500,000	-	500,000
Federal Home Loan Bank Note	-	-	-	-	-	-	-	-	200,000	200,000
Total on deposit	3,585,993	100,000	1,515,331	1,000,000	1,252,000	5,447,548	950,000	750,000	200,000	14,800,872
Reconciling items	(853,203)	-	(1,030)	-	-	-	-	-	-	(854,233)
Reconciled balance	\$ 2,732,790	\$ 100,000	\$ 1,514,301	\$ 1,000,000	\$ 1,252,000	\$ 5,447,548	\$ 950,000	\$ 750,000	\$ 200,000	\$13,946,639
Other:										
Petty cash	-	-	-	-	-	-	-	-	-	925
Less: agency funds cash per Exhibit E-1	-	-	-	-	-	-	-	-	-	(413,498)
Less: investments per Exhibit A-1	-	-	-	-	-	-	-	-	-	(5,138,185)
Less: restricted cash and cash equivalents per Exhibit A-1	-	-	-	-	-	-	-	-	-	(840,501)
Total unrestricted cash and cash equivalents per Exhibit A-1	-	-	-	-	-	-	-	-	-	\$ 7,555,380

See accompanying independent auditors' report.

STATE OF NEW MEXICO
Otero County
Tax Roll Reconciliation - Changes in Property Taxes Receivable
For the Year Ended June 30, 2007

Schedule III

Property taxes receivable, beginning of year	\$ 1,634,430
Changes to Tax Roll:	
Net taxes charged to treasurer for fiscal year	18,160,250
Adjustments:	
Increases (decreases) in taxes receivables	(4,116)
Charge off of taxes receivables	<u>(10,938)</u>
Total receivables prior to collections	19,779,626
Collections for fiscal year ended June 30, 2007	<u>(18,156,413)</u>
Property taxes receivable, end of year	<u><u>\$ 1,623,213</u></u>
Property taxes receivable are reported as follows:	
Governmental Funds:	
General Fund	\$ 611,207
Agency Funds	<u>1,012,006</u>
Total property taxes receivable	<u><u>\$ 1,623,213</u></u>
Property taxes receivable by years:	
1997	\$ 1,540
1998	3,509
1999	6,737
2000	27,361
2001	12,262
2002	20,914
2003	39,195
2004	96,087
2005	356,443
2006	<u>1,059,165</u>
Total property taxes receivable	<u><u>\$ 1,623,213</u></u>

See accompanying independent auditors' report.

STATE OF NEW MEXICO

Otero County

Schedule of Property Taxes Receivable by Agency

June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
State of New Mexico								
P&I on Bonds 1997	1,212,781	119	1,212,684	119	162	162	-	97
P&I on Bonds 1998	680,683	96	680,504	91	-	-	5	179
P&I on Bonds 1999	781,277	119	780,904	122	-	-	-	373
P&I on Bonds 2000	833,320	177	831,905	171	-	-	5	1,415
P&I on Bonds 2001	1,010,314	613	1,009,569	621	-	-	2	745
P&I on Bonds 2002	658,509	1,218	657,670	1,281	-	-	7	839
P&I on Bonds 2003	929,931	3,274	927,740	6,910	-	-	21	2,191
P&I on Bonds 2004	653,228	10,449	649,618	9,182	-	-	2,015	3,610
P&I on Bonds 2005	845,424	32,003	828,952	41,647	-	-	1,938	16,472
P&I on Bonds 2006	919,378	867,558	867,558	852,980	-	-	14,579	51,820
Total General Advalorem	8,524,845	915,626	8,447,104	913,124	162	162	18,572	77,741
State Special Levies 1997	39,170	-	39,155	-	16	16	-	15
State Special Levies 1998	27,466	-	27,457	-	-	-	-	9
State Special Levies 1999	26,076	-	26,067	-	-	-	-	9
State Special Levies 2000	26,160	-	26,108	-	-	-	-	52
State Special Levies 2001	24,836	-	24,694	-	-	-	-	142
State Special Levies 2002	20,481	-	20,391	-	-	-	-	90
State Special Levies 2003	17,306	-	17,192	-	-	-	-	114
State Special Levies 2004	15,366	107	15,251	86	-	-	80	115
State Special Levies 2005	20,828	748	20,525	1,297	-	-	-	303
State Special Levies 2006	22,483	21,349	21,349	21,106	-	-	243	1,134
Total State Special Levies	240,172	22,204	238,189	22,489	16	16	323	1,983
Total State of New Mexico	8,765,017	937,830	8,685,293	935,613	178	178	18,895	79,724

See accompanying independent auditors' report.

STATE OF NEW MEXICO

Otero County

Schedule of Property Taxes Receivable by Agency
June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
Otero County								
General Advalorem 1997	7,965,501	935	7,964,921	935	1,005	1,005	-	580
General Advalorem 1998	4,370,761	671	4,369,625	671	-	-	-	1,136
General Advalorem 1999	4,554,986	719	4,552,545	719	-	-	-	2,441
General Advalorem 2000	4,840,158	1,016	4,829,977	1,016	-	-	-	10,181
General Advalorem 2001	4,999,482	3,465	4,995,823	3,465	-	-	-	3,659
General Advalorem 2002	5,157,565	10,300	5,151,413	10,300	-	-	-	6,152
General Advalorem 2003	5,262,829	19,002	5,250,189	19,002	-	-	-	12,640
General Advalorem 2004	5,541,726	89,388	5,511,963	89,388	-	-	-	29,763
General Advalorem 2005	5,871,317	227,186	5,755,444	227,186	-	-	-	115,873
General Advalorem 2006	6,229,747	5,866,186	5,866,186	5,866,186	-	-	-	363,561
Total General Advalorem	54,794,072	6,218,868	54,248,086	6,218,868	1,005	1,005	-	545,986
Debt Service P&I 1997	1,286,461	127	1,286,378	127	209	209	-	83
Debt Service P&I 1998	751,684	106	751,486	106	-	-	-	198
Debt Service P&I 1999	760,718	116	760,355	116	-	-	-	363
Debt Service P&I 2000	751,027	159	749,752	159	-	-	-	1,275
Debt Service P&I 2001	599,318	364	598,877	364	-	-	-	441
Debt Service P&I 2002	844,975	1,563	843,898	1,563	-	-	-	1,077
Debt Service P&I 2003	743,333	2,617	741,582	2,617	-	-	-	1,751
Debt Service P&I 2004	793,660	12,696	789,273	12,696	-	-	-	4,387
Debt Service P&I 2005	758,356	28,707	743,581	28,707	-	-	-	14,775
Debt Service P&I 2006	725,130	684,259	684,259	684,259	-	-	-	40,871
Total Debt Service	8,014,662	730,714	7,949,441	730,714	209	209	-	65,221
Total Otero County	62,808,734	6,949,582	62,197,527	6,949,582	1,214	1,214	-	611,207

See accompanying independent auditors' report.

STATE OF NEW MEXICO

Otero County

Schedule of Property Taxes Receivable by Agency

June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
City of Alamogordo								
General Advalorem 1997	2,792,461	581	2,792,411	581	388	388	-	50
General Advalorem 1998	1,463,203	319	1,462,840	319	-	-	-	363
General Advalorem 1999	1,552,389	319	1,552,152	321	-	-	-	237
General Advalorem 2000	1,620,255	338	1,617,979	338	-	-	-	2,276
General Advalorem 2001	1,646,126	1,539	1,645,780	1,561	-	-	-	346
General Advalorem 2002	1,692,047	3,490	1,691,405	3,726	-	-	5	642
General Advalorem 2003	1,703,455	4,992	1,701,835	13,431	-	-	3	1,620
General Advalorem 2004	1,800,983	25,993	1,795,243	22,681	-	-	7,788	5,740
General Advalorem 2005	1,912,812	56,785	1,884,066	72,275	-	-	2,979	28,746
General Advalorem 2006	2,073,784	1,973,914	1,973,914	1,940,294	-	-	33,620	99,870
Total General Advalorem	18,257,515	2,068,270	18,117,625	2,055,527	388	388	44,395	139,890
Debt Service P&I 1997	1,459,960	264	1,459,927	264	175	175	-	33
Debt Service P&I 1998	581,980	110	581,849	110	-	-	-	131
Debt Service P&I 1999	591,681	109	591,595	110	-	-	-	86
Debt Service P&I 2000	677,729	123	676,940	123	-	-	-	789
Debt Service P&I 2001	771,658	597	771,493	607	-	-	-	165
Debt Service P&I 2002	796,372	1,442	796,053	1,541	-	-	3	319
Debt Service P&I 2003	804,882	2,200	804,130	6,280	-	-	2	752
Debt Service P&I 2004	816,090	11,438	813,653	9,908	-	-	3,599	2,437
Debt Service P&I 2005	794,069	22,952	782,337	28,790	-	-	1,312	11,732
Debt Service P&I 2006	794,566	757,974	757,974	745,428	-	-	12,546	36,592
Total Debt Service	8,088,987	797,209	8,035,951	793,161	175	175	17,462	53,036
Total City of Alamogordo	26,346,502	2,865,479	26,153,576	2,848,688	563	563	61,857	192,926

See accompanying independent auditors' report.

STATE OF NEW MEXICO

Schedule IV
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Otero County
Schedule of Property Taxes Receivable by Agency
June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
Alamogordo Public Schools								
General Advalorem 1997	257,274	40	257,258	40	33	33	-	16
General Advalorem 1998	140,459	22	140,424	22	-	-	-	35
General Advalorem 1999	146,915	28	146,880	29	-	-	-	35
General Advalorem 2000	154,522	28	154,191	28	-	-	-	331
General Advalorem 2001	160,243	119	160,208	121	-	-	-	35
General Advalorem 2002	164,490	297	164,409	313	-	-	1	81
General Advalorem 2003	166,386	470	166,122	1,148	-	-	-	264
General Advalorem 2004	176,111	2,529	175,531	2,049	-	-	589	580
General Advalorem 2005	186,671	6,077	183,713	8,044	-	-	261	2,958
General Advalorem 2006	198,650	188,855	188,855	185,704	-	-	3,151	9,795
Total General Advalorem	1,751,721	198,465	1,737,591	197,498	33	33	4,002	14,130
Debt Service P&I 1997	1,360,039	177	1,359,939	177	179	179	-	100
Debt Service P&I 1998	2,078,123	279	2,077,625	279	-	-	-	498
Debt Service P&I 1999	2,011,070	364	2,010,650	366	-	-	-	420
Debt Service P&I 2000	1,975,877	318	1,972,524	318	-	-	-	3,353
Debt Service P&I 2001	2,157,235	1,331	2,156,729	1,352	-	-	4	506
Debt Service P&I 2002	2,828,382	4,570	2,826,866	4,801	-	-	24	1,516
Debt Service P&I 2003	2,523,660	6,792	2,519,848	17,450	-	-	6	3,812
Debt Service P&I 2004	2,205,537	30,976	2,198,401	25,696	-	-	7,657	7,136
Debt Service P&I 2005	2,200,172	70,132	2,166,044	91,600	-	-	3,300	34,128
Debt Service P&I 2006	2,288,093	2,179,831	2,179,831	2,144,711	-	-	35,120	108,262
Total Debt Service	21,628,188	2,294,770	21,468,457	2,286,750	179	179	46,111	159,731

See accompanying independent auditors' report.

STATE OF NEW MEXICO

Otero County

Schedule of Property Taxes Receivable by Agency

June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
Capital Improvements 1997	1,212,758	162	1,212,673	162	160	160	-	85
Capital Improvements 1998	660,786	93	660,626	93	-	-	-	160
Capital Improvements 1999	775,428	140	775,266	141	-	-	-	162
Capital Improvements 2000	800,761	129	799,401	129	-	-	-	1,360
Capital Improvements 2001	834,871	517	834,675	525	-	-	2	196
Capital Improvements 2002	851,806	1,376	851,350	1,446	-	-	7	456
Capital Improvements 2003	878,101	2,363	876,775	6,072	-	-	2	1,326
Capital Improvements 2004	909,500	12,773	906,557	10,596	-	-	3,158	2,943
Capital Improvements 2005	966,017	30,831	951,014	40,301	-	-	1,443	15,003
Capital Improvements 2006	1,026,512	977,942	977,942	962,186	-	-	15,756	48,570
Total Capital Improvements	8,916,540	1,026,326	8,846,279	1,021,651	160	160	20,368	70,261
Tech Debt 1997	-	-	-	-	-	-	-	-
Tech Debt 1998	-	-	-	-	-	-	-	-
Tech Debt 1999	-	-	-	-	-	-	-	-
Tech Debt 2000	352,732	57	352,134	57	-	-	-	598
Tech Debt 2001	719,640	444	719,471	451	-	-	1	169
Tech Debt 2002	108,154	175	108,096	184	-	-	1	58
Tech Debt 2003	277,918	748	277,498	1,922	-	-	1	420
Tech Debt 2004	725,780	10,193	723,432	8,456	-	-	2,520	2,348
Tech Debt 2005	854,093	27,225	840,844	35,558	-	-	1,281	13,249
Tech Debt 2006	872,533	831,249	831,249	817,857	-	-	13,392	41,284
Total TECH DEBT	3,910,850	870,091	3,852,724	864,485	-	-	17,196	58,126
Total Alamogordo Public Schools	36,207,299	4,389,652	35,905,051	4,370,384	372	372	87,677	302,248

See accompanying independent auditors' report.

STATE OF NEW MEXICO

Schedule IV
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Otero County
Schedule of Property Taxes Receivable by Agency
June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
Village of Cloudcroft								
General Advalorem 1997	46,786	-	46,786	-	-	-	-	-
General Advalorem 1998	26,012	-	26,012	-	-	-	-	-
General Advalorem 1999	27,038	-	27,038	-	-	-	-	-
General Advalorem 2000	28,337	-	28,337	-	-	-	-	-
General Advalorem 2001	29,573	-	29,573	-	-	-	-	-
General Advalorem 2002	30,785	46	30,785	46	-	-	-	-
General Advalorem 2003	31,682	47	31,669	47	-	-	-	13
General Advalorem 2004	33,616	497	33,579	506	-	-	-	37
General Advalorem 2005	35,830	2,173	35,308	2,593	-	-	51	522
General Advalorem 2006	38,699	35,803	35,803	35,313	-	-	490	2,896
Total General Advalorem	328,358	38,566	324,890	38,505	-	-	541	3,468
Debt Service P&I 1997	3,026	-	3,026	-	-	-	-	-
Debt Service P&I 1998	-	-	-	-	-	-	-	-
Debt Service P&I 1999	-	-	-	-	-	-	-	-
Debt Service P&I 2000	-	-	-	-	-	-	-	-
Debt Service P&I 2001	-	-	-	-	-	-	-	-
Debt Service P&I 2002	-	-	-	-	-	-	-	-
Debt Service P&I 2003	-	-	-	-	-	-	-	-
Debt Service P&I 2004	-	-	-	-	-	-	-	-
Debt Service P&I 2005	-	-	-	-	-	-	-	-
Debt Service P&I 2006	-	-	-	-	-	-	-	-
Total Debt Service	3,026	-	3,026	-	-	-	-	-
Total Village of Cloudcroft	331,384	38,566	327,916	38,505	-	-	541	3,468

See accompanying independent auditors' report.

STATE OF NEW MEXICO
Otero County
Schedule of Property Taxes Receivable by Agency
June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
Cloudfcroft Public Schools								
General Advalorem 1997	40,096	-	40,095	-	2	2	-	1
General Advalorem 1998	21,922	-	21,920	-	-	-	-	2
General Advalorem 1999	22,438	-	22,421	-	-	-	-	17
General Advalorem 2000	23,644	-	23,642	-	-	-	-	2
General Advalorem 2001	25,089	8	25,081	8	-	-	-	8
General Advalorem 2002	26,529	43	26,511	43	-	-	-	18
General Advalorem 2003	27,311	97	27,274	127	-	-	-	37
General Advalorem 2004	28,915	372	28,807	289	-	-	36	108
General Advalorem 2005	30,739	1,350	30,190	1,756	-	-	122	549
General Advalorem 2006	33,041	31,106	31,106	30,558	-	-	548	1,935
Total General Advalorem	279,724	32,976	277,047	32,781	2	2	706	2,677
Debt Service P&I 1997	466,546	-	466,532	-	18	18	-	14
Debt Service P&I 1998	236,263	-	236,244	-	-	-	-	19
Debt Service P&I 1999	234,142	-	234,003	-	-	-	-	139
Debt Service P&I 2000	218,406	-	218,385	-	-	-	-	21
Debt Service P&I 2001	640,459	210	640,290	210	-	-	-	169
Debt Service P&I 2002	676,253	1,081	675,813	1,092	-	-	-	440
Debt Service P&I 2003	643,760	2,136	643,000	2,831	-	-	8	760
Debt Service P&I 2004	541,979	6,683	540,118	5,547	-	-	675	1,861
Debt Service P&I 2005	537,415	21,328	528,668	28,485	-	-	1,975	8,747
Debt Service P&I 2006	515,500	487,957	487,957	479,486	-	-	8,471	27,543
Total Debt Service	4,710,723	519,395	4,671,010	517,651	18	18	11,129	39,713

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Schedule of Property Taxes Receivable by Agency
June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
Capital Improvements 1997	245,312	-	245,304	-	10	10	-	8
Capital Improvements 1998	133,958	-	133,947	-	-	-	-	11
Capital Improvements 1999	171,659	-	171,557	-	-	-	-	102
Capital Improvements 2000	177,062	-	177,045	-	-	-	-	17
Capital Improvements 2001	186,093	61	186,044	61	-	-	-	49
Capital Improvements 2002	194,493	311	194,366	314	-	-	-	127
Capital Improvements 2003	209,660	696	209,412	922	-	-	3	248
Capital Improvements 2004	215,541	2,658	214,802	2,206	-	-	268	739
Capital Improvements 2005	227,675	9,070	223,957	12,101	-	-	839	3,718
Capital Improvements 2006	237,613	224,917	224,917	221,013	-	-	3,904	12,696
Total Capital Improvements	1,999,066	237,713	1,981,351	236,617	10	10	5,014	17,715
Total Cloudcroft Public Schools	6,989,513	790,084	6,929,408	787,049	30	30	16,849	60,105
Village of Tularosa								
General Advalorem 1997	164,585	-	164,583	-	-	-	-	2
General Advalorem 1998	91,543	-	91,541	-	-	-	-	2
General Advalorem 1999	96,630	1	96,579	1	-	-	-	51
General Advalorem 2000	98,128	50	98,062	40	-	-	10	66
General Advalorem 2001	102,029	-	101,817	-	-	-	-	212
General Advalorem 2002	105,764	444	105,413	469	-	-	-	351
General Advalorem 2003	108,215	397	107,815	1,065	-	-	4	400
General Advalorem 2004	113,582	2,945	112,849	2,695	-	-	456	733
General Advalorem 2005	119,162	5,190	115,627	8,240	-	-	540	3,535
General Advalorem 2006	128,155	117,349	117,349	115,411	-	-	1,938	10,806
Total General Advalorem	1,127,793	126,376	1,111,635	127,921	-	-	2,948	16,158

See accompanying independent auditors' report.

STATE OF NEW MEXICO

Otero County

Schedule of Property Taxes Receivable by Agency
June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
Debt Service P&I 1997	-	-	-	-	-	-	-	-
Debt Service P&I 1998	-	-	-	-	-	-	-	-
Debt Service P&I 1999	-	-	-	-	-	-	-	-
Debt Service P&I 2000	-	-	-	-	-	-	-	-
Debt Service P&I 2001	-	-	-	-	-	-	-	-
Debt Service P&I 2002	-	-	-	-	-	-	-	-
Debt Service P&I 2003	-	-	-	-	-	-	-	-
Debt Service P&I 2004	-	-	-	-	-	-	-	-
Debt Service P&I 2005	-	-	-	-	-	-	-	-
Debt Service P&I 2006	-	-	-	-	-	-	-	-
Total Debt Service	-	-	-	-	-	-	-	-
Total Village of Tularosa	1,127,793	126,376	1,111,635	127,921	-	-	2,948	16,158
Tularosa Public Schools								
General Advalorem 1997	24,806	-	24,806	-	3	3	-	-
General Advalorem 1998	14,276	-	14,272	-	-	-	-	4
General Advalorem 1999	14,941	-	14,936	-	-	-	-	5
General Advalorem 2000	15,736	8	15,728	8	-	-	1	8
General Advalorem 2001	16,947	8	16,926	8	-	-	-	21
General Advalorem 2002	17,561	44	17,509	44	-	-	1	52
General Advalorem 2003	18,019	66	17,946	119	-	-	3	73
General Advalorem 2004	18,966	341	18,828	331	-	-	37	138
General Advalorem 2005	20,289	840	19,838	1,221	-	-	60	451
General Advalorem 2006	21,652	20,286	20,286	20,008	-	-	278	1,366
Total General Advalorem	183,193	21,593	181,075	21,739	3	3	380	2,118

See accompanying independent auditors' report.

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Schedule of Property Taxes Receivable by Agency
June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
Debt Service P&I 1997	514,505	(2)	514,487	(2)	51	51	-	18
Debt Service P&I 1998	301,243	-	301,158	-	-	-	-	85
Debt Service P&I 1999	321,457	2	321,353	2	-	-	-	104
Debt Service P&I 2000	334,007	215	333,830	200	-	-	15	177
Debt Service P&I 2001	363,198	206	362,685	206	-	-	-	513
Debt Service P&I 2002	428,288	1,134	426,873	1,157	-	-	21	1,415
Debt Service P&I 2003	446,231	1,889	444,345	3,415	-	-	101	1,886
Debt Service P&I 2004	459,704	9,125	455,792	8,670	-	-	1,059	3,912
Debt Service P&I 2005	476,901	21,117	465,386	29,575	-	-	1,539	11,515
Debt Service P&I 2006	524,547	489,317	489,317	482,158	-	-	7,159	35,230
Total Debt Service	4,170,081	523,003	4,115,226	525,381	51	51	9,894	54,855
Capital Improvements 1997	114,793	-	114,789	-	11	11	-	4
Capital Improvements 1998	69,748	-	69,729	-	-	-	-	19
Capital Improvements 1999	72,210	-	72,187	-	-	-	-	23
Capital Improvements 2000	81,060	52	81,017	49	-	-	4	43
Capital Improvements 2001	86,887	49	86,765	49	-	-	-	122
Capital Improvements 2002	90,145	238	89,848	243	-	-	4	297
Capital Improvements 2003	92,574	387	92,184	700	-	-	21	390
Capital Improvements 2004	100,077	1,986	99,226	1,887	-	-	231	851
Capital Improvements 2005	107,167	4,738	104,584	6,641	-	-	345	2,583
Capital Improvements 2006	112,035	104,510	104,510	102,981	-	-	1,529	7,525
Total Capital Improvements	926,696	111,960	914,839	112,550	11	11	2,134	11,857
Total Tularosa Public Schools	5,279,970	656,556	5,211,140	659,670	65	65	12,408	68,830

See accompanying independent auditors' report.

STATE OF NEW MEXICO

Otero County

Schedule of Property Taxes Receivable by Agency
June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
Gadsden School Dist								
General Advalorem 1997	5,230	-	5,225	-	4	4	-	5
General Advalorem 1998	3,178	6	3,171	5	-	-	1	7
General Advalorem 1999	5,151	3	5,112	3	-	-	-	39
General Advalorem 2000	5,397	7	5,314	6	-	-	-	83
General Advalorem 2001	5,706	9	5,620	9	-	-	-	86
General Advalorem 2002	6,293	39	6,194	44	-	-	-	99
General Advalorem 2003	6,489	130	6,353	212	-	-	-	136
General Advalorem 2004	7,352	457	6,981	501	-	-	39	371
General Advalorem 2005	7,558	1,001	6,769	1,160	-	-	78	789
General Advalorem 2006	7,965	6,105	6,105	5,853	-	-	252	1,860
Total General Advalorem	60,319	7,757	56,844	7,793	4	4	370	3,475
Debt Service P&I 1997	200,004	4	199,776	4	191	191	-	228
Debt Service P&I 1998	129,960	280	129,611	233	-	-	47	349
Debt Service P&I 1999	211,686	143	210,141	167	-	-	-	1,545
Debt Service P&I 2000	223,904	359	220,803	335	-	-	23	3,101
Debt Service P&I 2001	232,467	482	229,063	482	-	-	-	3,404
Debt Service P&I 2002	252,087	1,730	247,714	1,967	-	-	-	4,373
Debt Service P&I 2003	278,311	6,011	271,859	9,726	-	-	11	6,452
Debt Service P&I 2004	327,581	20,848	309,744	22,721	-	-	1,885	17,837
Debt Service P&I 2005	311,592	43,129	278,270	49,965	-	-	3,082	33,322
Debt Service P&I 2006	327,503	249,747	249,747	240,279	-	-	9,467	77,756
Total Debt Service	2,495,095	322,733	2,346,728	325,879	191	191	14,515	148,367

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Schedule of Property Taxes Receivable by Agency
June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
Capital Improvements 1997	28,339	1	28,306	1	25	25	-	33
Capital Improvements 1998	18,079	39	18,030	32	-	-	7	49
Capital Improvements 1999	27,667	18	27,464	21	-	-	-	203
Capital Improvements 2000	31,139	50	30,708	47	-	-	3	431
Capital Improvements 2001	32,341	67	31,867	67	-	-	-	474
Capital Improvements 2002	35,098	241	34,489	274	-	-	-	609
Capital Improvements 2003	38,786	838	37,887	1,356	-	-	2	899
Capital Improvements 2004	45,752	2,912	43,261	3,173	-	-	263	2,491
Capital Improvements 2005	46,265	6,392	41,322	7,405	-	-	459	4,943
Capital Improvements 2006	48,465	36,958	36,958	35,557	-	-	1,401	11,507
Total Capital Improvements	351,931	47,516	330,292	47,933	25	25	2,135	21,639
Tech Debt 1997	-	-	-	-	-	-	-	-
Tech Debt 1998	-	-	-	-	-	-	-	-
Tech Debt 1999	-	-	-	-	-	-	-	-
Tech Debt 2000	-	-	-	-	-	-	-	-
Tech Debt 2001	-	-	-	-	-	-	-	-
Tech Debt 2002	-	-	-	-	-	-	-	-
Tech Debt 2003	-	-	-	-	-	-	-	-
Tech Debt 2004	-	-	-	-	-	-	-	-
Tech Debt 2005	28,387	3,929	25,351	4,552	-	-	281	3,036
Tech Debt 2006	20,040	15,282	15,282	14,703	-	-	579	4,758
Total Tech Debt	48,427	19,211	40,633	19,255	-	-	860	7,794
Total Gadsden School District	2,955,772	397,217	2,774,497	400,860	220	220	17,880	181,275

See accompanying independent auditors' report.

STATE OF NEW MEXICO

Otero County

Schedule of Property Taxes Receivable by Agency
June 30, 2007

Schedule IV
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Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
NMSU - Alamogordo								
General Advalorem 1997	576,881	81	576,841	81	76	76	-	40
General Advalorem 1998	314,443	46	314,366	46	-	-	-	77
General Advalorem 1999	328,176	62	328,102	62	-	-	-	74
General Advalorem 2000	345,470	59	344,801	59	-	-	-	669
General Advalorem 2001	359,088	247	359,007	250	-	-	1	81
General Advalorem 2002	369,412	634	369,222	666	-	-	3	190
General Advalorem 2003	373,830	1,034	373,250	2,582	-	-	1	580
General Advalorem 2004	390,841	5,559	389,563	4,551	-	-	1,329	1,278
General Advalorem 2005	412,886	13,318	406,405	17,526	-	-	596	6,481
General Advalorem 2006	442,472	421,054	421,054	414,138	-	-	6,916	21,418
Total General Advalorem	3,913,499	442,094	3,882,611	439,961	76	76	8,846	30,888
Debt Service P&I 1997	723,656	92	723,586	92	109	109	-	70
Debt Service P&I 1998	375,363	69	375,250	66	-	-	3	113
Debt Service P&I 1999	379,903	76	379,725	78	-	-	-	178
Debt Service P&I 2000	381,426	82	380,605	80	-	-	1	821
Debt Service P&I 2001	386,977	260	386,680	263	-	-	1	297
Debt Service P&I 2002	357,278	662	356,813	705	-	-	3	465
Debt Service P&I 2003	346,123	1,208	345,283	2,804	-	-	1	840
Debt Service P&I 2004	369,681	6,070	367,578	5,329	-	-	1,324	2,103
Debt Service P&I 2005	380,061	13,975	372,569	17,896	-	-	717	7,492
Debt Service P&I 2006	408,488	385,659	385,659	379,140	-	-	6,520	22,829
Total Debt Service	4,108,956	408,153	4,073,748	406,453	109	109	8,570	35,208
Total NMSU - Alamogordo	8,022,455	850,247	7,956,359	846,414	185	185	17,416	66,096

See accompanying independent auditors' report.

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Otero County

Schedule of Property Taxes Receivable by Agency

June 30, 2007

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Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
NMSU - Dona Ana								
General Advalorem 1997	13,927	-	13,911	-	13	13	-	16
General Advalorem 1998	8,586	18	8,563	15	-	-	3	23
General Advalorem 1999	13,536	9	13,437	10	-	-	-	99
General Advalorem 2000	14,386	22	14,183	21	-	-	1	203
General Advalorem 2001	15,116	30	14,894	30	-	-	-	222
General Advalorem 2002	14,042	96	13,798	110	-	-	-	244
General Advalorem 2003	17,903	383	17,493	620	-	-	1	410
General Advalorem 2004	21,168	1,342	20,029	1,464	-	-	120	1,139
General Advalorem 2005	21,919	3,015	19,583	3,494	-	-	218	2,336
General Advalorem 2006	22,979	17,532	17,532	16,861	-	-	671	5,447
Total General Advalorem	163,562	22,447	153,423	22,625	13	13	1,014	10,139
Total NMSU - Dona Ana	163,562	22,447	153,423	22,625	13	13	1,014	10,139
Local Special Levies								
Timberon Water & Sanitation District								
Timberon Special Levy 1997	556,746	-	556,708	-	38	38	-	38
Timberon Special Levy 1998	305,491	-	305,453	-	-	-	-	38
Timberon Special Levy 1999	256,219	-	256,186	-	-	-	-	33
Timberon Special Levy 2000	273,379	-	273,290	-	-	-	-	89
Timberon Special Levy 2001	271,668	170	271,466	264	-	-	-	202
Timberon Special Levy 2002	279,085	806	278,082	712	-	-	94	1,003
Timberon Special Levy 2003	303,044	1,678	301,862	3,175	-	-	30	1,182
Timberon Special Levy 2004	304,855	5,223	301,425	6,455	-	-	329	3,430
Timberon Special Levy 2005	311,238	17,350	298,051	21,965	-	-	705	13,187
Timberon Special Levy 2006	120,142	108,307	108,307	106,730	-	-	1,577	11,835
Total Timberon Water & Sanitation	2,981,867	133,534	2,950,830	139,301	38	38	2,735	31,037

See accompanying independent auditors' report.

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Otero County
Schedule of Property Taxes Receivable by Agency
June 30, 2007

Agency	Net Property Taxes Levied	Collected in Current Year	Collected To-Date	Distributed in Current Year	Current Amount Uncollectible	To-Date Amount Uncollectible	Undistributed at Year End	Treasurer's Receivable at Year End
Penasco S&W Conservation Dist								
Penasco Special Levy 1997	75	-	75	-	-	-	-	-
Penasco Special Levy 1998	52	-	52	-	-	-	-	-
Penasco Special Levy 1999	52	-	52	-	-	-	-	-
Penasco Special Levy 2000	52	-	52	-	-	-	-	-
Penasco Special Levy 2001	52	-	52	-	-	-	-	-
Penasco Special Levy 2002	52	-	52	-	-	-	-	-
Penasco Special Levy 2003	52	-	52	-	-	-	-	-
Penasco Special Levy 2004	52	-	52	-	-	-	-	-
Penasco Special Levy 2005	52	-	52	12	-	-	-	-
Penasco Special Levy 2006	52	51	52	51	-	-	-	-
Total Penasco S&W Conservation Dist	543	51	543	63	-	-	-	-
Carlsbad Soil & Water Conservation District								
Carlsbad Special Levy 1997	43	-	43	-	-	-	-	-
Carlsbad Special Levy 1998	22	-	22	-	-	-	-	-
Carlsbad Special Levy 1999	22	-	22	-	-	-	-	-
Carlsbad Special Levy 2000	22	-	22	-	-	-	-	-
Carlsbad Special Levy 2001	31	-	31	-	-	-	-	-
Carlsbad Special Levy 2002	20	-	20	-	-	-	-	-
Carlsbad Special Levy 2003	28	-	28	-	-	-	-	-
Carlsbad Special Levy 2004	28	-	28	-	-	-	-	-
Carlsbad Special Levy 2005	28	-	28	-	-	-	-	-
Carlsbad Special Levy 2006	27	27	27	27	-	-	-	-
Total Carlsbad S&W Conservation Dist	271	27	271	27	-	-	-	-
Total Local Special Levies	2,982,681	133,612	2,951,644	139,391	38	38	2,735	31,037
Grand Totals	161,980,682	18,157,648	160,357,469	18,126,702	2,878	2,878	240,220	1,623,213

See accompanying independent auditors' report.

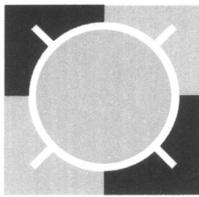
STATE OF NEW MEXICO
 Otero County
 Agency Funds
 Schedule of Changes in Fiduciary Assets and Liabilities
 Year ended June 30, 2007

Schedule V

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
ASSETS				
Cash	\$ 426,770	\$ 13,365,764	\$ 13,379,036	413,498
Taxes receivable	1,023,996	11,352,109	11,364,099	1,012,006
<i>Total assets</i>	\$ 1,450,766	\$ 24,717,873	\$ 24,743,135	\$ 1,425,504
 LIABILITIES				
Due to other taxing units	\$ 1,434,228	\$ 12,883,946	\$ 12,892,670	\$ 1,425,504
Due to inmates	16,538	481,818	498,356	-
<i>Total liabilities</i>	\$ 1,450,766	\$ 13,365,764	\$ 13,391,026	\$ 1,425,504

See accompanying independent auditors' report.

COMPLIANCE SECTION



Accounting & Consulting Group, LLP

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

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
To the County Administrator and County Commissioners
Otero County
Otero, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and each major special revenue fund and the aggregate remaining fund information of Otero County, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 28, 2007. We also have audited the financial statements of each of the County's nonmajor governmental funds and budgetary comparisons for the major capital projects fund and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 as listed in the table of contents. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Otero County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Otero County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by Otero County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These are items FS 2007-3, FS 2007-4, FS 2007-5, FS 2007-6 and FS 2007-7.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Otero County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items FS 2007-4 and 2007-7 to be material weaknesses.

Certified Public Accountants

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Otero County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items FS 2007-1, FS 2007-2, FS 2007-3 and FS 2007-8.

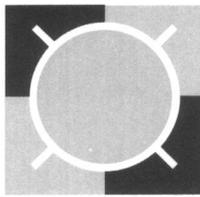
Otero County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Otero County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee management, others within the organization, County Commission, the Office of the State Auditor, 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.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
September 28, 2007

FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
To the County Administrator and County Commissioners
Otero County
Otero, New Mexico

Compliance

We have audited the compliance of Otero County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Otero County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Otero County's management. Our responsibility is to express an opinion on Otero County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Otero County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Otero County's compliance with those requirements.

In our opinion, Otero 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, 2007.

Internal Control Over Compliance

The management of Otero 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 our audit, we considered Otero County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Otero County's internal control over compliance.

Certified Public Accountants

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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Otero County's internal control.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, County Commission, the Office of the State Auditor, 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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
September 28, 2007

STATE OF NEW MEXICO
Otero County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Schedule VI
Page 1 of 2

Federal Grantor/ Passthrough Grantor/ Program Title	Grant Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Justice			
C.O.P.S.	2003UMWX0249	16.710	\$ 13,871
Total U.S. Department of Justice			<u>13,871</u>
U.S. Department of Interior			
BLM Grant	GDA061000	15.242	14,897
Total U.S. Department of Interior			<u>14,897</u>
Office of National Drug Control			
High Intensity Drug Trafficking Area (1)	I4PSNP564Z	16.579	262,902
Total Office of National Drug Control			<u>262,902</u>
U.S. Department of Homeland Security (Passed through the New Mexico Department of Public Safety)			
Homeland Security (1)	2004-GE-T4-0005	97.004	187,784
Total U.S. Department of Homeland Security			<u>187,784</u>
National Resources Conservation Service			
National Resources Conservation Service	69-8C30-03-0033	10.xxx	92,500
Total National Resources Conservation Service			<u>92,500</u>
Total Federal Financial Assistance			<u>\$ 571,954</u>

(1) Denotes Major Federal Financial Assistance Program

See accompanying independent auditors' report.

STATE OF NEW MEXICO
Otero County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Schedule VI
Page 2 of 2

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Otero County, New Mexico (County) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Subrecipients

The County did not provide any federal awards to subrecipients during the year.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 571,954
Total expenditures funded by other sources	<u>21,706,448</u>
Total expenditures	<u><u>\$ 22,278,402</u></u>

See accompanying independent auditors' report.

STATE OF NEW MEXICO
Otero County
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors' report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | |
|---|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditors' report issued on compliance for major programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |

4. Identification of major programs:

CFDA Number	Federal Program
16.579	High Intensity Drug Trafficking Area
97.004	Homeland Security

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings and Questioned Costs

FS 2007-1 - Stale Dated Checks

Condition: The County is in violation of New Mexico Statute, Section 6-10-57, NMSA, 1978 regarding stale-dated checks.

Criteria: New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation requires local public bodies to cancel or void any check that is unpaid for one year after it is written.

Cause: In the operational account, the County has 5 checks at June 30, 2007 that are over one year old. The total amount of stale dated checks was \$146.72.

Effect: The County is in violation of New Mexico Statute, Section 6-10-57, NMSA, 1978. Also, the County's cash balances are not accurately reflected as a result of stale-dated checks appearing on the outstanding check listings.

Recommendation: We recommend that the County implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend these checks be voided.

Management's Response: The County will work more diligently to monitor the outstanding check listings and re-issue or void these instruments as necessary.

FS 2007-2 - Timeliness of Deposits

Condition: During our observation and inquiry over the receipt process it came to our attention that the detention center is bringing deposits to the treasurers office to be deposited only two or three times a month.

Criteria: According to NMSA 1978, 6-10, receipts should be deposited as soon as administratively possible. Per the County's policy, receipts should be deposited within 24 hours.

Cause: The administrators at the detention center expressed various reasons for the delay in taking the deposit to the treasurer's office.

Effect: Non-adherence to state statutes places the County in noncompliance and lack of timeliness of deposits could subject the County to a possible occurrence of fraud.

Recommendation: We recommend that the County emphasize the importance of timely deposits of receipts, and monitor detention receipts more closely in order to be compliant with state statutes.

Management's Response: The Detention administrative staff has indicated that they will make every effort to insure that monies received are placed on deposit with the appropriate depository no later than the business day following the receipt.

STATE OF NEW MEXICO
Otero County
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Schedule VII
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FS 2007-3 - Disposition of Property and Equipment

Condition: During our testwork of capital assets, we noted that the County disposed of property and equipment during the year ended June 30, 2007. The County failed to notify the State Auditor of the planned disposition.

Criteria: According to the 2007 State Audit Rule 2.2.2.10 V, at least 30 days prior to disposition of property, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the disposition must be sent to the State Auditor.

Cause: The County disposed of property and equipment but failed to notify the State Auditor of the disposition.

Effect: This disposal of property and equipment without notification to the State Auditor places the County in noncompliance with the State Audit Rule.

Recommendation: The County must notify the State Auditor at least thirty days prior to planned disposition of property and equipment.

Management's Response: The County will work more diligently toward insuring that proper training is provided to staff responsible for the maintenance of the Capital Assets Inventory and that all matters related to the disposition of public property are in accordance with law.

FS 2007-4 - Capital Asset Roll Forward

Condition: According to the 2006 Audit Report, capital asset historical cost balances totaled \$41,109,732 and accumulated depreciation balances totaled \$19,744,484. However, we obtained a capital asset and depreciation detail from the client and found that what the County's beginning balances for capital asset historical cost and depreciation at June 30, 2007 were \$41,109,968 and \$19,234,363 for a difference of (\$236) and \$510,121, respectively.

Criteria: The County is required to maintain a detailed capital asset listing with a corresponding depreciation schedule.

Cause: According to County personnel, this occurred due to problems with the County's capital asset software.

Effect: The effect is the capital asset and depreciation beginning balances were different than the prior report as well as the ending balances being incorrect. The County is unable to explain the difference.

Recommendation: We recommend for County personnel to identify and correct the problem with the software or change to a new capital asset software program.

Management's Response: The County will work toward identifying the source of the 'roll forward' error and make the necessary changes to correct the problem. With the cooperation of all pertinent personnel, decisions will be made regarding upgrading or replacing the existing Capital Assets Inventory software.

STATE OF NEW MEXICO
Otero County
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Schedule VII
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FS 2007-5 - Depreciation Expense

Condition: During our examination of depreciation expense, we noted that there were many errors in the depreciation expense amounts. Differences were then reconciled by manually recalculating and correcting the amounts in the depreciation system.

Criteria: Section 6-5-2, NMSA 1978, requires that state agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Cause: The depreciation system appears to be calculating the depreciation incorrectly.

Effect: The County's accounting software contains misstatements, and errors are occurring and are not being detected in a timely manner.

Auditors' Recommendation: The depreciation calculations should be tested for accuracy, especially with new assets being placed into service and with assets in their final year of depreciation. A system that ties the calculations to financial statement categories should be adopted in order to facilitate reconciliation to the financial statements.

Management's Response: The County will work toward identifying the source of the depreciation errors and make the necessary changes to correct the problem. With the cooperation of all pertinent personnel, decisions will be made regarding upgrading or replacing the existing Capital Assets Inventory software.

FS 2007-6 – Preparation of Financial Statements

Condition: Financial statements and related footnote disclosures were not prepared by the County.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Cause: The County's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting including the preparation of financial statements and related footnote disclosures.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Recommendation: We recommend the County's management and personnel receive training on understanding the requirements of external financial reporting. The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information, including Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the County develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Management's Response: Otero County staff will receive training on the preparation of financial statements and related footnote disclosures or secure the services of a CPA to prepare the financial statements.

STATE OF NEW MEXICO
Otero County
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Schedule VII
5 of 5

FS 2007-7 – Material Misstatement

Condition: Beginning net assets for the year ended June 30, 2007 were restated in the amount of \$2,772,333.

Criteria: According to Statement on Auditing Standard 112, the restatement of previously issued financial statements to reflect the correction of a material misstatement is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal controls.

Cause: State Fire Marshall Allotments in the amount of \$1,289,928 were received by the County prior to June 30, 2006 but were for fiscal year 2006-2007. The full amount was recorded as revenue for the year ended June 30, 2006. Also, capital assets did not properly roll-forward from the prior year so adjustments were made in the amount of \$1,434,183 to arrive at the County's ending capital asset balance at year end. Lastly, an adjustment was made in the amount of \$48,222 to record a NMFA revenue note that was not properly recorded in prior years.

Effect: Revenue and capital assets were overstated in the amount of \$1,289,928 and \$1,434,183, respectively, for the year ended June 30, 2006.

Recommendation: We recommend the County notify the auditor of revenues received prior to year-end that are for the next fiscal year so that the amount can be reclassified as deferred revenue. We also recommend the County make the necessary changes to ensure that capital assets properly roll forward next year.

Management's Response: Otero County will be more proactive in identifying and notifying audit staff of deferred revenues.

FS 2007-8 – Capitalization Threshold

Condition: The County's capitalization policy is to capitalize all assets over \$1,000.

Criteria: NMAC section 2.2.2.10 Y states, "The Audit Act (12-6-10, NMSA 1978) requires agencies to capitalize only chattels and equipment that cost over \$5,000."

Cause: The County was unaware of the change in capitalization threshold requirements.

Effect: The County is in violation of NMAC section 2.2.2.10 Y.

Recommendation: We recommend the County change their capitalization policy to \$5,000.

Management's Response: Otero County will endeavor to keep abreast of changing capitalization threshold requirements and adopt a corresponding capitalization policy.

Section IV – Prior Year Audit Findings

FS 2006-1 – Stale-dated Checks – Repeated as FS-2007-1

STATE OF NEW MEXICO
Otero County
Other Disclosures
For the Year Ended June 30, 2007

Other Disclosures

Exit Conference

An exit conference was held on September 28, 2007. In attendance were the following:

Representing the Otero County:

Doug Moore, County Commission Chairman
Martin D. Moore, Ph.D., County Administrator
Ray Backstrom, Assistant County Administrator
Donna Brandon, County Finance Director

Representing Accounting & Consulting Grouping, LLP:

Jeff McWhorter, CPA
Michael Sitton, Staff Accountant

Auditor Prepared Financial Statements

Although it would be preferred and desirable for the County to prepare its own financial statements, the County's personnel did not have the time to prepare them. Accounting and Consulting Group, LLP prepared the financial statements of Otero County from the original books and records provided to them by the management of the County.