

**STATE OF NEW MEXICO**  
Eddy County  
Management's Discussion and Analysis  
Eddy County  
Year Ended June 30, 2007

This discussion and analysis of the County of Eddy's (County) financial performance provides an overview of the County's financial activities for the fiscal year ending June 30, 2007. The MD&A should be read in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the County exceeded liabilities at the close of FY 2007 by \$87,220,921 (net assets) for an increase of 7.8% over 2006. Of this amount, \$7,037,791 is restricted for specific purposes. As required by GASB 34, net assets also reflect \$50,572,509 that is invested in capital assets net of related debt.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at year end of \$38,955,863.
- Eddy County has no General Obligation Bond indebtedness.
- Oil and Gas production and equipment taxes were down 4.6% to \$11,954,898 for 2007.
- Gasoline and motor vehicle taxes remained flat at \$1,109,316 for 2007.
- Gross Receipts Taxes were down 1.7% to \$9,161,660 for 2007.
- Overall expenditures increased 11.57%.
- Overall fund balance showed a 19.47% increase for 2007.

Of the County's total assets of \$91,599,645, the largest components are: (1) cash and cash equivalents of \$34,421,295 or 37.6%, and (2) capital assets net of accumulated depreciation of \$50,859,574 or 55.52%.

The County's net assets for fiscal year ended June 30, 2006 and 2007 are summarized as follows:

Governmental Activities		
	2006	2007
Current and other assets	\$ 34,475,338	\$ 40,740,071
Capital assets (net of depreciation)	50,945,509	50,859,574
Total assets	85,420,847	91,599,645
Current liabilities	1,791,748	1,489,515
Long-term liabilities	2,787,290	2,889,209
Total liabilities	4,579,038	4,378,724
Net assets:		
Invested in capital assets, net of related debt	50,621,235	50,572,509
Restricted	6,600,707	7,037,791
Unrestricted	23,619,867	29,610,621
Total net assets	\$ 80,841,809	\$ 87,220,921

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**MAJOR REVENUE FUNDS**  
 (Reflected in thousands of dollars)

Fund	2005	2006	2007
General Fund	\$ 23,742	\$ 26,230	\$ 26,559
Environmental Services	861	1,463	1,428
County Indigent Fund	1,600	2,792	2,644
Fire Excise Tax – Gross Receipts Fund	1,372	2,495	2,429
Capital Improvements Fund	1,018	935	974
Protest Suspense Fund	-	-	1,041

**EXPLANATION OF MAJOR REVENUE FUND DIFFERENCES**

General Fund – the increase in the general fund revenue from 2006 to 2007 is attributed to an increase in investment income.

Environmental Services – The gross receipts revenue has remained relatively flat over the past year showing a slight decrease from 2006 to 2007. This is due mainly to continued activity in the oil and gas industry.

Indigent Fund – this fund is supported mainly through county wide gross receipts taxes which have remained relatively flat due to continued oil and gas activity.

Fire Excise – The gross receipts revenue has remained relatively flat over the past year showing a slight decrease from 2006 to 2007. This is due mainly to continued activity in the oil and gas industry.

Capital Improvements – The capital improvement revenues have remained relatively flat. The main revenue source for this fund is gross receipts tax.

Protest Suspense Fund – this fund was created in the current year to account for taxes that are being protested. Total tax payments are placed in this fund until the matter has been resolved. When matters have been resolved, funds will revert to either the tax payer or the tax fund.

**MAJOR REVENUE SOURCES (Cash Basis)**  
 (Reflected in thousands of dollars)

	2005	2006	2007
Property Taxes	\$ 5,235	\$ 6,365	\$ 7,833
Oil and Gas Production	9,853	10,790	9,701
Oil and Gas Equipment	1,565	1,715	2,105
Interest on Investments	472	939	1,479
PILT	1,884	1,919	1,907
Indigent GRT	1,571	2,692	2,625
Environmental GRT	727	1,392	1,253
Fire Excise GRT	1,372	2,495	2,507

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**EXPLANATION OF MAJOR REVENUE SOURCES**

Property Taxes (residential & non-residential) – the increase in property taxes is attributed to an increase in the overall property valuation. The county property tax rate has remained at 7.5 for over 16 years. Any deviation from that collection rate is determined by a state yield control formula which may reduce the collection rate on residential property.

Oil and Gas Production – the decrease in Oil and Gas production is attributed to higher crude oil and natural gas prices.

Oil and Gas Equipment – this funding source showed an increase over last year, and is attributed to taxes levied on equipment located in Eddy County at the end of the calendar year.

Interest on Investments – the increase in revenue from investments is attributed to the increase in interest rates. All investments are in bank certificates of deposit or the State of New Mexico Investment Pool.

\*PILT – Payment in Lieu of Taxes is a distribution made by the federal government for Bureau of Land Management properties located in Eddy County.

Indigent, Environmental Services and Fire Excise Gross Receipts Taxes – These taxes have increased in activity in the oil and gas industry.

**CASH BALANCES ON JUNE 30**

2005	2006	2007
\$21,851	\$29,309	\$34,421

**MAJOR EXPENDITURE FUNDS**  
 (Reflected in thousands of dollars)

Fund	2005	2006	2007
General Fund	\$ 21,069	\$ 19,482	\$ 20,715
Environmental Services	1,180	700	740
County Indigent Fund	2,464	2,158	2,806
Fire Excise Tax – Gross Receipts Fund	614	2,387	2,027
Capital Improvements Fund	281	362	763

**GENERAL FUND BUDGET VARIANCES**

The General Fund budgetary report shows the following significant variances between the final budget and the actual amounts:

There was a positive variance of approximately \$2.8 million in tax revenues due primarily to increased oil and gas activity, and an increase in the gross receipts tax.

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**CAPITAL ASSETS ACTIVITY**

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

	June 30, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 3,518,014	\$ 295,983	\$ -	\$ 3,813,997
Construction in progress	<u>847,074</u>	<u>998,807</u>	<u>1,602,075</u>	<u>243,806</u>
Total capital assets not being depreciated	<u>4,365,088</u>	<u>1,294,790</u>	<u>1,602,075</u>	<u>4,057,803</u>
Capital assets being depreciated:				
Landfill	686,696	-	-	686,696
Buildings and building improvements	24,250,915	106,529	144,330	24,213,114
Infrastructure	27,021,620	1,127,460	1,102,151	27,046,929
Equipment & furnishings	<u>20,609,266</u>	<u>4,478,012</u>	<u>1,161,634</u>	<u>23,925,644</u>
Total capital assets being depreciated	<u>72,568,497</u>	<u>5,712,001</u>	<u>2,408,115</u>	<u>75,872,383</u>
Less accumulated depreciation for:				
Buildings and building improvements	6,748,861	701,558	-	7,450,419
Infrastructure	8,476,893	1,252,761	85,835	9,643,819
Equipment & furnishings	<u>10,762,321</u>	<u>2,092,690</u>	<u>878,637</u>	<u>11,976,374</u>
Total accumulated depreciation	<u>25,988,075</u>	<u>4,047,009</u>	<u>964,472</u>	<u>29,070,612</u>
Total capital assets being depreciated, net	<u>46,580,422</u>	<u>1,664,992</u>	<u>1,443,643</u>	<u>46,801,771</u>
Governmental activities capital assets, net	<u>\$ 50,945,510</u>	<u>\$ 2,959,782</u>	<u>\$ 3,045,718</u>	<u>\$ 50,859,574</u>

The major activities in capital assets for the year were construction of new fire stations, purchase of fire trucks, and improvements to the roads infrastructure system.

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**EDDY COUNTY DEMOGRAPHICS**

Census Population  
1900 - 963 / 1990 - 48,646 / 2000 - 51,658/ 2005 - 51,437 (estimated)

County Classification  
Class "B" (pop. < 100,000) "Over" (> \$300,000,000 in valuation)  
2002 Valuation - \$1,703,172,149 2003 Valuation - \$1,737,463,068  
Increase of 2%

Land Area  
4,182 sq. miles

Property Ownership  
60% Federal/20% State/2% Local/18% private

County Road Miles Maintained  
1,292

2006-2007 Expenditures  
\$33,728,960

Municipalities  
Carlsbad, Artesia, Loving, Hope

**HISTORY AND OPERATION OF EDDY COUNTY NEW MEXICO**

Eddy County was established in 1889 when Lincoln County split into Lincoln, Chaves and Eddy Counties. At that time its boundaries went from the Texas State Line to the South, to the Texas State Line to the East. Eddy County is now one of 33 counties in the state of New Mexico and encompasses approximately 4,200 square miles of surface area.

There are four incorporated municipalities within Eddy County: Carlsbad, Artesia, Hope and Loving. There are also numerous rural communities such as Otis, Malaga, Happy Valley, Cottonwood, Atoka and Riverside. There are over 30 rural water cooperatives in Eddy County, none of which are controlled by the County.

The County is headed up by five elected county commissioners, who appoint a county manager to run the day-to-day affairs of the County. There are also five other elected positions, the Clerk, Treasurer, Assessor, Sheriff and Probate Judge, who are responsible for the statutory duties of their respective offices and act as department heads for those departments.

Eddy County is statutorily responsible for housing various state agencies which include the District Court, District Attorney, Juvenile Probation and Parole Office and two County Health Offices.

Eddy County maintains approximately 246 full time positioned employees, and an additional 17 part-time or temporary employees in 24 departments.

County governments historically receive most of their operating funds through Ad Valorem or "property" taxes. Of the 4,200 square miles in Eddy County, only 18% is privately owned and subject to property tax. 22% is controlled by the State and Local Government and about 60% is controlled by federal agencies such as the Bureau of Land Management, Bureau of Reclamation, National Park Service, Department of Energy and the U. S. Forrest Service.

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The County Road Department maintains approximately 1300 miles of county roads, along with signage and vector control throughout the County.

Eddy County is classified as a Class "B Over" county, which means it has a population of under 100,000 with property values over \$300,000,000. The county's net taxable value for 2002 was \$1.7 billion, which generates about \$4.6 million in revenue for the county. We continue to maintain the lowest mil rate in the state.

Other major sources of revenue include Oil & Gas production taxes, which generated about \$12 million this year, Gross Receipts taxes, which generate about \$9.2 million, and Payment In Lieu of Taxes (PILT) from the federal government which generated just over \$1.9 million. We also receive gasoline taxes, motor vehicle taxes, state fire funds along with various grants and reimbursements.

Eddy County ran a 2006/2007 general fund budget of approximately \$20.7 million. With special funds such as the Eagle Draw Flood District, 12 Volunteer Fire Departments, DWI and Drug programs and Artesia Motor Vehicle Department, the total operating budget is around \$33.7 million. There are over 60 funds administered by Eddy County.

**EDDY COUNTY  
DEPARTMENTS & SERVICES**

**COUNTY COMMISSION AND ADMINISTRATION**

The County Commission sets the policy by which the county operates through resolutions and ordinances. The Commission serves as the County Finance Board as well as the Indigent Hospital Claims Board. Commissioners are elected by district for four-year terms and are limited to two consecutive terms. They appoint a County Manager who oversees the day to day activities of the county, which includes the county budget, human resources, building maintenance, accounts payable and grant programs.

**COUNTY ASSESSOR**

The Assessor's office is run by the elected County Assessor, whose duties include the proper assessment of all property subject to valuation for taxation purposes within the county.

**COUNTY CLERK**

The Clerk's office is run by the elected County Clerk, whose duties include acting as ex-officio clerk to the County Commission, recording and filing of official documents in the county, keeping historic records of the county, issuing marriage licenses, and is responsible for the partisan election process within Eddy County.

**COUNTY SHERIFF**

The elected County Sheriff is the principle preserver of the peace in the county. The sheriff and his deputies are empowered to suppress assaults, batteries, apprehend and commit to jail all offenders violating statutes, ordinances and other laws. The sheriff is also responsible for serving and executing all processes, writs and other orders directed to him by the courts. The sheriff also provides for courthouse security.

**COUNTY TREASURER**

The elected County Treasurer is responsible for the supervision of all county moneys received and disbursed, regular accounts of all warrants drawn and paid, and serves ex-officio as the county tax collector. All fiscal activities with the county must be coordinated through the County Treasurer.

**PROBATE JUDGE**

The Probate Judge is elected countywide, and is required to hold court in the county seat. This is a part-time position of the county, and is elected for four-year terms.

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**ROAD DEPARTMENT**

The County Road Department maintains approximately 1300 miles of county roads, along with keeping proper signs on these roads throughout the county. They also operate a vector control department to assist in the control of mosquitoes and other insects in the county.

**DETENTION**

Both the Adult and Juvenile Detention Centers are operated by the county, under the control of the County Commission. These facilities serve inmates who are awaiting trial, as well as those who have been sentenced for less than 365 days.

**EMERGENCY PREPAREDNESS**

The Emergency Preparedness office oversees the County Emergency Operations Plan for the entire county. He also provides supervision as the County Fire Marshall for the 12 volunteer departments located throughout the county.

**SPECIAL SERVICES**

The county also has several special services including our information systems department, Geographic Information System for updated county maps, rural addressing, planning and zoning, DWI programs as well as other special projects and services.

**EDDY COUNTY MISSION STATEMENT**

**EXCELLENCE IN LEADERSHIP  
QUALITY SERVICE  
VISION**

Eddy County continues to move forward as a leader in county government in New Mexico. As a class "B Over" county, we maintain one of the lowest property tax rates in the state, while maintaining a healthy, fiscally responsible operation.

The County Commission acquired the Eddy County Administration Complex at 101 W. Greene in 1998, showing their dedication to the stability of downtown Carlsbad, while securing land for the future needs of the county.

To avoid closure by the State of New Mexico, Eddy County took over the operation of the Artesia Motor Vehicle Office in 1999 in order to continue this vital service to the citizens of North Eddy County. Eddy County is the only county in New Mexico to operate an MVD field office.

Eddy County strives to work with the local municipalities to bring better services without duplication, where practical. We currently partner with the Cities of Carlsbad and Artesia on our fire and ambulance services as well as operating only one landfill in the county.

The County Commission and Elected Officials of Eddy County thank you for your trust and support as they serve you during their terms.

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**PHILOSOPHY**

The Eddy County Commission has maintained a philosophy of progressive conservatism. While maintaining a property tax rate of 7.5 out of a possible 11.850, the commission strives to provide the best possible service at the lowest possible tax rate. As a service organization, a major percentage of the budget is dedicated to personnel expenses. Eddy County is constantly burdened with unfunded state and federal mandates, and strives to continue a high level of service with minimal growth in government.

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and investors, with a general overview of the County's finances, and to show the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Office of the County Manager, Eddy County Administration Complex, 101 W. Greene, Carlsbad, NM 88220, (575) 887-9511.