

LEA COUNTY, NEW MEXICO

FINANCIAL STATEMENTS
with
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Year Ended June 30, 2007

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LEA COUNTY, NEW MEXICO

OFFICIAL ROSTER
June 30, 2007

COUNTY COMMISSIONERS

Name	Title
Gary Schubert	Chairman
Randy McCormick	Vice-Chairman
Gregg Fulfer	Member
Hector Ramirez	Member
Mike Whitehead	Member

COUNTY OFFICIALS

Melinda Hughes	County Clerk
Pam Zimmerman	County Treasurer
Deanna Robinson	County Assessor
Roderick Coffman	Sheriff
Melba Hamby	Probate Judge
Rick Bruce, CPA	Finance Director/ Co-County Manager
Bill Gatchell	Airport Supervisor/ Co-County Manager



JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Independent Auditors' Report

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

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

We have audited the basic financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and major special revenue fund, and the aggregate remaining fund information of Lea County, New Mexico (the County), as of and for the year ended June 30, 2007. We have also audited the budgetary comparison statements, aggregate nonmajor governmental funds and fiduciary 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 the County's 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 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, the aggregate remaining fund information and the fiduciary fund of the County, as of June 30, 2007, and the respective changes in financial position, thereof, and the budgetary comparison for the general and indigent funds, 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 and fiduciary fund of the County as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparisons for the nonmajor governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 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 is not a required part of the basic financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements and the combining and individual financial statements and budgetary comparisons presented as supplemental information. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose 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 are not a required part of the basic financial statements. The additional information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds and the basic financial statements taken as a whole.

Johnson, Miller & Co.

Hobbs, New Mexico
November 15, 2007

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

The financial information contained herein is for the County of Lea (County). The County provides security, maintains and builds roads, houses prisoners, maintains and operates convenience facilities (trash disposal), maintains and operates the fairgrounds, maintains and operates an event center and banquet facility, maintains a health walk, maintains and operates three airports, handles elections, and assesses and collects property tax. The County's main sources of revenue are from oil and gas production tax, property tax, grants, gross receipts tax and charges for services.

Lea County, as the contained financial information summarizes and supports, has invested aggressively in the community for the past five years. The County Commission has expressed a desire to invest in assets that would benefit the citizens of the County as opposed to building cash reserves. This attitude has been carried out by building a banquet hall, health walk, four convenience stations, and new barns and improvements to the fairgrounds. In the fiscal year ended June 30, 2007, infrastructure improvements of \$1.8 million were completed.

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

Government-wide financial statements give a picture of the entire County's operations as a whole. These statements are prepared on the accrual basis of accounting, which recognizes revenues and expenses as they are earned and incurred. The government-wide financials include a statement of net assets and statement of activities as well as notes that support the assertions of these financial statements. The statement of net assets is a report that is as of a specific time (June 30, 2007); it shows assets, liabilities and the difference-net assets-as of that date. The statement of activities provides information for a specific period of time (the year ending June 30, 2007). This statement of activities provides the results (financially) of operations for this period of time, how much revenue was earned or dedicated, and the expenses incurred for the same period of time. Furthermore, all transfers between funds cancel each other out to prevent grossing-up of amounts on the presentation of the government-wide financial statements.

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

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

ASSETS:

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

	<u>6/30/2007</u>	<u>6/30/2006</u>
Total assets	\$ 136,818,734	\$ 115,951,067
Capital assets	(76,908,642)	(71,516,084)
Restricted assets	(1,912,349)	(3,209,711)
Unrestricted - undesignated assets	<u>\$ 57,997,743</u>	<u>\$ 41,225,272</u>

The increase in capital assets is related to Lea County's focus on investing in the community and the effects of implementing GASB 34. The increase in total assets is due to increased revenues from the high level of economic activity that continues in the region.

LIABILITIES:

Total current and long-term liabilities for the years ended June 30, 2007 and 2006 are shown in the schedule below:

	<u>6/30/2007</u>	<u>6/30/2006</u>
Current liabilities	\$ 3,313,150	\$ 4,182,623
Long-term liabilities	13,988,787	13,384,549
Total liabilities	<u>\$ 17,301,937</u>	<u>\$ 17,567,172</u>

In total, liabilities remained nearly the same; the changes between classes of liabilities are due to changes in the long-term and short-term portion of the County's outstanding bond.

NET ASSETS:

The netted revenue and expense numbers itemized below leave the following increases in net assets for the respective years ending June 30, 2007 and June 30, 2006:

	<u>6/30/2007</u>	<u>6/30/2006</u>
Beginning net assets	\$ 98,383,895	\$ 83,382,967
Adjustment to net assets due to reporting of infrastructure in accordance with GASB 34	7,688,588	
Increase in net assets	<u>13,444,315</u>	<u>15,000,928</u>
Ending net assets	<u>\$ 119,516,798</u>	<u>\$ 98,383,895</u>

The increase in net assets is the excess of revenues over expenditures; the continuing economic boom in the County has led to high revenues. In addition, a prior-period adjustment to report infrastructure assets at historical cost has increased net assets.

NET ASSETS (continued):

Net assets for the years ended June 30, 2007 and 2006 are broken out as follows:

	<u>6/30/2007</u>	<u>6/30/2006</u>
Invested in capital assets, net of related debt	\$ 63,313,643	\$ 57,921,084
Restricted:		
Fire districts	221,053	156,120
Debt service	1,769,637	1,700,466
Construction projects	-	-
Unreserved permanent fund	1,353,125	1,353,125
Unrestricted	52,859,340	37,253,100
Total net assets	\$ 119,516,798	\$ 98,383,895

The increase in net assets invested in capital assets is due to the County's investment in long-term assets and to the prior-period adjustment to report infrastructure assets in accordance with GASB 34. Unrestricted net assets increased due to increased revenues as seen below. These combined effects led to an improvement of \$21,132,903 in the financial position of the County of Lea.

REVENUES

The total revenues recognized by Lea County for the years ended June 30, 2007 and 2006 were \$52,266,775 and \$44,663,282, respectively. The schedule below shows revenue by major category.

	<u>6/30/2007</u>	<u>6/30/2006</u>
<u>General revenue:</u>		
Oil & gas production tax	\$ 22,608,796	\$ 20,586,260
Property tax	7,171,353	6,880,919
Public service tax	8,151,689	7,176,636
Miscellaneous taxes	469,007	349,326
<u>Program revenue:</u>		
Grants and reimbursements	3,953,673	3,523,947
Charges for services	9,912,257	6,146,194
Total revenues	\$ 52,266,775	\$ 44,663,282

The increase in revenues between 2007 and 2006 can be attributed to the increased economic activity in the County due to the booming oil & gas industry. Businesses of every kind are doing very well in the region, and new residents continue to relocate to Lea County. Property values, personal incomes, and business incomes have continued to increase. These circumstances have combined to increase Lea County's general and program revenues, as can be seen in the above schedule.

EXPENSES:

The total expenses incurred by the County for the years ended June 30, 2007 and June 30, 2006 were \$34,182,406 and \$29,662,354, respectively. The schedule below shows expenses by function and change in net assets.

	<u>6/30/2007</u>	<u>6/30/2006</u>
<u>Program expenses:</u>	\$ 13,856,235	\$ 13,419,772
General government	12,014,405	10,032,157
Public safety	3,951,108	3,060,466
Health, welfare and sanitation	587,205	587,205
Interest on long-term debt	1,067,343	541,151
Public works	2,706,110	2,021,603
Culture & recreation		
	<u>\$ 34,182,406</u>	<u>\$ 29,662,354</u>
Total expenses	\$ 18,084,369	\$ 15,000,928
Excess (deficiency) before special items		
Special item: loss on disposal of asset	(4,640,054)	-
	<u>\$ 13,444,315</u>	<u>\$ 15,000,928</u>

Expenses for functions that serve the businesses and residents of Lea County increased as a result of the large number of business and residents coming into the County. As can be seen from the above schedule, expenses for Public Safety, Health, Welfare and Sanitation, Public Works, and Culture and Recreation increased substantially, while expenses for General Government and Interest remained similar to 2006 levels. In addition, a large loss on the disposal of outdated assets decreased the change in net assets.

DEBT:

The County issued gross receipts tax bond to help finance the construction of a four-hundred and thirty-two bed detention facility. The total debt of the County at June 30, 2007 was \$13,595,000, of which \$13,595,000 was long-term (due beyond one year). The notes to the financial statements include payoff information concerning these bonds.

FUND BALANCES:

6/30/2007

- General Fund: The general fund balance increase of \$14,607,705 is due to the increase in property taxes and public service taxes, as well as an increase in program revenues.
- Indigent Fund: The indigent fund balance increase of \$353,627 is a result of an increase in sales tax revenue.
- Debt Service Fund: No significant changes in these fund balances.
- Capital Projects Fund: No significant changes in these fund balances.
- Special Revenue Funds: The increase of \$739,054 is related to increases in investment earnings, convention center sales, and sales taxes.

6/30/2006

General Fund: The general fund balance increase of \$11,271,686 was due to increases in oil and gas taxes and public service taxes, as well as an increase in program revenues.

Indigent Fund: The indigent fund balance increase of \$294,262 was a result of an increase in sales tax revenue.

Debt Service Fund: No significant changes in these fund balances.

Capital Projects Fund: No significant changes in these fund balances.

Special Revenue Funds: The increase of \$576,631 was related to increases in investment earnings, convention center sales, and sales taxes.

BUDGET ANALYSIS:

6/30/2007

There were approved budget revenue and expense increases and decreases after the initial approved budget for 2007. These increases and decreases were recognized throughout the budget year, approved by the commission and the Department of Finance and Administration and implemented at various times during the year.

General fund final budget amounts were comparable to original budget amounts; total revenues under the original budget were \$1,170,000 more than total revenues under the final budget. This difference is mainly due to a revision of expected intergovernmental revenues. Total expenditures under the original budget were \$3,120,174 more than total expenditures under the final budget. The majority of this difference is caused by a decrease in the amount budgeted for capital outlay. This schedule shows final budget and actual amounts for the general fund:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues:</u>			
Sales and miscellaneous taxes	\$ 18,415,100	\$ 27,945,327	\$ 9,530,227
Fees and fines	55,000	84,002	29,002
Licenses and permits	404,858	484,975	80,117
Intergovernmental	5,757,886	1,845,518	(3,912,368)
Charges for services	2,699,513	3,237,889	538,376
Investment earnings	844,750	2,177,944	1,333,194
Miscellaneous	1,058,330	2,133,783	1,075,453
Total revenues	29,235,437	37,909,438	8,674,001
<u>Expenditures:</u>			
General government	\$ 12,398,880	\$ 10,094,472	\$ (2,304,408)
Public safety	9,842,129	9,362,728	(479,401)
Highways and roads	6,301,255	3,252,566	(3,048,689)
Economic development	350,000	649,920	299,920
Airport	512,317	498,094	(14,223)
Culture and recreation	2,154,527	2,074,028	(80,499)
Capital outlay	14,568,500	3,106,139	(11,462,361)
Total expenditures	46,127,608	29,037,947	(17,089,661)
Excess (deficiency) of revenues over (under) expenditures	\$ (16,892,171)	\$ 8,871,491	\$ 25,763,662

Lea County budgets for both revenues and expenditures very conservatively. General fund actual revenues exceeded final budget amounts by \$8.7 million due to a much stronger than expected economy in Lea County during the year ended June 30, 2007. Actual expenditures were \$17 million less than budgeted due to long term construction projects budgeted in the year construction starts but completed in later years.

This year's revenues were, as a whole, much higher than budgeted due to the continued growth in the tax base and population and the conservatism of the budgeted amounts. Intergovernmental revenues, however, were less than budgeted due to the accrual of significant amounts of grant revenue at year-end. This revenue will be recognized in the governmental funds in the fiscal year ended June 30, 2008. Expenses, as a whole, were less than budgeted, due to the conservatism of the budgeted amounts and the deferral of budgeted long-term construction costs to later years.

6/30/2006

There were approved budget expense increases and decreases after the initial approved budget for 2006. These increases and decreases were recognized throughout the budget year, approved by the commission and Department of Finance and Administration and implemented at various times during the year.

CAPITAL ASSETS:

Lea County's investment in local communities continues to grow. In addition to the prior-period adjustment to infrastructure assets mandated by GASB 34, the County purchased and constructed new assets in the fiscal year ended June 30, 2007. The following schedule provides a summary of the changes in capital assets:

	<u>6/30/2007</u>	<u>6/30/2006</u>
<u>Capital assets:</u>		
Land	\$ 1,740,991	\$ 1,740,991
Buildings	51,820,128	58,311,873
Other Improvements	3,343,043	3,186,938
Furniture & Equipment	13,495,695	11,566,570
Construction in Process	1,402,431	65,417
Infrastructure	28,211,738	10,942,309
Vehicles	5,428,535	5,122,499
Total capital assets	105,442,561	90,936,597
<u>Accumulated depreciation:</u>		
Land	\$ -	\$ -
Buildings	7,240,044	7,359,687
Other Improvements	963,268	824,948
Furniture & Equipment	8,286,941	7,364,863
Construction in Process	-	-
Infrastructure	8,226,452	-
Vehicles	3,817,214	3,871,015
Total accumulated depreciation	28,533,919	19,420,513
Net capital assets	\$ 76,908,642	\$ 71,516,084

Total capital assets increased by \$14,505,964, due partly to the adjustment to infrastructure. Accumulated depreciation increased by \$9,113,406, due to the infrastructure adjustment and depreciation expense of \$3,632,170. In addition, the County disposed of outdated assets during the fiscal year ended June 30, 2007.

SUMMARY:

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

Administrative Services Department
100 North Main
Lovington, NM 88260

BASIC FINANCIAL STATEMENTS

LEA COUNTY, NEW MEXICO

Statement of Net Assets June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 46,294,230
Current property taxes receivable	379,358
Other receivables	3,737,471
Notes receivable	250,000
Receivable from other governments	7,586,684
Non-current assets:	
Cash and cash equivalents - restricted	1,443,125
Bond issue costs	219,224
Capital assets:	
Land and improvements, not being depreciated	1,740,991
Construction in progress, not being depreciated	1,402,431
Infrastructure and infrastructure in progress	28,211,738
Buildings	51,820,128
Equipment and furniture	13,495,695
Vehicles	5,428,535
Other capital assets	3,343,043
Less: Accumulated depreciation	<u>(28,533,919)</u>
Total capital assets.	<u>76,908,642</u>
Total Assets	136,818,734
LIABILITIES	
Accounts payable	334,019
Accrued payroll liabilities	243,304
Deferred revenues	2,578,563
Due to other governments	2,252
Bond premium	95,488
Long-term liabilities	
Due within one year	
Compensated absences	59,524
Due in more than one year	
Bonds and contracts	13,595,000
Compensated absences	<u>393,787</u>
Total Liabilities	<u>17,301,937</u>
NET ASSETS	
Invested in capital assets, net of related debt	63,313,643
Restricted for:	
Construction projects	-
Debt service	1,769,637
Fire districts	221,053
Restricted Permanent Fund	
Nonexpendable	1,353,125
Unrestricted	<u>52,859,340</u>
Total Net Assets	<u>\$ 119,516,798</u>

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Activities For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$ 13,856,235	\$ 9,199,348	\$ 1,621,396	\$ (3,035,491)
Public safety	12,014,405	10,632	860,930	(11,142,843)
Public works	1,067,343	621,177	530,969	84,803
Health, welfare and sanitation	3,951,108	-	-	(3,951,108)
Culture and recreation	2,706,110	81,100	940,378	(1,684,632)
Interest on long-term debt	587,205	-	-	(587,205)
Total Governmental Activities	\$ 34,182,406	\$ 9,912,257	\$ 3,953,673	\$ (20,316,476)
General revenues:				
Property taxes				7,171,353
Oil and gas taxes				22,608,796
Public service taxes				8,151,689
Miscellaneous taxes				469,007
Special item-loss on disposal of assets				(4,640,054)
Total general revenues, special items, and transfers				33,760,791
Change in net assets				13,444,315
Net assets - beginning of year				98,383,895
Prior-period adjustment to report infrastructure assets in accordance with GASB 34				7,688,588
Net assets - beginning of year (as restated)				106,072,483
Net assets - end of year				\$ 119,516,798

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2007

	General Fund	Indigent	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 39,120,684	\$ 725,575	\$ 6,447,971	\$ 46,294,230
Due from other funds	790,268	-	90,451	880,719
Restricted cash	-	-	1,443,125	1,443,125
Current property taxes receivable	379,358	-	-	379,358
Other receivables	1,643,455	592,433	1,501,582	3,737,470
Receivable from other governments	7,586,684	-	-	7,586,684
Notes receivable	250,000	-	-	250,000
TOTAL ASSETS	\$ 49,770,449	\$ 1,318,008	\$ 9,483,129	\$ 60,571,586
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 291,510	\$ 1,167	\$ 41,342	\$ 334,019
Accrued payroll liabilities	243,304	-	-	243,304
Due to other funds	10	-	880,709	880,719
Payable to other governments	2,252	-	-	2,252
Deferred revenue	2,870,698	-	-	2,870,698
TOTAL LIABILITIES	3,407,774	1,167	922,051	4,330,992
FUND BALANCES:				
Reserved for:				
Debt service	-	-	1,769,637	1,769,637
Fire districts	-	-	221,053	221,053
Unreserved	46,362,675	1,316,841	-	47,679,516
Unreserved, reported in non-major:				
Special revenue funds	-	-	5,217,263	5,217,263
Restricted for:				
Permanent fund	-	-	1,353,125	1,353,125
TOTAL FUND BALANCES	46,362,675	1,316,841	8,561,078	56,240,594
TOTAL LIABILITIES AND FUND BALANCES	\$ 49,770,449	\$ 1,318,008	\$ 9,483,129	

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

Bond issue costs relate to long-term debt and, therefore are not reported in the funds.	219,224
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	76,908,642
Certain other assets related to deferred revenues are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	292,137
Some long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are reported in the government-wide statements.	(14,048,311)
Premiums on bonds payable relate to long-term debt and, therefore are not reported in the funds.	(95,488)

Net Assets of Governmental Activities in the Statement of Net Assets	\$ 119,516,798
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The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

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

	General Fund	Indigent	Other Governmental Funds	Total Governmental Funds
REVENUES				
Sales and miscellaneous taxes	\$ 30,093,504	\$ 3,370,017	\$ 4,455,750	\$ 37,919,271
Fees and fines	84,002	-	-	84,002
Licenses and permits	414,191	-	86,265	500,456
Intergovernmental	2,659,129	-	1,817,872	4,477,001
Charges for services	3,316,329	-	506,119	3,822,448
Investment earnings	2,137,539	-	319,578	2,457,117
Miscellaneous	2,133,783	934,718	2,455	3,070,956
Total Revenues	40,838,477	4,304,735	7,188,039	52,331,251
EXPENDITURES				
Current:				
General government	10,058,977	-	2,502,102	12,561,079
Public safety	9,410,381	-	157,760	9,568,141
Highway and roads	3,129,304	-	-	3,129,304
Health and sanitation	-	3,951,108	-	3,951,108
Culture and recreation	2,048,837	-	341,363	2,390,200
Economic development	673,057	-	-	673,057
Airport	476,377	-	-	476,377
Farm and range	-	-	75,000	75,000
Debt service:				
Interest and other charges	-	-	587,205	587,205
Capital outlay	3,141,177	-	9,092	3,150,269
Total Expenditures	28,938,110	3,951,108	3,672,522	36,561,740
Excess (deficiency) of revenues over (under) expenditures	11,900,367	353,627	3,515,517	15,769,511
OTHER FINANCING SOURCES (USES), INCLUDING TRANSFERS				
Transfers in	2,840,543	-	238,763	3,079,306
Transfers out	(133,250)	-	(2,946,056)	(3,079,306)
Total other financing sources (uses), including transfers	2,707,293	-	(2,707,293)	-
SPECIAL AND EXTRAORDINARY ITEMS				
Proceeds from sale of equipment	45	-	-	45
Total special and extraordinary items	45	-	-	45
Net change in fund balances	14,607,705	353,627	808,224	15,769,556
Fund balances - beginning of year	31,754,970	963,214	7,752,854	40,471,038
Fund balances - end of year	\$ 46,362,675	\$ 1,316,841	\$ 8,561,078	\$ 56,240,594

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

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

Net change in fund balances - total governmental funds:	\$ 15,769,556
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay exceeded depreciation in the current period.	2,438,128
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.	(4,734,156)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	2,458
Governmental funds do not present bond premium amortization. In contrast, such revenues are reported in the Statement of Activities when earned.	5,305
Expenses related to amortization of bond issue costs are reported in the statement of activities. In contrast, these expenses do not require the use of current financial resources and are not reported as expenditures in governmental funds.	(12,179)
Expenses related to accrued compensation are reported in the statement of activities. In contrast, these expenses do not require the use of current financial resources and are not reported as expenditures in governmental funds.	(24,797)
Change in net assets of governmental activities:	<u>\$ 13,444,315</u>

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2007

ASSETS:

Cash and cash equivalents	\$ 2,993,834
Taxes receivable	709,857
Due from other governments	<u>81,821</u>

Total assets **\$ 3,785,512**

LIABILITIES:

Taxes paid in advance	30,759
Deposits held in trust for others	3,044,896
Due to other taxing units/governments	<u>709,857</u>

Total liabilities **\$ 3,785,512**

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

GENERAL FUND

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

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (with Variances) General Fund For the Year Ended June 30, 2007

Statement A-1

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Sales and miscellaneous taxes	\$ 18,415,100	\$ 18,415,100	\$ 27,945,327	\$ 9,530,227
Fees and fines	55,000	55,000	84,002	29,002
Licenses and permits	404,858	404,858	484,975	80,117
Intergovernmental	6,947,886	5,757,886	1,845,518	(3,912,368)
Charges for services	2,699,513	2,699,513	3,237,889	538,376
Investment earnings	844,750	844,750	2,177,944	1,333,194
Miscellaneous	1,038,330	1,058,330	2,133,783	1,075,453
Total Revenues	30,405,437	29,235,437	37,909,438	8,674,001
EXPENDITURES				
Current:				
General government	12,333,880	12,398,880	10,094,472	2,304,408
Public safety	9,842,129	9,842,129	9,362,728	479,401
Highways and roads	6,304,813	6,301,255	3,252,566	3,048,689
Economic development	350,000	350,000	649,920	(299,920)
Airport	577,317	512,317	498,094	14,223
Culture and recreation	2,254,527	2,154,527	2,074,028	80,499
Capital outlay	17,585,116	14,568,500	3,106,139	11,462,361
Total Expenditures	49,247,782	46,127,608	29,037,947	17,089,661
Excess (deficiency) of revenues over (under) expenditures	(18,842,345)	(16,892,171)	8,871,491	\$ 25,763,662
OTHER FINANCING SOURCES (USES)				
Proceeds from sale capital assets	(200)	(200)	45	
Prior year cash balance	28,146,586	28,146,586	-	
Transfers in	-	-	2,840,543	
Transfers out	-	-	(150,250)	
Total other financing sources and (uses)	28,146,386	28,146,386	2,690,338	
Net change in fund balances	\$ 9,304,041	\$ 11,254,215	11,561,829	
RECONCILIATION TO GAAP BASIS:				
Decrease in taxes receivable			(33,572)	
Increase in other receivables			788,163	
Increase in due from other governments			2,045,362	
Increase in accrued liabilities			(38,058)	
Decrease in accounts payable			165,741	
Increase in due to other governments			(2,252)	
Decrease in deferred revenue			120,492	
Net change in fund balance			\$ 14,607,705	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (with Variances)
Indigent
For the Year Ended June 30, 2007**

Statement A-2

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Sales and miscellaneous taxes	\$ 2,600,000	\$ 3,300,000	\$ 3,300,848	\$ 848
Investment earnings	30,000	30,000	-	(30,000)
Miscellaneous	120,000	220,000	934,718	714,718
Total Revenues	2,750,000	3,550,000	4,235,566	685,566
EXPENDITURES				
Health and sanitation	2,907,496	4,027,496	4,017,977	9,519
Total Expenditures	2,907,496	4,027,496	4,017,977	9,519
Excess (deficiency) of revenues over (under) expenditures	(157,496)	(477,496)	217,589	\$ 695,085
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	507,986	507,986	-	
Total other financing sources and (uses)	507,986	507,986	-	
Net change in fund balances	\$ 350,490	\$ 30,490	217,589	
RECONCILIATION TO GAAP BASIS:				
Increase in other receivables			69,169	
Increase in accounts payable			66,869	
Net change in fund balance			\$ 353,627	

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Reporting Entity*

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

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

As of July 1, 2002, the County was required to implement Governmental Accounting Standards Board (GASB) 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; GASB 35 – *Basic Financial Statements and Management's Discussion and Analysis for Public College and Universities*; GASB 37 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB 38 – *Certain Financial Statement Note Disclosures*. This financial report provides an entity-wide perspective of the County's assets, liabilities, and net assets, revenue, expenses, changes in net assets, and cash flows. Presentation under GASB 34, 35, 37, 38, and 41 replaces the fund-group accounting perspective that was previously required. The County has completed the retrospective reporting of infrastructure as required by GASB in the fiscal year ended June 30, 2007.

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

Lea County Fair Board

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

The County does not have any component units.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. *Government-wide and fund financial statements*

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met. Derived tax revenues are recognized when the underlying exchange transaction takes place.

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

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

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The government reports the following major governmental funds:

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

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

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

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

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

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

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. *Budgets*

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

The County Manager is responsible for preparing the budget from requests submitted by department directors. The preliminary budget is submitted to a budget committee for approval and then the comprehensive budget package is brought before the County Commissioners for approval by resolution. The proposed budget is then submitted by June 1 to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a preliminary budget by July 1 with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding.

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

5. *Cash and Cash Equivalents*

Cash includes amounts on demand deposits, as well as short-term investments with a maturity date within twelve months of the date acquired by the County.

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the County is required to collateralize an amount equal to one-half of the public money in excess of insured funds at each financial institution.

6. *Receivables and Payables*

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

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

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

7. *Advances to Other Funds*

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

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. *Inventories*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and in the fund financial statements are offset by a reservation of fund balance which indicates they do not represent "available spendable resources." Immaterial amounts of inventory are not recorded by the County. Inventory items are expensed when purchased.

9. *Capital Assets*

Capital assets, which include land, buildings and improvements, equipment, software and infrastructure assets are reported in the government-wide financial statements. Capital assets such as equipment are defined, per Section 12-6-10 NMSA 1978, as assets with a cost of \$5,000 or more. Infrastructure assets include County-owned roads and bridges. Information technology equipment, including software, is capitalized in accordance with NMAC 2.20.1.9 C (5). Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

10. *Compensated Absences*

A liability for unused vacation and sick time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements.

The County's permanent, full-time employees accrue 3.077 hours of vacation per pay period (biweekly) from date of employment to two years of service, 3.692 hours per pay period from 2 years to 5 years of service, and 4.615 hours per pay period from 5 to 10 years of services, 5.538 hours per pay period from 10 to 15 years of service, 6.462 hours per pay period from 15 to 20 years of service and 7.692 hours per pay period in excess of 20 years of continuous employment. Upon termination from County employment, an employee shall be entitled to payment of up to 240 hours of accrued but unused hours of vacation.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. *Compensated Absences (continued)*

The County's permanent, full-time employees accrue sick leave at the rate of eight hours per month. Sick leave is paid to current employees if the employees are absent from work due to illness, injury or other situations requiring medical attention. An employee who involuntarily terminates employment of the County shall receive no compensation for accrued sick leave.

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

11. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under the governmental activities statement of net assets. On new bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

12. *Fund Equity*

Fund equity is presented as invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets have constraints placed on net asset use that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. A further classification of restricted net assets exists for those assets included in permanent endowments or permanent fund principal amounts. These net assets are either classified as either expendable or nonexpendable. Nonexpendable net assets are those that are required to be retained in perpetuity. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

13. *Interfund Transactions*

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

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

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. *Estimates*

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

15. *Restricted Assets*

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

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.

NOTE B - CASH AND CASH EQUIVALENTS

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

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

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

At June 30, 2007, the carrying amount of the County's deposits were \$47,737,355, excluding cash held as fiduciary of \$2,993,834. Total cash and cash equivalents balance per the financial institutions of \$42,261,742 consisted of demand deposits, certificates of deposit and United States Government Obligations (FHLN). Of the demand deposits and certificates of deposit, \$500,000 was covered by federal depository insurance and \$41,392,229 was covered by collateral held in joint safekeeping by a third party.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the County for at least one-half of the amount on deposit with the institution. At June 30, 2007, the County did not meet the collateralization requirement by \$393,513 for deposits in one financial institution.

The collateral pledged is listed on Statement G-3 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND CASH EQUIVALENTS (continued)

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

Deposit Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to them. The County does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$38,227,490 of the County's bank balance of \$42,261,742 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name; \$6,739,703 of the County's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

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

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

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

\$2,001,915 of the County's investments are in debt securities issued by the Federal Home Loan Authority (FLHA). This investment totals 4% of the County's cash equivalents.

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

NOTE C - PROPERTY TAXES

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

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

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE C – PROPERTY TAXES (continued)

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

NOTE D – OTHER RECEIVABLES

Other Receivables at June 30, 2007 are composed of the following:

	<u>Governmental Activities</u>
Other Receivables:	
Accounts Receivable	1,533,633
Grant Receivable	2,031,289
Interest Receivable	<u>172,549</u>
Totals	<u>\$ 3,737,471</u>

NOTE E - DUE FROM OTHER GOVERNMENTS

The amounts due from other governments at June 30, 2007 are composed of the following:

	<u>General Fund</u>
Due from State of New Mexico:	
Taxation & Revenue	\$ 5,535,144
Other	15,152
Lea County Solid Waste Authority	2,034,100
Lea County Water Users Association	<u>2,288</u>
Totals	<u>\$ 7,586,684</u>

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE F - DUE FROM/TO OTHER FUNDS AND TRANSFERS

Due from/to other funds consists of monies which were transferred from the General Fund to Special Revenue Funds as operating funds for federally funded reimbursement grants and individual fund interfund receivables and payables. Advances to the fire districts are recorded due to General Fund for the portion which is expected to be paid during the fiscal year ending June 30, 2007 while any additional balance is recorded as an advance from the General Fund.

Individual fund interfund receivables and payable balances at June 30, 2007, were as follows:

	Interfund Receivables	Interfund Payables
General Fund:		
Due from SAMHSA Grant	\$ 479	\$ -
Due from the Other Grants fund	789,789	-
Due to Hospital Records	-	10
Special Revenue Fund:		
Due to the General Fund from SAMHSA	-	479
Due to Lea County Event Center Stipulation	-	90,000
Due from General Fund to Hospital Records	10	-
Due from the Other Grants fund to DWI	441	-
Due to the DWI fund from the Other Grants fund	-	441
Due to the General Fund from the Other Grants fund	-	789,789
Permanent Fund:		
Due from Lea County Event Center Permanent	90,000	-
Total	\$ 880,719	\$ 880,719

Transfers from the General Fund to the Farm and Range fund occur annually. Revenues in excess of servicing the debt service requirement in the Gross Receipts Debt Service fund are transferred annually to the General Fund. Transfers of grant funds received by the General Fund are made as needed.

Transfers for the year ended June 30, 2007 were as follows:

	Transfers In						Total
	General Fund	Indigent Fund	Non-Major Special Revenue Funds				
			Farm and Range	Knowles Fire District	Monument Fire District	OJJDP - Juvenile	
Transfers Out:							
General Fund	\$ -	\$ 10,000	\$ 54,000	\$ -	\$ 52,000	\$ 17,250	\$ 133,250
Non-Major Special Revenue Fund:							
DWI	83,337	-	-	-	-	-	\$ 83,337
SAMHSA Grant	19,776	-	-	-	-	-	\$ 19,776
Law Enforcement Block Grant	6	-	-	-	-	-	\$ 6
Fire Excise Tax	-	-	-	2,400	-	-	\$ 2,400
Non-Major Debt Service Fund:							
Gross Receipts Debt Service	2,840,537	-	-	-	-	-	\$ 2,840,537
Total	\$ 2,943,656	\$ 10,000	\$ 54,000	\$ 2,400	\$ 52,000	\$ 17,250	\$ 3,079,306

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM RECEIVABLE

The County was awarded a \$250,000 Community Development Block Grant through the State Department of Finance and Administration. These funds were loaned to the Economic Development Corporation of Lea County (EDC) and used to construct a building for lease to the Soaring Society of America. Upon termination of the 99-year lease, the building will become the property of the City of Hobbs. The County has entered into a loan agreement with EDC that provides for repayment without interest on February 15, 2007. The loan is secured by \$250,000 par value zero coupon Treasury Certificates due on February 15, 2007. The EDC has not repaid the loan at June 30, 2007; the loan was repaid on August 1, 2007. The long-term receivable in the Road Fund represents the amounts expended on construction of the building and is equally offset by deferred revenue in the amount of \$250,000.

NOTE H - RISKS OF LOSS

The County is insured through the New Mexico Insurance Authority. The Authority acts as the common carrier for the State of New Mexico counties. The actuarial gains and losses were not available at the date of this report. The Pool pays for claims on certain risks of loss at different limits; however, amounts in excess of these limits are covered through an Excess Reinsurance Policy.

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

NOTE I - ENCUMBRANCES

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

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE J - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 6/30/06	Prior Period Adjustment	Balance 6/30/06, as adjusted	Additions	Deletions	Balance 6/30/07
Land	\$ 1,740,991	-	\$ 1,740,991	-	-	\$ 1,740,991
Buildings	58,311,873	-	58,311,873	-	6,491,745	51,820,128
Other Improvements	3,186,938	-	3,186,938	192,642	36,537	3,343,043
Furniture & Equipment	11,566,570	-	11,566,570	2,055,416	126,291	13,495,695
Construction in Process	65,417	-	65,417	1,337,014	-	1,402,431
Infrastructure	10,942,309	15,470,686	26,412,995	1,798,743	-	28,211,738
Vehicles	5,122,499	-	5,122,499	686,483	380,446	5,428,535
Total Capital assets	90,936,597	15,470,686	106,407,283	6,070,298	7,035,019	105,442,561
Less accumulated depreciation:						
Land	-	-	-	-	-	-
Buildings	7,359,687	-	7,359,687	1,740,243	1,859,886	7,240,044
Other Improvements	824,948	-	824,948	167,675	29,355	963,268
Furniture & Equipment	7,364,863	-	7,364,863	1,004,754	82,676	8,286,941
Construction in Process	-	-	-	-	-	-
Infrastructure	-	7,782,098	7,782,098	444,354	-	8,226,452
Vehicles	3,871,015	-	3,871,015	275,144	328,945	3,817,214
Total accumulated depreciation	19,420,513	7,782,098	27,202,611	3,632,170	2,300,862	28,533,919
Net capital assets	\$ 71,516,084	\$ 7,688,588	\$ 79,204,672	\$ 2,438,128	\$ (4,734,157)	\$ 76,908,642

*Depreciation expense was charged to functions as follows:

Governmental activities:

General	3,045,206
Public safety	337,393
Culture and recreation	249,571
Health, welfare and sanitation	-

Total governmental activities depreciation expense

\$ 3,632,170

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

GASB 34 also requires the retroactive reporting of infrastructure assets, which was accomplished in the fiscal year ended June 30, 2007. See Note S for details of the prior period adjustment.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE K - LONG-TERM DEBT

Revenue Bonds

Bonds outstanding at June 30, 2007 consist of the following issue:

Gross Receipts Tax Revenue Bonds
 Series: April 23, 2003
 Original Issue: \$13,595,000
 Principal: June 1
 Interest: June 1 and December 1
 Rates: 3.000% to 5.000%

The bonds are special and limited obligations of the County and are secured by and payable solely from the pledged gross receipts tax revenue. The Bond agreement requires the creation and maintenance of certain funds including a reserve fund with a required minimum of \$1,177,205. The County is in compliance with all significant requirements of the various bond covenants.

Long-term liability for the year ended June 30, 2007 was as follows:

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2007</u>	<u>Due Within One Year</u>
Gross Receipts Revenue Bonds					
Series: April 23, 2003	\$ 13,595,000	\$ -	\$ -	\$ 13,595,000	\$ -
Compensated Absences (Note A)	428,514	207,364	182,567	453,311	59,524
Totals	\$ 14,023,514	\$ 207,364	\$ 182,567	\$ 14,048,311	\$ 59,524

The annual debt service requirements to maturity, including principal and interest for long-term debt as of June 30, 2007, are as follows:

<u>Year Ending June 30,</u>	<u>Gross Receipts Bonds</u>
	<u>2003</u>
2008	587,205
2009	1,177,205
2010	1,174,505
2011	1,174,843
2012	1,172,968
2013-2017	5,810,087
2018-2022	5,790,672
2023-2025	3,476,855
Principal & interest	20,364,340
less interest	(6,769,340)
Liability as of June 30, 2007	\$ 13,595,000

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

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE L - PERA PENSION PLAN

Plan Description—Substantially all of the County's full-time employees participate in a public employee retirement system authorized under the Public Employee Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability 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 9.15% of their gross salary, except for sheriff's deputies who are required to contribute 7% of their gross salary. The County is required to contribute 9.15% for employees other than sheriff's deputies and 15% for deputies. The County's required contributions to PERA for the years ended June 30, 2007, 2006 and 2005 were \$1,266,691, \$1,160,375 and \$1,058,263, respectively. The required contributions are established by state statute. Lea County's employee contributions to PERA for the year ending June 30, 2007, 2006 and 2005 were \$765,727, \$406,860 and \$373,929, respectively.

The contribution requirements of plan members and the County of Lea are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature.

NOTE M - POST EMPLOYMENT BENEFITS

The Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the cost-sharing multiple employer defined-benefit plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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

Each participating employer is contractually required to make contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to 0.65 percent of the employee's annual salary. Each participating retiree pays a monthly premium for medical plus basic life plan and an additional five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE M – POST EMPLOYMENT BENEFITS (continued)

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

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post-employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd NE Ste 104 Albuquerque, New Mexico 87107.

For the fiscal years ended June 30, 2007, 2006 and 2005, the County's required remittances were \$136,544, \$96,899 and \$88,731 in employer contributions and \$55,142, \$46,699 and \$44,374 in employee contributions respectively to the Retiree Health Care Authority.

NOTE N - DEFERRED COMPENSATION PLAN

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

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

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

NOTE O - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE P - JOINT POWERS AGREEMENTS

As of March 6, 1995, the County entered into a joint powers agreement with all municipalities in Lea County for the Lea County Solid Waste Authority (Authority). The agreement was renewed March 31, 1998. As a result of the joint venture, the County has agreed to a loan to the Authority for the construction of a solid waste disposal facility. The loan, bearing interest at 4.65% per annum, will be repaid from the net revenues of the Authority. Repayment terms are to be determined by the members of the Authority on an annual basis. The loan is secured by the gross revenue of the Authority and the real estate and solid waste disposal facility. The County is accounting for its activity (in the capacity of a fiscal agent) in the joint venture including the loan to the Authority (current balance - \$2,015,887) in the Authority's financial statements, as it is a separate entity from the County. The agreement cannot be terminated until the loan to the Authority is paid in full.

The County entered into a joint powers agreement with all municipalities in Lea County for the Lea County Water Users Association (Association) on September 23, 1997. The agreement automatically renews for an additional two years unless terminated by the Executive Board. The purpose of the agreement is to enact a water management plan for the citizens of Lea County. The County is designated the fiscal agent of the Association and is responsible for 45.8% of the proposed funding needed for the Association. The County did not remit any funds to the Association in the fiscal year ended June 30, 2007.

The County along with the City of Hobbs formed a joint powers agreement regarding the cleanup and disposal of trash illegally dumped on approximately 222 acres of land belonging to the New Mexico State Land Office. The purpose of the agreement is to allocate financial responsibility of the costs to be incurred in connection with cleanup. The County's responsibility is to contract with the Lea County Solid Waste Authority, as necessary, for the services of hauling trash and debris. Costs involved in the project are to be allocated, with the County responsible for paying 25%. The County must also invoice the party responsible for the illegal disposal, Occidental/Permian Limited Partnership ("Oxy"), for another 25% of the disposal costs. Expenditures for the County are not to exceed \$15,000 without prior written consent of all parties involved. The agreement became effective November 17, 2003, and either party to the agreement can terminate participation by providing thirty days written notice.

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

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

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

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE P – JOINT POWERS AGREEMENTS (continued)

The County entered into a joint powers agreement with the Local Government Division of the State of New Mexico for a Rodeo Initiative project in April of 2006. Under the terms of this agreement, the County receives \$50,000 to make improvements to the Jake McClure Arena. This agreement will terminate on June 30, 2008.

NOTE Q - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURE

Accounting principles generally accepted in the United States of America require disclosures as part of the Combined Statements - Overview of certain information concerning individual funds including:

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

Knowles Fire District
SAMHSA Grant
Other Grants

The SAMHSA Grant does not have a deficit fund balance under the County's budgetary basis accounting. The Knowles Fire District has reduced its deficit from the prior year; its deficit is reduced to under \$500 under the County's budgetary basis accounting. These deficits will be supported by transfers from the General Fund. The deficit fund balance in the Other Grants fund is due to grants that required expenditures to be made, and reimbursed at a later date; the County expects and plans for grant revenues to eliminate this deficit when received.

NOTE R – CONSTRUCTION COMMITMENTS

The County has an active construction project as of June 30, 2007. This project is the construction of a new airport terminal building, with a total cost of approximately \$3 million.

NOTE S – PRIOR PERIOD ADJUSTMENT

In accordance with GASB 34, the County retroactively restated infrastructure assets consisting primarily of streets and sidewalks as of June 30, 2007, based on estimated cost at the time the assets were placed in service. The adjustment is shown below.

Fund balance June 30, 2007 (Pre-GASB 34)	\$ 98,383,895
Adjust infrastructure assets in accordance with GASB 34	<u>7,688,588</u>
Fund balance June 30, 2007 (GASB 34)	<u>\$ 106,072,483</u>

NOTE T – EFFECT OF NEW STATEMENTS AND PRONOUNCEMENTS

The County will be required to implement GASB Statements 45 and 47 in the fiscal year 2007-2008. GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. GASB Statement No. 47, *Accounting for Termination Benefits*, provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. The County is currently evaluating the impact that application of these statements may have on the County's financial statements.

SUPPLEMENTAL INFORMATION

LEA COUNTY, NEW MEXICO

NON-MAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

LEA COUNTY, NEW MEXICO

NON-MAJOR SPECIAL REVENUE FUNDS (continued)

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

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

SAMHSA Grant – To account for the female recidivism reduction program. This fund is authorized by PHS Act Section 501(D)(5).

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

OJJDP-Juvenile – To account for funds received under the requirements of the OJJDP – Juvenile Behavioral Grant, CFDA 16.541, from the U.S. Department of Justice. The grant from the Office of Juvenile Justice Delinquency Prevention is to be spent on the provision of a Juvenile Behavioral Modification Program in the Lea County Detention Facility.

Law Enforcement Block Grant – To account for funds received from the U.S. Department of Justice, Bureau of Justice Assistance that are restricted to underwrite projects to reduce crime and improve public safety in accordance with the following purpose areas: law enforcement, enhancing security measures at locations deemed to be at risk for crime, establishing or supporting drug courts, enhancing the adjudication process of cases involving violent offenders, establishing a multi-jurisdictional task force, establishing cooperative crime prevention programs between community and law enforcement, and defraying the cost of indemnification insurance for law enforcement officers.

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

Other Grants -- To account for grants and grant expenditures that are subject to tracking requirements by grant agreements.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet
 Non-major Special Revenue Funds
 June 30, 2007

Statement B-1
 Page 1 of 5

	Farm and Range	Recreation	County Clerk	Maljamar Fire District	Knowles Fire District
ASSETS					
Cash and cash equivalents	\$ 2,184	\$ 9,883	\$ 130,829	\$ 156,681	\$ 43
Due from other funds	-	-	-	-	-
Other receivables	-	-	-	-	-
Total assets	\$ 2,184	\$ 9,883	\$ 130,829	\$ 156,681	\$ 43
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 165	\$ -	\$ 46	\$ 1,783
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	165	-	46	1,783
Fund balances:					
Reserved for fire districts	-	-	-	156,635	(1,740)
Unreserved	2,184	9,718	130,829	-	-
Total fund balances	2,184	9,718	130,829	156,635	(1,740)
Total liabilities and fund balances	\$ 2,184	\$ 9,883	\$ 130,829	\$ 156,681	\$ 43

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet (continued)
 Non-major Special Revenue Funds
 June 30, 2007

Statement B-1
 Page 2 of 5

	Airport Fire District	Monument Fire District	DWI	House Bill 198 Grant	Correction Fees
ASSETS					
Cash and cash equivalents	\$ 1,084	\$ 67,396	\$ 36,596	\$ 9,044	\$ 613,342
Due from other funds	-	-	441	-	-
Other receivables	-	-	59,513	-	-
Total assets	\$ 1,084	\$ 67,396	\$ 96,550	\$ 9,044	\$ 613,342
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 2,322	\$ 171	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	2,322	171	-	-
Fund balances:					
Reserved for fire districts	1,084	65,074	-	-	-
Unreserved	-	-	96,379	9,044	613,342
Total fund balances	1,084	65,074	96,379	9,044	613,342
Total liabilities and fund balances	\$ 1,084	\$ 67,396	\$ 96,550	\$ 9,044	\$ 613,342

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet (continued)
 Non-major Special Revenue Funds
 June 30, 2007

Statement B-1
 Page 3 of 5

	Paving District	Law Enforcement Block Grant	Property Valuation	Hospital Records	Lea County Event Center Stipulation
ASSETS					
Cash and cash equivalents	\$ 477,247	\$ -	\$ 416,112	\$ -	\$ 131,736
Due from other funds	-	-	-	10	90,000
Other receivables	-	-	-	-	-
Total assets	\$ 477,247	\$ -	\$ 416,112	\$ 10	\$ 221,736
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 132	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	132	-	-
Fund balances:					
Reserved for fire districts	-	-	-	-	-
Unreserved	477,247	-	415,980	10	221,736
Total fund balances	477,247	-	415,980	10	221,736
Total liabilities and fund balances	\$ 477,247	\$ -	\$ 416,112	\$ 10	\$ 221,736

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet (continued)
 Non-major Special Revenue Funds
 June 30, 2007

Statement B-1
 Page 4 of 5

	Knowles EMS Grant	Law Enforcement Project	Maljamar EMS Grant	Fire Excise Tax	Monument EMS Grant
ASSETS					
Cash and cash equivalents	\$ 5,588	\$ 3,605	\$ 12,646	\$ 2,256,489	\$ 7,868
Due from other funds	-	-	-	-	-
Other receivables	-	-	-	6,929	-
Total assets	\$ 5,588	\$ 3,605	\$ 12,646	\$ 2,263,418	\$ 7,868
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 240
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	-	240
Fund balances:					
Reserved for fire districts	-	-	-	-	-
Unreserved	5,588	3,605	12,646	2,263,418	7,628
Total fund balances	5,588	3,605	12,646	2,263,418	7,628
Total liabilities and fund balances	\$ 5,588	\$ 3,605	\$ 12,646	\$ 2,263,418	\$ 7,868

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Balance Sheet (continued)
 Non-major Special Revenue Funds
 June 30, 2007

Statement B-1
 Page 5 of 5

	SAMHSA Grant	Convenience Centers	PRCA Steer Roping	OJJDP- Juvenile	Other Grants	Total Non- Major Special Revenue Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ 894,899	\$ 37,494	\$ -	\$ -	\$ 5,270,766
Due from other funds	-	-	-	-	-	90,451
Other receivables	-	185,636	-	-	657,072	909,150
Total assets	\$ -	\$ 1,080,535	\$ 37,494	\$ -	\$ 657,072	\$ 6,270,367
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 22,246	\$ -	\$ -	\$ 14,237	\$ 41,342
Due to other funds	479	-	-	-	790,230	790,709
Deferred revenue	-	-	-	-	-	-
Total liabilities	479	22,246	-	-	804,467	832,051
Fund balances:						
Reserved for fire districts	-	-	-	-	-	221,053
Unreserved	(479)	1,058,289	37,494	-	(147,395)	5,217,263
Total fund balances	(479)	1,058,289	37,494	-	(147,395)	5,438,316
Total liabilities and fund balances	\$ -	\$ 1,080,535	\$ 37,494	\$ -	\$ 657,072	\$ 6,270,367

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-major Special Revenue Funds
 For the Year Ended June 30, 2007

Statement B-2
 Page 1 of 5

	Farm and Range	Recreation	County Clerk	Maljamar Fire District	Knowles Fire District
REVENUES					
Property, sales, and miscellaneous taxes	\$ -	\$ 44	\$ -	\$ -	\$ -
Licenses and permits	-	-	64,864	-	-
Intergovernmental	16,049	-	-	40,772	47,379
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	16,049	44	64,864	40,772	47,379
EXPENDITURES					
Current:					
General government	-	-	1,595	11,031	47,687
Public safety	-	-	-	-	-
Culture and recreation	-	17,127	-	-	-
Farm and range	75,000	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	75,000	17,127	1,595	11,031	47,687
Excess (deficiency) of revenues over expenditures	(58,951)	(17,083)	63,269	29,741	(308)
OTHER FINANCING SOURCES (USES)					
Transfers in	54,000	10,000	-	-	2,400
Transfers out	-	-	-	-	-
Total other financing sources (uses)	54,000	10,000	-	-	2,400
Net change in fund balances	(4,951)	(7,083)	63,269	29,741	2,092
Fund balances - beginning of year	7,135	16,801	67,560	126,894	(3,832)
Fund balances - end of year	\$ 2,184	\$ 9,718	\$ 130,829	\$ 156,635	\$ (1,740)

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Non-major Special Revenue Funds
 For the Year Ended June 30, 2007

	Airport Fire District	Monument Fire District	DWI	House Bill 198 Grant	Correction Fees
REVENUES					
Property, sales, and miscellaneous taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	21,401	-	-
Intergovernmental	-	40,773	474,510	-	128,511
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	-	-	2,455	-	-
Total revenues	-	40,773	498,366	-	128,511
EXPENDITURES					
Current:					
General government	28,364	31,311	480,136	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Farm and range	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	28,364	31,311	480,136	-	-
Excess (deficiency) of revenues over expenditures	(28,364)	9,462	18,230	-	128,511
OTHER FINANCING SOURCES (USES)					
Transfers in	-	52,000	103,113	-	-
Transfers out	-	-	(83,337)	-	-
Total other financing sources (uses)	-	52,000	19,776	-	-
Net change in fund balances	(28,364)	61,462	38,006	-	128,511
Fund balances - beginning of year	29,448	3,612	58,373	9,044	484,831
Fund balances - end of year	\$ 1,084	\$ 65,074	\$ 96,379	\$ 9,044	\$ 613,342

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Non-major Special Revenue Funds
 For the Year Ended June 30, 2007

Page 3 of 5

	Paving District	Law Enforcement Block Grant	Property Valuation	Hospital Records	Lea County Event Center Stipulation
REVENUES					
Property, sales, and miscellaneous taxes	\$ 3,872	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	144,389	-	-
Investment earnings	2,322	-	-	-	96,740
Miscellaneous	-	-	-	-	-
Total revenues	6,194	-	144,389	-	96,740
EXPENDITURES					
Current:					
General government	-	-	192,129	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Farm and range	-	-	-	-	-
Capital outlay	-	-	9,092	-	-
Total expenditures	-	-	201,221	-	-
Excess (deficiency) of revenues over expenditures	6,194	-	(56,832)	-	96,740
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(6)	-	-	-
Total other financing sources (uses)	-	(6)	-	-	-
Net change in fund balances	6,194	(6)	(56,832)	-	96,740
Fund balances - beginning of year	471,053	6	472,812	10	124,996
Fund balances - end of year	\$ 477,247	\$ -	\$ 415,980	\$ 10	\$ 221,736

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Non-major Special Revenue Funds
For the Year Ended June 30, 2007

	Knowles EMS Grant	Law Enforcement Project	Maljamar EMS Grant	Fire Excise Tax	Monument EMS Grant
REVENUES					
Property, sales, and miscellaneous taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	5,264	51,443	3,106	-	5,252
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	93,622	-
Miscellaneous	-	-	-	-	-
Total revenues	5,264	51,443	3,106	93,622	5,252
EXPENDITURES					
Current:					
General government	-	-	-	33,381	-
Public safety	2,882	47,838	1,366	-	4,579
Culture and recreation	-	-	-	-	-
Farm and range	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	2,882	47,838	1,366	33,381	4,579
Excess (deficiency) of revenues over expenditures	2,382	3,605	1,740	60,241	673
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(2,400)	-
Total other financing sources (uses)	-	-	-	(2,400)	-
Net change in fund balances	2,382	3,605	1,740	57,841	673
Fund balances - beginning of year	3,206	-	10,906	2,205,577	6,955
Fund balances - end of year	\$ 5,588	\$ 3,605	\$ 12,646	\$ 2,263,418	\$ 7,628

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Non-major Special Revenue Funds
 For the Year Ended June 30, 2007

Page 5 of 5

	SAMHSA Grant	Convenience Centers	PRCA Steer Roping	OJJDP-Juvenile	Other Grants	Total Non-Major Special Revenue Funds
REVENUES						
Property, sales, and miscellaneous taxes	\$ -	\$ 1,081,816	\$ -	\$ -	\$ -	\$ 1,085,732
Licenses and permits	-	-	-	-	-	86,265
Intergovernmental	115,207	-	-	62,423	827,183	1,817,872
Charges for services	-	-	361,730	-	-	506,119
Investment earnings	-	-	-	-	-	192,684
Miscellaneous	-	-	-	-	-	2,455
Total revenues	115,207	1,081,816	361,730	62,423	827,183	3,691,127
EXPENDITURES						
Current:						
General government	-	622,217	-	79,673	974,578	2,502,102
Public safety	101,095	-	-	-	-	157,760
Culture and recreation	-	-	324,236	-	-	341,363
Farm and range	-	-	-	-	-	75,000
Capital outlay	-	-	-	-	-	9,092
Total expenditures	101,095	622,217	324,236	79,673	974,578	3,085,317
Excess (deficiency) of revenues over expenditures	14,112	459,599	37,494	(17,250)	(147,395)	605,810
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	17,250	-	238,763
Transfers out	(19,776)	-	-	-	-	(105,519)
Total other financing sources (uses)	(19,776)	-	-	17,250	-	133,244
Net change in fund balances	(5,664)	459,599	37,494	-	(147,395)	739,054
Fund balances - beginning of year	5,185	598,690	-	-	-	4,699,262
Fund balances - end of year	\$ (479)	\$ 1,058,289	\$ 37,494	\$ -	\$ (147,395)	\$ 5,438,316

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Farm and Range
 For the Year Ended June 30, 2007

Statement B-3

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 14,500	\$ 14,500	\$ 16,049	\$ 1,549
Total revenues	14,500	14,500	16,049	1,549
EXPENDITURES				
Farm and Range	75,000	75,000	75,000	-
Total expenditures	75,000	75,000	75,000	-
Excess (deficiency) of revenues over expenditures	(60,500)	(60,500)	(58,951)	\$ 1,549
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	7,135	7,135	-	
Transfers in	-	-	54,000	
Total other financing sources and (uses)	7,135	7,135	54,000	
Net change in fund balances	\$ (53,365)	\$ (53,365)	(4,951)	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ (4,951)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Recreation
 For the Year Ended June 30, 2007

Statement B-4

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Sales and miscellaneous taxes	\$ -	\$ -	\$ 44	\$ 44
Total revenues	-	-	44	44
EXPENDITURES				
Culture and recreation	26,000	26,000	16,962	9,038
Total expenditures	26,000	26,000	16,962	9,038
Excess (deficiency) of revenues over expenditures	(26,000)	(26,000)	(16,918)	\$ 9,082
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	16,801	16,801	-	
Transfers in	-	-	10,000	
Total other financing sources and (uses)	16,801	16,801	10,000	
Net change in fund balances	\$ (9,199)	\$ (9,199)	(6,918)	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(165)	
Net change in fund balance			\$ (7,083)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 County Clerk
 For the Year Ended June 30, 2007

Statement B-5

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Licenses and permits	\$ 65,000	\$ 65,000	\$ 64,864	\$ (136)
Total revenues	65,000	65,000	64,864	(136)
EXPENDITURES				
General government	1,000	11,000	1,595	9,405
Capital Outlay	-	35,000	-	35,000
Total expenditures	1,000	46,000	1,595	44,405
Excess (deficiency) of revenues over expenditures	64,000	19,000	63,269	\$ 44,269
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	67,561	67,561	-	
Total other financing sources and (uses)	67,561	67,561	-	
Net change in fund balances	\$ 131,561	\$ 86,561	63,269	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 63,269	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (with Variances)
Maljamar Fire District
For the Year Ended June 30, 2007**

Statement B-6

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 35,800	\$ 40,773	\$ 40,772	\$ (1)
Total revenues	35,800	40,773	40,772	(1)
EXPENDITURES				
General government	35,800	40,773	10,985	29,788
Capital Outlay	-	110,000	-	110,000
Total expenditures	35,800	150,773	10,985	139,788
Excess (deficiency) of revenues over expenditures	-	(110,000)	29,787	\$ 139,787
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	126,893	126,893	-	
Total other financing sources and (uses)	126,893	126,893	-	
Net change in fund balances	\$ 126,893	\$ 16,893	29,787	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(46)	
Net change in fund balance			\$ 29,741	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances,
Budget and Actual (with Variances)
Knowles Fire District
For the Year Ended June 30, 2007**

Statement B-7

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 35,800	\$ 47,380	\$ 47,380	\$ -
Miscellaneous	3,500	3,500	-	(3,500)
Total revenues	39,300	50,880	47,380	(3,500)
EXPENDITURES				
General government	35,800	46,375	46,340	35
Total expenditures	35,800	46,375	46,340	35
Excess (deficiency) of revenues over expenditures	3,500	4,505	1,040	\$ (3,465)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,400	
Total other financing sources and (uses)	-	-	2,400	
Net change in fund balances	\$ 3,500	\$ 4,505	3,440	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(1,348)	
Net change in fund balance			\$ 2,092	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Airport Fire District
 For the Year Ended June 30, 2007

Statement B-8

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
General government	29,400	29,400	28,364	1,036
Capital Outlay	-	-	-	-
Total expenditures	29,400	29,400	28,364	1,036
Excess (deficiency) of revenues over expenditures	(29,400)	(29,400)	(28,364)	\$ 1,036
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	29,448	29,448	-	
Total other financing sources and (uses)	29,448	29,448	-	
Net change in fund balances	\$ 48	\$ 48	(28,364)	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ (28,364)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Monument Fire District
 For the Year Ended June 30, 2007

Statement B-9

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 35,800	\$ 40,773	\$ 40,774	\$ 1
Total revenues	35,800	40,773	40,774	1
EXPENDITURES				
General government	90,800	95,773	29,255	66,518
Total expenditures	90,800	95,773	29,255	66,518
Excess (deficiency) of revenues over expenditures	(55,000)	(55,000)	11,519	\$ 66,519
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	3,878	3,878	-	
Transfers in	-	-	52,000	
Total other financing sources and (uses)	3,878	3,878	52,000	
Net change in fund balances	\$ (51,122)	\$ (51,122)	63,519	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(2,057)	
Net change in fund balance			\$ 61,462	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 DWI
 For the Year Ended June 30, 2007

Statement B-10

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Licenses and permits	\$ 25,000	\$ 25,000	\$ 21,401	\$ (3,599)
Intergovernmental	307,012	336,245	414,998	78,753
Miscellaneous	-	-	2,455	2,455
Total revenues	332,012	361,245	438,854	77,609
EXPENDITURES				
General government	375,000	486,100	485,149	951
Total expenditures	375,000	486,100	485,149	951
Excess (deficiency) of revenues over expenditures	(42,988)	(124,855)	(46,295)	\$ 78,560
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	63,116	63,116	-	
Transfers in	-	-	103,113	
Transfers out	-	-	(83,337)	
Total other financing sources and (uses)	63,116	63,116	19,776	
Net change in fund balances	\$ 20,128	\$ (61,739)	(26,519)	
RECONCILIATION TO GAAP BASIS:				
Increase in due from other funds			441	
Increase in other receivables			59,512	
Decrease in accounts payable			4,572	
Net change in fund balance			\$ 38,006	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 House Bill 198 Grant
 For the Year Ended June 30, 2007

Statement B-11

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	\$ -
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	9,044	9,044	-	
Total other financing sources and (uses)	9,044	9,044	-	
Net change in fund balances	\$ 9,044	\$ 9,044	-	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ -	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Correction Fees
 For the Year Ended June 30, 2007

Statement B-12

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 128,511	\$ 58,511
Total revenues	70,000	70,000	128,511	58,511
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	70,000	70,000	128,511	\$ 58,511
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	484,831	484,831	-	
Total other financing sources and (uses)	484,831	484,831	-	
Net change in fund balances	\$ 554,831	\$ 554,831	128,511	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 128,511	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (with Variances)
Paving District
For the Year Ended June 30, 2007**

Statement B-13

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Property taxes	\$ -	\$ -	\$ 3,872	\$ 3,872
Investment earnings	250	250	2,322	2,072
Total revenues	250	250	6,194	5,944
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	250	250	6,194	\$ 5,944
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	471,053	471,053	-	
Total other financing sources and (uses)	471,053	471,053	-	
Net change in fund balances	\$ 471,303	\$ 471,303	6,194	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			<u>\$ 6,194</u>	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Law Enforcement Block Grant
 For the Year Ended June 30, 2007

Statement B-14

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Total Revenues	-	-	-	-
EXPENDITURES				
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	\$ -
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	6	6	-	
Transfers out	-	-	(6)	
Total other financing sources and (uses)	6	6	(6)	
Net change in fund balances	\$ 6	\$ 6	(6)	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ (6)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Property Valuation
 For the Year Ended June 30, 2007

Statement B-15

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Charges for services	\$ 100,000	\$ 100,000	\$ 144,389	\$ 44,389
Total revenues	100,000	100,000	144,389	44,389
EXPENDITURES				
General government	53,265	223,265	192,237	31,028
Capital Outlay	44,000	44,000	9,092	34,908
Total expenditures	97,265	267,265	201,329	65,936
Excess (deficiency) of revenues over expenditures	2,735	(167,265)	(56,940)	\$ 110,325
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	473,052	473,052	-	
Total other financing sources and (uses)	473,052	473,052	-	
Net change in fund balances	\$ 475,787	\$ 305,787	(56,940)	
RECONCILIATION TO GAAP BASIS:				
Decrease in accounts payable			108	
Net change in fund balance			\$ (56,832)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (with Variances)
Lea County Event Center Stipulation
For the Year Ended June 30, 2007**

Statement B-16

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Investment earnings	\$ 35,000	\$ 35,000	\$ 96,740	\$ 61,740
Total revenues	35,000	35,000	96,740	61,740
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	35,000	35,000	96,740	\$ 61,740
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	34,996	34,996	-	
Total other financing sources and (uses)	34,996	34,996	-	
Net change in fund balances	\$ 69,996	\$ 69,996	96,740	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 96,740	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Knowles EMS Grant
 For the Year Ended June 30, 2007

Statement B-17

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 5,262	\$ 5,262	\$ 5,264	\$ 2
Total revenues	5,262	5,262	5,264	2
EXPENDITURES				
Public safety	5,262	5,262	2,882	2,380
Total expenditures	5,262	5,262	2,882	2,380
Excess (deficiency) of revenues over expenditures	-	-	2,382	\$ 2,382
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	3,206	3,206	-	
Total other financing sources and (uses)	3,206	3,206	-	
Net change in fund balances	\$ 3,206	\$ 3,206	2,382	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 2,382	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Law Enforcement Project
 For the Year Ended June 30, 2007

Statement B-18

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 41,000	\$ 51,443	\$ 51,443	\$ -
Total revenues	41,000	51,443	51,443	-
EXPENDITURES				
Public safety	41,000	51,443	47,838	3,605
Total expenditures	41,000	51,443	47,838	3,605
Excess (deficiency) of revenues over expenditures	-	-	3,605	\$ 3,605
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	-	-	-	-
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	\$ -	\$ -	3,605	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 3,605	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Maljamar EMS Grant
 For the Year Ended June 30, 2007

Statement B-19

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 3,105	\$ 3,105	\$ 3,106	\$ 1
Total revenues	3,105	3,105	3,106	1
EXPENDITURES				
Public safety	3,105	3,105	1,366	1,739
Total expenditures	3,105	3,105	1,366	1,739
Excess (deficiency) of revenues over expenditures	-	-	1,740	\$ 1,740
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	10,906	10,906	-	
Total other financing sources and (uses)	10,906	10,906	-	
Net change in fund balances	\$ 10,906	\$ 10,906	1,740	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			<u>\$ 1,740</u>	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Fire Excise Tax
 For the Year Ended June 30, 2007

Statement B-20

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Investment earnings	\$ 30,000	\$ 30,000	\$ 93,489	\$ 63,489
Total revenues	30,000	30,000	93,489	63,489
EXPENDITURES				
General government	75,000	75,000	33,381	41,619
Total expenditures	75,000	75,000	33,381	41,619
Excess (deficiency) of revenues over expenditures	(45,000)	(45,000)	60,108	\$ 105,108
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	2,198,782	2,198,782	-	
Transfers out	-	-	(2,400)	
Total other financing sources and (uses)	2,198,782	2,198,782	(2,400)	
Net change in fund balances	\$ 2,153,782	\$ 2,153,782	57,708	
RECONCILIATION TO GAAP BASIS:				
Increase in interest receivable			133	
Net change in fund balance			\$ 57,841	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Monument EMS Grant
 For the Year Ended June 30, 2007

Statement B-21

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 5,250	\$ 5,250	\$ 5,252	\$ 2
Total revenues	5,250	5,250	5,252	2
EXPENDITURES				
Public safety	5,250	5,250	4,339	911
Total expenditures	5,250	5,250	4,339	911
Excess (deficiency) of revenues over expenditures	-	-	913	\$ 913
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	6,955	6,955	-	
Total other financing sources and (uses)	6,955	6,955	-	
Net change in fund balances	\$ 6,955	\$ 6,955	913	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(240)	
Net change in fund balance			\$ 673	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 SAMHSA Grant
 For the Year Ended June 30, 2007

Statement B-22

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 122,236	\$ 242,744	\$ 242,629	\$ (115)
Total revenues	122,236	242,744	242,629	(115)
EXPENDITURES				
Public safety	-	101,211	101,095	116
Total expenditures	-	101,211	101,095	116
Excess (deficiency) of revenues over expenditures	122,236	141,533	141,534	\$ 1
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(19,776)	
Total other financing sources and (uses)	-	-	(19,776)	
Net change in fund balances	\$ 122,236	\$ 141,533	121,758	
RECONCILIATION TO GAAP BASIS:				
Decrease in deferred revenue			4,045	
Decrease in other receivables			(131,467)	
Net change in fund balance			\$ (5,664)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (with Variances)
Convenience Centers
For the Year Ended June 30, 2007**

Statement B-23

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Sales and miscellaneous taxes	\$ 680,000	\$ 680,000	\$ 1,060,712	\$ 380,712
Total revenues	680,000	680,000	1,060,712	380,712
EXPENDITURES				
Current:				
General government	618,800	618,800	601,067	17,733
Total expenditures	618,800	618,800	601,067	17,733
Excess (deficiency) of revenues over expenditures	61,200	61,200	459,645	\$ 398,445
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	435,254	435,254	-	
Total other financing sources and (uses)	435,254	435,254	-	
Net change in fund balances	\$ 496,454	\$ 496,454	459,645	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(21,151)	
Decrease in other receivables			21,105	
Net change in fund balance			\$ 459,599	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 PRCA Steer Roping
 For the Year Ended June 30, 2007

Statement B-24

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Charges for services	-	345,000	361,730	16,730
Total revenues	-	345,000	361,730	16,730
EXPENDITURES				
Current:				
Culture and recreation	-	324,750	324,236	514
Total expenditures	-	324,750	324,236	514
Excess (deficiency) of revenues over expenditures	-	20,250	37,494	\$ 17,244
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	
Net change in fund balances	\$ -	\$ 20,250	37,494	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 37,494	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 OJJDP-Juvenile
 For the Year Ended June 30, 2007

Statement B-25

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 144,284	\$ 156,584	\$ 139,319	\$ (17,265)
Total revenues	144,284	156,584	139,319	(17,265)
EXPENDITURES				
Current:				
General government	67,388	79,688	79,673	15
Total expenditures	67,388	79,688	79,673	15
Excess (deficiency) of revenues over expenditures	76,896	76,896	59,646	\$ (17,250)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	17,250	
Transfers out	-	-	-	
Total other financing sources and (uses)	-	-	17,250	
Net change in fund balances	\$ 76,896	\$ 76,896	76,896	
RECONCILIATION TO GAAP BASIS:				
Decrease in other receivables			(76,896)	
Net change in fund balance			\$ -	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Other Grants
 For the Year Ended June 30, 2007

Statement B-26

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 2,173,783	\$ 170,111	\$ (2,003,672)
Total revenues	-	2,173,783	170,111	(2,003,672)
EXPENDITURES				
Current:				
General government	631,400	2,143,972	959,900	1,184,072
Total expenditures	631,400	2,143,972	959,900	1,184,072
Excess (deficiency) of revenues over expenditures	(631,400)	29,811	(789,789)	\$ (819,600)
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	
Net change in fund balances	\$ (631,400)	\$ 29,811	(789,789)	
RECONCILIATION TO GAAP BASIS:				
Increase in due to other funds			(441)	
Increase in accounts payable			(14,237)	
Increase in other receivables			657,072	
Net change in fund balance			\$ (147,395)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

DEBT SERVICE FUNDS

Gross Receipts Reserve – To account for the required reserve amount per the bond agreement.

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

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

LEA COUNTY, NEW MEXICO

Combining Balance Sheet
Debt Service Funds
June 30, 2007

Statement C-1

	Detention Bond Reserve	Gross Receipts Debt Service	Total Non- Major Debt Service Funds
ASSETS			
Cash and cash equivalents	\$ 1,177,205	\$ -	\$ 1,177,205
Other receivables	-	592,432	592,432
Total assets	\$ 1,177,205	\$ 592,432	\$ 1,769,637
LIABILITIES AND FUND BALANCES			
Liabilities:	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balances:			
Reserved	1,177,205	592,432	1,769,637
Total fund balances	1,177,205	592,432	1,769,637
Total liabilities and fund balances	\$ 1,177,205	\$ 592,432	\$ 1,769,637

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

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

Statement C-2

	Detention Bond Reserve	Gross Receipts Debt Service	Total Non-major Debt Service Funds
REVENUES			
Property, sales and miscellaneous taxes	\$ -	\$ 3,370,018	\$ 3,370,018
Investment earnings	-	126,894	126,894
Total revenues	-	3,496,912	3,496,912
EXPENDITURES			
Interest and other charges	-	587,205	587,205
Total expenditures	-	587,205	587,205
Excess (deficiency) of revenues over expenditures	-	2,909,707	2,909,707
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(2,840,537)	(2,840,537)
Total other financing sources (uses)	-	(2,840,537)	(2,840,537)
Net change in fund balances	-	69,170	69,170
Fund balances - beginning of year	1,177,205	523,262	1,700,467
Fund balances - end of year	\$ 1,177,205	\$ 592,432	\$ 1,769,637

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Detention Bond Reserve
 For the Year Ended June 30, 2007

Statement C-4

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

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Gross Receipts Debt Service
 For the Year Ended June 30, 2007

Statement C-5

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Sales and miscellaneous taxes	\$ 2,600,000	\$ 2,600,000	\$ 3,300,848	\$ 700,848
Investment earnings	60,000	60,000	126,894	66,894
Total revenues	2,660,000	2,660,000	3,427,742	767,742
EXPENDITURES				
Principal	-	-	-	-
Interest and other charges	587,205	587,205	587,205	-
Total expenditures	587,205	587,205	587,205	-
Excess (deficiency) of revenues over expenditures	2,072,795	2,072,795	2,840,537	\$ 767,742
OTHER FINANCING SOURCES (USES)				
Prior year cash balance	-	-	-	-
Transfers out	-	-	(2,840,537)	-
Total other financing sources and (uses)	-	-	(2,840,537)	-
Net change in fund balances	\$ 2,072,795	\$ 2,072,795	-	-
RECONCILIATION TO GAAP BASIS:				
Increase in taxes receivable (excluding property tax)			69,170	
Net change in fund balance			\$ 69,170	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

PERMANENT FUND

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

LEA COUNTY, NEW MEXICO

Combining Balance Sheet
Non-major Permanent Fund
June 30, 2007

Statement D-1

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

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

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

Statement D-2

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

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (with Variances)
 Lea County Event Center Permanent
 For the Year Ended June 30, 2007

Statement D-3

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

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

FIDUCIARY FUNDS

Agency Funds

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

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

County Sheriff's Trust Fund – To account for the collection and payment to the County of fees collected on its behalf.

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

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

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

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

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

LEA COUNTY, NEW MEXICO

Agency Funds - Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2007

Statement E-1
Page 1 of 3

	June 30, 2006	Additions	Deletions	June 30, 2007
COUNTY TREASURER'S OFFICE				
Assets				
Cash	1,357,865	\$ 45,325,597	\$ 45,350,375	1,333,087
Taxes receivable	772,202	17,692,488	17,754,833	709,857
Total assets	\$ 2,130,067	\$ 63,018,085	\$ 63,105,208	\$ 2,042,944
Liabilities				
Taxes paid in advance	27,252	\$ 27,608	\$ 24,101	30,759
Deposits held in trust for others	1,330,613	45,297,989	45,326,274	1,302,328
Due to other taxing units/governments	772,202	17,692,488	17,754,833	709,857
Total liabilities	\$ 2,130,067	\$ 63,018,085	\$ 63,105,208	\$ 2,042,944
COUNTY CLERK'S OFFICE				
Assets				
Cash	\$ 29,759	\$ 323,547	\$ 324,240	\$ 29,066
Total assets	\$ 29,759	\$ 323,547	\$ 324,240	\$ 29,066
Liabilities				
Deposits held in trust for others	\$ 29,759	\$ 323,547	\$ 324,240	\$ 29,066
Total liabilities	\$ 29,759	\$ 323,547	\$ 324,240	\$ 29,066
COUNTY SHERIFF'S TRUST FUND				
Assets				
Cash	\$ 1,556	\$ -	\$ 1,556	\$ -
Total assets	\$ 1,556	\$ -	\$ 1,556	\$ -
Liabilities				
Deposits held in trust for others	1,556	\$ -	\$ 1,556	\$ -
Total liabilities	\$ 1,556	\$ -	\$ 1,556	\$ -

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Agency Funds - Combining Statement of Changes in Assets and Liabilities (continued)
 For the Year Ended June 30, 2007

Page 2 of 3

	June 30, 2006	Additions	Deletions	June 30, 2007
COUNTY PROBATE JUDGE'S OFFICE				
Assets				
Cash	\$ 180	\$ 4,294	\$ 4,234	\$ 240
Total assets	\$ 180	\$ 4,294	\$ 4,234	\$ 240
Liabilities				
Deposits held in trust for others	\$ 180	\$ 4,294	\$ 4,234	\$ 240
Total liabilities	\$ 180	\$ 4,294	\$ 4,234	\$ 240
DETENTION INMATE TRUST				
Assets				
Cash	\$ 8,061	\$ 801	\$ 7,901	\$ 961
Total assets	\$ 8,061	\$ 801	\$ 7,901	\$ 961
Liabilities				
Deposits held in trust for others	\$ 8,061	\$ 801	\$ 7,901	\$ 961
Total liabilities	\$ 8,061	\$ 801	\$ 7,901	\$ 961
LEA COUNTY SOLID WASTE AUTHORITY				
Assets				
Cash	\$ 1,340,580	\$ 1,875,637	\$ 1,595,581	\$ 1,620,636
Total assets	\$ 1,340,580	\$ 1,875,637	\$ 1,595,581	\$ 1,620,636
Liabilities				
Deposits held in trust for others	\$ 1,340,580	\$ 1,875,637	\$ 1,595,581	\$ 1,620,636
Total liabilities	\$ 1,340,580	\$ 1,875,637	\$ 1,595,581	\$ 1,620,636

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Agency Funds - Combining Statement of Changes in Assets and Liabilities (continued)
 For the Year Ended June 30, 2007

Page 3 of 3

	June 30, 2006	Additions	Deletions	June 30, 2007
LEA COUNTY WATER USERS ASSOCIATION				
Assets				
Cash	\$ 15,953	\$ 31,816	\$ 40,883	\$ 6,886
Due from other governments	81,821	-	-	81,821
Total assets	\$ 97,774	\$ 31,816	\$ 40,883	\$ 88,707
Liabilities				
Due to others	\$ 8,596	\$ -	\$ 8,596	\$ -
Deposits held in trust for others	89,178	31,816	32,287	88,707
Total liabilities	\$ 97,774	\$ 31,816	\$ 40,883	\$ 88,707
DETENTION BOND ACCOUNT				
Assets				
Cash	\$ 897	\$ 134,654	\$ 132,593	\$ 2,958
Total assets	\$ 897	\$ 134,654	\$ 132,593	\$ 2,958
Liabilities				
Deposits held in trust for others	\$ 897	\$ 134,654	\$ 132,593	\$ 2,958
Total liabilities	\$ 897	\$ 134,654	\$ 132,593	\$ 2,958
TOTALS				
Assets				
Cash	\$ 2,754,851	\$ 47,696,346	\$ 47,457,363	\$ 2,993,834
Taxes receivable	772,202	17,692,488	17,754,833	709,857
Due from other governments	81,821	-	-	81,821
Total assets	\$ 3,608,874	\$ 65,388,834	\$ 65,212,196	\$ 3,785,512
Liabilities				
Taxes paid in advance	\$ 27,252	\$ 27,608	\$ 24,101	\$ 30,759
Deposits held in trust for others	2,800,824	47,668,738	47,424,666	3,044,896
Due to other taxing units/governments	772,202	17,692,488	17,754,833	709,857
Due to others	8,596	-	8,596	-
Total liabilities	\$ 3,608,874	\$ 65,388,834	\$ 65,212,196	\$ 3,785,512

The accompanying notes are an integral part of these statements.

ADDITIONAL INFORMATION

LEA COUNTY, NEW MEXICO

SUPPLEMENTAL SCHEDULE OF RECONCILIATION OF TAX ROLLS
Year Ended June 30, 2007

Schedule F-1

	Taxes Receivable 7/1/2006	Net Taxes Charged to Treasurer	Collections	Taxes Receivable 6/30/2007	Distributions
Lea County funds:					
General	\$ 412,930	\$ 6,343,956	\$ 6,377,528	\$ 379,358	\$ 6,377,528
New Mexico Junior College	207,376	3,107,250	3,124,560	190,067	3,124,560
Nor-Lea Hospital	42,657	667,126	676,378	33,406	676,378
Jal Hospital	2,447	80,046	79,607	2,886	79,607
Livestock	3,321	115,184	115,284	4,878	115,284
Eunice Hospital District	3,604	106,909	105,635	3,221	105,635
Municipalities:					
Lovington	21,780	238,542	238,500	21,822	238,500
Eunice	9,025	77,240	77,333	8,932	77,333
Hobbs	79,016	1,324,120	1,325,463	77,673	1,325,463
Jal	6,284	59,524	59,005	6,802	59,005
Tatum	1,473	12,311	12,292	1,492	12,292
State of New Mexico	55,841	829,586	832,394	53,034	832,394
Schools:					
Lovington	52,251	848,687	852,300	48,638	852,300
Eunice	6,476	219,334	219,558	6,251	219,558
Hobbs	256,206	3,090,577	3,110,373	236,410	3,110,373
Jal	2,415	79,790	79,357	2,849	79,357
Tatum	12,586	124,197	133,927	2,856	133,927
Taxes in Advance	169	7,755	7,924	-	7,924
Re-appraisal	9,277	143,752	144,388	8,640	144,388
Total taxes	\$ 1,185,134	\$ 17,475,886	\$ 17,571,805	\$ 1,089,215	\$ 17,571,805

Property Taxes Receivable by years:

1997	\$ 1,190
1998	1,886
1999	19,018
2000	21,273
2001	24,199
2002	32,918
2003	35,280
2004	55,966
2005	151,443
2006	746,042
Total Taxes Receivable	\$ 1,089,215

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

COUNTY TREASURER'S PROPERTY TAX SCHEDULE Year Ended June 30, 2007

Schedule F-2

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
Lea County funds:											
General	\$ 374	\$ 555	\$ 7,248	\$ 8,486	\$ 9,411	\$ 10,833	\$ 11,047	\$ 20,195	\$ 51,511	\$ 259,698	\$ 379,358
New Mexico Junior College	216	332	4,193	3,528	4,059	6,363	6,511	9,790	25,857	129,208	190,067
Nor-Lea Hospital	45	111	136	214	147	364	475	1,676	4,101	26,137	35,406
Jal Hospital	4	4	4	3	27	53	56	103	357	2,275	2,886
Livestock	-	-	-	-	-	-	-	484	827	3,567	4,878
Eunice Hospital District	-	-	-	-	-	-	45	243	550	2,383	3,221
Municipalities:											
Lovington	3	72	94	202	99	291	354	936	3,440	16,331	21,822
Eunice	20	3	10	15	19	87	105	674	1,529	6,470	8,932
Hobbs	134	151	120	467	898	1,408	1,325	2,536	12,398	58,246	77,673
Jal	8	8	7	7	75	153	141	257	956	5,180	6,802
Tatum	43	47	47	47	12	18	42	95	263	878	1,492
State of New Mexico	65	109	1,366	1,597	2,009	1,481	2,054	2,109	6,933	35,301	53,034
Schools:											
Lovington	6	104	142	272	167	520	654	2,360	5,780	38,633	48,638
Eunice	13	25	36	56	68	69	79	422	1,019	4,464	6,251
Hobbs	190	262	5,518	6,300	6,946	10,901	11,934	13,180	33,821	147,358	256,410
Jal	2	3	2	2	27	53	56	102	354	2,248	2,849
Tatum	67	100	95	77	24	58	104	342	491	1,498	2,856
Nonrendered:											
1% Assessor	-	-	-	-	201	266	288	462	1,256	6,167	8,640
Total taxes	\$ 1,190	\$ 1,886	\$ 19,018	\$ 21,273	\$ 24,199	\$ 32,918	\$ 35,280	\$ 55,966	\$ 151,442	\$ 746,042	\$ 1,089,215

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2007

Schedule F-3

Account Type	Account Name	Lea County State Bank	Western Commerce Bank	Pioneer Savings Bank	Wells Fargo	First National Bank	Total
Checking	Lea County Treasurer	\$ 239,905					\$ 239,905
Checking	Lea County Clerk	29,066					\$ 29,066
Checking	Lea County Probate Clerk	240					\$ 240
Checking	LCDC Inmate Trust Account	14,839					\$ 14,839
Checking	Lea County Treasurer EFTPS	114,220					\$ 114,220
Checking	Detention Inmate Trust Account	960					\$ 960
Checking	Lea County Detention Facility	2,958					\$ 2,958
Tbill	Lea County Treasurer	975,753					\$ 975,753
CD	Lea County Treasurer					1,177,205	\$ 1,177,205
CD	Lea County Treasurer					1,000,000	\$ 1,000,000
CD	Lea County Treasurer					2,000,000	\$ 2,000,000
CD	Lea County Treasurer			1,000,000			\$ 1,000,000
CD	Lea County Treasurer			1,000,000			\$ 1,000,000
CD	Lea County Treasurer			500,000			\$ 500,000
CD	Lea County Treasurer			1,000,000			\$ 1,000,000
CD	Lea County Treasurer			1,000,000			\$ 1,000,000
CD	Lea County Treasurer			2,000,000			\$ 2,000,000
CD	Lea County Treasurer			1,000,000			\$ 1,000,000
CD	Lea County Treasurer			1,000,000			\$ 1,000,000
CD	Lea County Treasurer			1,000,000			\$ 1,000,000
CD	Lea County Treasurer			1,000,000			\$ 1,000,000
CD	Lea County Treasurer			1,000,000			\$ 1,000,000
CD	Lea County Treasurer			2,000,000			\$ 2,000,000
Checking	Lea County Treasurer				287,782		\$ 287,782
CD	Lea County Treasurer				1,000,000		\$ 1,000,000
CD	Lea County Treasurer				500,000		\$ 500,000
CD	Lea County Treasurer				1,000,000		\$ 1,000,000
CD	Lea County Treasurer				1,000,000		\$ 1,000,000
CD	Lea County Treasurer				4,000,000		\$ 4,000,000
CD	Lea County Treasurer				3,000,000		\$ 3,000,000
CD	Lea County Treasurer				2,000,000		\$ 2,000,000
CD	Lea County Treasurer				1,000,000		\$ 1,000,000
CD	Lea County Treasurer				2,000,000		\$ 2,000,000
CD	Lea County Treasurer				1,000,855		\$ 1,000,855
CD	Lea County Treasurer				1,001,060		\$ 1,001,060
CD	Lea County Treasurer				1,443,125		\$ 1,443,125
Checking	LCDC Inmate Trust Account				23,774		\$ 23,774
CD	Lea County Treasurer		2,000,000				\$ 2,000,000
CD	Lea County Treasurer		600,000				\$ 600,000
CD	Lea County Treasurer		500,000				\$ 500,000
CD	Lea County Treasurer		850,000				\$ 850,000
CD	Lea County Treasurer		1,000,000				\$ 1,000,000
	Amounts on Deposit	\$ 1,377,941	\$ 4,950,000	\$ 12,500,000	\$ 19,256,596	\$ 4,177,205	\$ 42,261,742
	Cash and returned checks on hand	1,063	-	-	-	-	1,063
	Outstanding items	(60,583)	-	-	8,499,895	-	8,439,312
		\$ 1,318,421	\$ 4,950,000	\$ 12,500,000	\$ 27,756,491	\$ 4,177,205	\$ 50,702,117
	Restricted cash						46,294,230
	Total cash						\$ 47,737,355

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL June 30, 2007

Schedule F-4

	Lea County State Bank Hobbs, NM	Western Commerce Bank Carlsbad, NM	Pioneer Savings Bank Hobbs, NM	Wells Fargo Bank Hobbs, NM	First National Bank Hobbs, NM	TOTAL
Total amount of deposits	\$ 1,377,941	\$ 4,950,000	\$ 12,500,000	\$ 19,256,596	\$ 4,177,205	\$ 42,261,742
Less: FDIC or FSLIC coverage	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(500,000)
Total uninsured public funds	1,277,941	4,850,000	12,400,000	19,156,596	4,077,205	41,761,742
Collateral requirement - 50%	638,971	2,425,000	6,200,000	9,578,298	2,038,603	20,880,871
Pledged securities:						
Type of security and security number	CUSIP number	Maturity date				
* FHLMC #80691	31262RXU2	7/1/2008	-	12,006	-	12,006
* FHLMC #E01425	31294KSN6	8/1/2018	-	1,127,557	-	1,127,557
* GNMA #254187	31371KJ85	12/1/2008	-	134,454	-	134,454
* GNMA #780615A	36225AVG2	8/15/2027	-	172,852	-	172,852
* GNMA #80546	36225DBQ6	6/20/2034	-	496,096	-	496,096
* GNMA #80272	36225CJ56	4/20/2029	-	112,522	-	112,522
☼ Torrance County		7/1/2008	499,545	-	-	499,545
☼ Corrales, NM		8/1/2016	119,326	-	-	119,326
☼ Gallup Mckinley		8/15/2015	645,530	-	-	645,530
☼ Torrance County		7/1/2016	360,111	-	-	360,111
☼ FNR 2003-14 BN		6/25/2029	37,491	-	-	37,491
☼ Alamogordo, NM		8/1/2007	649,974	-	-	649,974
☼ FHR 2982 NG		2/15/2023	2,171,415	-	-	2,171,415
= FNIONP #256327	31371MVU8	7/1/2036	-	3,653,704	-	3,653,704
= FNCL #867437	31409CV59	5/1/2036	-	197,790	-	197,790
= FNCL #867437	31409CV69	5/1/2036	-	9,186,239	-	9,186,239
= FNCL #857571	31409C2C8	3/1/2036	-	4,002,334	-	4,002,334
= FNIONP #878442	31409T5B0	5/1/2036	-	979,094	-	979,094
= FNCL #879100	31409UJZ6	5/1/2036	-	773,083	-	773,083
= G2SF #3133	36202DPS4	9/20/2031	-	29,348	-	29,348
= GNSF #781121	36225BG69	12/15/2029	-	22,742	-	22,742
= GNSF #781215	366225BK49	9/15/2029	-	58,671	-	58,671
= GNSF #781265	36225BMN5	12/15/2029	-	180,729	-	180,729
* GNMA #080562		12/20/2031	-	310,132	-	310,132
* FHLMC #1B0951		7/1/2033	-	483,080	-	483,080
* FNMA #661745		9/1/2032	-	290,305	-	290,305
* FNMA #696460		4/1/2033	-	1,456,157	-	1,456,157
* GNMA #780313-1		1/15/2011	-	4,015	-	4,015
* FHLMC #781086		12/1/2033	-	3,169,185	-	3,169,185
* FHLMC #781721		7/1/2034	-	1,426,825	-	1,426,825
* FHLMC #782804		11/1/2034	-	587,374	-	587,374
* FHLMC #782928		1/1/2035	-	513,053	-	513,053
* FHLMC #789868		9/1/2032	-	637,184	-	637,184
* FHLMC #847032		7/1/2032	-	204,152	-	204,152
* Municipal bond-Cloudcroft, NM	189134DE6	8/1/2009	-	-	205,351	205,351
* FHLB 1TIME CALL 9/8/11	3133XGSE5	9/8/2016	-	-	300,000	300,000
* MBS FNMA #681286	31391Y2T3	2/1/2018	-	-	770,356	770,356
* MBS FNMA #555389	31385W7A1	4/1/2018	-	-	326,373	326,373
* MBS FNMA #785689	31405C2W8	10/1/2019	-	-	423,196	423,196
* MBS GNMA #003369	36202DW64	4/20/2018	-	-	503,006	503,006
* Luca County NM Sch Dist 001	550340dp5	8/1/2019	-	-	995,133	995,133
Total pledged securities	4,483,392	2,055,487	9,081,462	19,083,734	3,523,415	38,227,490
Under (over) pledged	\$ (3,844,422)	\$ 369,513	\$ (2,881,462)	\$ (9,505,436)	\$ (1,484,813)	\$ (17,346,619)
Uninsured and uncollateralized	\$ -	\$ 2,794,513	\$ 3,318,538	\$ 72,862	\$ 553,790	\$ 6,739,703

Name and Location
of Salekeeper:

* Federal Home Loan Bank
Dallas, TX

= Wells Fargo Corporation
Minneapolis, MN

☼ Lea County State Bank
Hobbs, NM

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007**

Schedule G-1

Federal Grantor/ Pass-Through Grantor	Program Title/ Grant Number	Federal CFDA Number	Expenditures
U.S. Department of Transportation	FAA Tower Engineering	20.106	\$ 544,928 (1)
U.S. Department of Transportation	FAA Terminal Construction 05-06	20.106	307,517 (1)
U.S. Department of Transportation	FAA Control Tower	20.106	274,459
U.S. Department of Justice	SAMSHA - Drug Free	93.276	121,063
U.S. Department of Justice	SAMHSA - Female Recidivism	04-002	101,095
U.S. Department of Justice	OJJDP - Juvenile	16.541	62,396
			<u>\$ 1,411,458</u>

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, and when such funds are received, they are recorded as deferred revenues until earned.

NOTE 2 - The period of availability for federal funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H. Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.

NOTE 3 - This schedule was prepared on the accrual basis of accounting.

The accompanying notes are an integral part of these statements.



JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

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

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

We have audited the basic financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds, and the aggregate remaining fund information of Lea County, New Mexico (the County), as of and for the year ended June 30, 2007. We have also audited the aggregate nonmajor governmental funds and fiduciary 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, and have issued our report thereon dated November 15, 2007. 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 the 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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 the agency's internal control.

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 the agency'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws (including New Mexico State Auditor Ruling 2.2.2 NMAC), regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 07-1 and 07-2.

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

This report is intended solely for the information and use of the Board of Commissioners, management, New Mexico State Auditor, the New Mexico Department of Finance and Administration, and 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.

Johnson, Miller & Co.

Hobbs, New Mexico
November 15, 2007



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

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

Compliance

We have audited the compliance of Lea County, New Mexico (the 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 2007 June 30, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the 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 the County's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an 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 the County's internal control over compliance.

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

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 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 control deficiency, or combination of control 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 the entity's internal control.

Our consideration of 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 for the information of the Board Members, audit committee, management, New Mexico State Auditor, New Mexico State Legislature and its committees, the New Mexico Department of Finance and Administration, and 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.

Johnson, Miller & Co.

Hobbs, New Mexico
November 15, 2007

BASIC FINANCIAL STATEMENT FINDINGS

SCHEDULE REFERENCE NUMBER: 07-1

Undercollateralized Deposits

Criteria:	The County is to abide by New Mexico State Audit Rule 2.2.2.10N, which governs the pledged collateral requirements for the County's bank deposits. The rule states that the collateral pledged by each depository institution must be disclosed and that the fair value of the collateral pledged must be equal to or greater than one-half of the funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation or the National Credit Union Shares Insurance Fund.
Condition Found:	The County's deposits at Western Commerce Bank are undercollateralized by \$369,513.
Effect:	The County is not in compliance with New Mexico State Audit Rule 2.2.2.10N. The County is exposed to custodial credit risk.
Cause:	The financial institution supplied a schedule of collateral that was mathematically incorrect, leading the County to believe they were collateralized in accordance with the State Audit Rule requirements.
Recommendation:	Closely monitor the collateralization of the County's funds, verifying and recalculating the banks' information.
Agency Response:	On July 3, 2007, Western Commerce Bank supplied a letter which showed the securities which were pledged to the Lea County Treasurer. Exhibit A to Western Commerce Bank's letter provided the New Pledged Security Notification which brought the County into compliance with New Mexico State Audit Rule 2.2.2.10N. The Treasurer's Office will continue to monitor (by verifying and recalculating) the bank's collateralization information.

BASIC FINANCIAL STATEMENT FINDINGS

SCHEDULE REFERENCE NUMBER: 07-2

Failure to Escheat Abandoned Checks

Criteria:	According to NMSA 7-8 A-1(a)(15), outstanding checks should be abandoned after 5 years after Lea County's right to demand the property.
Condition Found:	Lea County has outstanding checks totaling \$5,785 over 5 years old.
Effect:	Lea County is in violation of the state statutes regarding abandoned property.
Cause:	Lea County failed to escheat abandoned checks to the State.
Recommendation:	Lea County should implement procedures to comply with state statutes regarding abandoned property.
Agency Response:	We will review outstanding checks annually and escheat those that have been outstanding for five years or longer to the State of New Mexico.

SCHEDULE OF STATUS OF PRIOR FINDINGS

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

06-1

Disposal of items without notification

Resolved, comment not repeated.

06-2

Property Tax Schedule

Resolved, comment not repeated.

06-3

Budgeted Expenditures Exceeded Budgeted
Revenues Plus Prior Year Cash Balance

Resolved, comment not repeated.

FINANCIAL STATEMENT PRESENTATION

The financial statements were prepared from the original books and records of Lea County as of June 30, 2007 by Johnson, Miller & Co., Certified Public Accountants, A Professional Corporation.

LEA COUNTY, NEW MEXICO

OTHER DISCLOSURES Year Ended June 30, 2007

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

EXIT CONFERENCE

The contents of this report and its schedules were discussed on November 14, 2007. The following persons were in attendance.

County Officials

Rick Bruce, Finance Director/Co-County Manager
Gary Schubert, Chairman
Randy McCormick, Vice-Chairman

Auditors

Mary Hinds, CPA

LEA COUNTY, NEW MEXICO

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

PASSED ADJUSTMENTS

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

The following passed adjustment was identified during the audit for Lea County, New Mexico for the year ended June 30, 2007.

PERA	22,262.33	
FICA	18,612.77	
ACCRUED LIABILITIES		40,875.10