

LEA COUNTY, NEW MEXICO

FINANCIAL STATEMENTS
with
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Year Ended June 30, 2008



JOHNSON, MILLER & CO.

*Certified Public Accountants
A Professional Corporation*

An Independent Member of BDO Seidman Alliance

LEA COUNTY, NEW MEXICO

FINANCIAL STATEMENTS
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Year Ended June 30, 2008

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LEA COUNTY, NEW MEXICO

OFFICIAL ROSTER
June 30, 2008

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
Donna Duncan	County Treasurer
Deanna Robinson	County Assessor
Roderick Coffman	Sheriff
Melba Hamby	Probate Judge
Jim Burke	Interim Finance Director
Bill Gatchell	County Manager



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Certified Public Accountants

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Hobbs, New Mexico

Midland, Texas

Odessa, Texas

Independent Auditors' Report

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 accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Lea County, New Mexico (the County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental 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, 2008, 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, and the aggregate remaining fund information of the County, as of June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparisons 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, 2008, 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 14, 2008 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 basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying Schedule of Changes in Assets and Liabilities for the Agency Funds is presented for the purpose of additional analysis as required by the New Mexico State Auditor and is not a required part of the basic financial statements. 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 is not a required part of the basic financial statements. The additional information listed as "other supplemental information" in the Table of Contents, including the Supplemental Schedule of Reconciliation of Tax Rolls, the County Treasurer's Property Tax Schedule, the Supplemental Schedule of Cash and Temporary Investment Accounts, and the Supplemental Schedule of Pledged Collateral, 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 14, 2008

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

The financial information contained herein is for the County of Lea (the 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 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 improvements to the fairgrounds, buying new public safety equipment, and improving local roadways, water systems, and airport facilities. In the fiscal year ended June 30, 2008, infrastructure improvements of \$4.3 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, 2008); 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, 2008). 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>6/30/2008</u>	<u>6/30/2007</u>
Total assets	\$ 154,538,305	\$ 136,818,734
Capital assets	(80,841,438)	(76,908,642)
Restricted assets	(3,411,564)	(1,912,349)
Unrestricted - undesignated assets	<u>\$ 70,285,303</u>	<u>\$ 57,997,743</u>

The increase in capital assets is related to Lea County's focus on investing in the community. 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, 2008 and 2007 are shown in the schedule below:

	<u>6/30/2008</u>	<u>6/30/2007</u>
Current liabilities	\$ 3,862,636	\$ 3,313,150
Long-term liabilities	13,440,911	13,988,787
Total liabilities	<u>\$ 17,303,547</u>	<u>\$ 17,301,937</u>

In total, liabilities increased due to an increase in amounts payable to vendors at year-end.

NET ASSETS:

The schedule below details the increase in net assets for the respective years ending June 30, 2008 and June 30, 2007:

	<u>6/30/2008</u>	<u>6/30/2007</u>
Beginning net assets	\$ 119,516,798	\$ 98,383,895
Adjustment to net assets due to reporting of infrastructure in accordance with GASB 34		7,688,588
Increase in net assets	17,717,960	13,444,315
Ending net assets	<u>\$ 137,234,758</u>	<u>\$ 119,516,798</u>

The increase in net assets in the current year is due to the excess of revenues over expenditures; the continuing economic boom in the County has led to high revenues.

NET ASSETS (continued):

Net assets for the years ended June 30, 2008 and 2007 are broken out as follows:

	<u>6/30/2008</u>	<u>6/30/2007</u>
Invested in capital assets, net of related debt	\$ 67,246,438	\$ 63,313,643
Restricted:		
Fire districts	175,102	221,053
Debt service	1,883,337	1,769,637
Restricted permanent fund	1,353,125	1,353,125
Unrestricted	66,576,756	52,859,340
Total net assets	\$ 137,234,758	\$ 119,516,798

The increase in net assets invested in capital assets is due to the County's investment in long-term assets. Unrestricted net assets increased due to increased revenues as seen below, due mainly to higher tax and grant revenues. These combined effects led to an improvement of \$17,717,960 in the financial position of the County of Lea.

REVENUES

The total revenues recognized by Lea County for the years ended June 30, 2008 and 2007 were \$59,919,739 and \$52,266,775, respectively. The schedule below shows revenue by major category.

	<u>6/30/2008</u>	<u>6/30/2007</u>
<u>General revenue:</u>		
Oil & gas production tax	\$ 28,571,899	\$ 22,608,796
Property tax	7,676,089	7,171,353
Public service tax	10,199,294	8,151,689
Miscellaneous taxes	517,058	469,007
<u>Program revenue:</u>		
Grants and reimbursements	4,688,255	3,953,673
Charges for services	8,267,144	9,912,257
Total revenues	\$ 59,919,739	\$ 52,266,775

The increase in revenues between 2008 and 2007 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. Grant revenues have also increased, while charges for services have decreased due to decreases in fair & rodeo and event center receipts. 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, 2008 and June 30, 2007 were \$39,789,084 and \$34,182,406, respectively. The schedule below shows expenses by function and change in net assets.

	<u>6/30/2008</u>	<u>6/30/2007</u>
<u>Program expenses:</u>		
General government	\$ 17,121,340	\$ 13,856,235
Public safety	12,255,235	12,014,405
Health, welfare and sanitation	4,826,045	3,951,108
Interest on long-term debt	587,205	587,205
Public works	1,727,175	1,067,343
Culture & recreation	3,272,084	2,706,110
Total expenses	\$ 39,789,084	\$ 34,182,406
Excess (deficiency) before special items	\$ 20,130,655	\$ 18,084,369
Special item: loss on disposal of asset	(2,412,695)	(4,640,054)
Change in net assets	\$ 17,717,960	\$ 13,444,315

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 General Government, Health, Welfare and Sanitation, Public Works, and Culture and Recreation increased substantially, while expenses for Public Safety and Interest remained similar to 2007 levels. Continued high gasoline and utility prices, as well as general inflation, have also contributed to the increases in expenses. In addition, large losses on the disposal of assets, including K.L. Towle Park, Arsbon Park, and the Health Walk in the current year, decreased the change in net assets for both 2008 and 2007.

DEBT:

The County issued gross receipts tax bonds to help finance the construction of a four-hundred and thirty-two bed detention facility. The total debt of the County at June 30, 2008 was \$13,595,000, of which \$13,005,000 was long-term (due beyond one year), and \$590,000 was due within one year. The notes to the financial statements include payoff information concerning these bonds.

FUND BALANCES:

6/30/2008

- General Fund: The general fund fund balance increase of \$12,687,974 is due to the increase in property taxes and public service taxes, as well as an increase in intergovernmental revenues.
- Indigent Fund: The indigent fund balance decrease of \$572,620 is a result of an increase in operating expenses.
- Debt Service Fund: No significant changes in these fund balances.
- Special Revenue Funds: The increase of \$1,086,750 is related to increases in property, sales and miscellaneous taxes.

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.
- Special Revenue Funds: The increase of \$739,054 is related to increases in investment earnings, convention center sales, and sales taxes.

BUDGET ANALYSIS:

6/30/2008

There were approved budget revenue and expense increases and decreases after the initial approved budget for 2008. 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 unchanged from original budget amounts. In addition, total revenues for all funds under the final budget were unchanged from original budget figures. Total expenditures under the original budget were \$773,900 more than total expenditures under the final budget for all funds. The majority of this difference is caused by a decrease in the amount budgeted for general government expenditures. This schedule shows final budget and actual amounts for the general fund:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Sales and miscellaneous taxes	\$ 19,175,100	\$ 32,702,689	\$ 13,527,589
Fees and fines	55,000	82,049	27,049
Licenses and permits	404,858	442,742	37,884
Intergovernmental	2,389,953	3,642,980	1,253,027
Charges for services	2,699,513	2,987,677	288,164
Investment earnings	1,144,750	2,148,728	1,003,978
Miscellaneous	1,087,330	1,544,656	457,326
Total revenues	26,956,504	43,551,521	16,595,017
Expenditures:			
General government	\$ 13,738,314	\$ 12,736,310	\$ (1,002,004)
Public safety	11,488,126	11,354,842	(133,284)
Highways and roads	6,517,614	4,893,840	(1,623,774)
Economic development	675,000	447,678	(227,322)
Airport	529,917	507,322	(22,595)
Culture and recreation	2,660,211	2,655,193	(5,018)
Capital outlay	21,004,568	3,802,370	(17,202,198)
Total expenditures	56,613,750	36,397,555	(20,216,195)
Excess (deficiency) of revenues over (under) expenditures	\$ (29,657,246)	\$ 7,153,966	\$ 36,811,212

General fund actual revenues exceeded final budget amounts by \$16.6 million due to a much stronger than expected economy in Lea County during the year ended June 30, 2008. Actual expenditures in the general fund were \$20.2 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. 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.

6/30/2007

There were approved budget 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 Department of Finance and Administration and implemented at various times during the year.

General fund actual revenues exceeded budgeted revenues in the fiscal year ended June 30, 2007 by approximately \$8.7 million, and general fund actual expenses were \$17 million less than budgeted for the fiscal year ended June 30, 2007.

CAPITAL ASSETS:

Lea County's investment in local communities continues to grow. The County purchased and constructed new capital assets in the fiscal year ended June 30, 2008. The following schedule provides a summary of the changes in capital assets:

	<u>6/30/2008</u>	<u>6/30/2007</u>
Capital assets:		
Buildings	\$ 50,942,703	\$ 51,820,128
Other Improvements	2,038,699	3,343,043
Furniture & Equipment	14,798,821	13,495,695
Infrastructure	31,764,820	28,211,738
Vehicles	5,494,254	5,428,535
Land	1,740,991	1,740,991
Construction in Process	5,286,903	1,402,431
Total capital assets	112,067,191	105,442,561
Accumulated depreciation:		
Buildings	\$ 8,596,259	\$ 7,240,044
Other Improvements	838,680	963,268
Furniture & Equipmnt	9,168,071	8,286,941
Infrastructure	8,769,285	8,226,452
Vehicles	3,853,458	3,817,214
Total accumulated depreciation	31,225,753	28,533,919
Net capital assets	\$ 80,841,438	\$ 76,908,642

Total capital assets increased by \$6,624,630 due to purchases and completion of constructed assets, including roads and construction-in-progress of an airport terminal. Accumulated depreciation increased by \$2,691,834, due to depreciation expense of \$3,952,170, and decreased by disposals of assets during the fiscal year ended June 30, 2008.

The County had outstanding construction commitments at fiscal year-end including Lea Regional Airport improvements and a new roof and HVAC system at the Event Center. The total cost for these projects is estimated at \$8 million, of which approximately \$3.1 million has yet to be completed.

FISCAL YEAR 2009:

Due to the extraordinary stock and commodity market conditions expected during the fiscal year ended June 30, 2009, oil & gas tax revenues and investment earnings are expected to decrease. The County's conservative budgeting process will ensure that any decreases do not adversely affect the County's ability to continue to invest in the community and provide services.

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

LEA COUNTY, NEW MEXICO

Statement of Net Assets June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 57,425,604
Current property taxes receivable	379,777
Other receivables	2,674,279
Receivable from other governments	11,567,037
Non-current assets:	
Cash and cash equivalents - restricted	1,443,125
Bond issue costs	207,045
Capital assets:	
Land and improvements, not being depreciated	1,740,991
Construction in progress, not being depreciated	5,286,903
Infrastructure and infrastructure in progress	31,764,820
Buildings	50,942,703
Equipment and furniture	14,798,821
Vehicles	5,494,254
Other capital assets	2,038,699
Less: Accumulated depreciation	<u>(31,225,753)</u>
Total capital assets.	<u>80,841,438</u>
Total Assets	154,538,305
LIABILITIES	
Accounts payable	696,400
Accrued payroll liabilities	233,546
Deferred revenues	2,190,784
Due to other governments	1,054
Bond premium	90,183
Long-term liabilities	
Due within one year	
Bonds and contracts	590,000
Compensated absences	60,669
Due in more than one year	
Bonds and contracts	13,005,000
Compensated absences	<u>435,911</u>
Total Liabilities	<u>17,303,547</u>
NET ASSETS	
Invested in capital assets, net of related debt	67,246,438
Restricted for:	
Debt service	1,883,337
Fire districts	175,102
Restricted Permanent Fund	
Nonexpendable	1,353,125
Unrestricted	<u>66,576,756</u>
Total Net Assets	\$ 137,234,758

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Statement of Activities
For the Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets - Governmental Activities	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
General government	\$ 17,121,340	\$ 8,121,719	\$ 466,752	\$ 1,050,596	\$ (7,482,273)
Public safety	12,255,235	58,784	734,585	-	(11,461,866)
Public works	1,727,175	10,378	72,500	1,307,002	(337,295)
Health, welfare and sanitation	4,826,045	-	-	-	(4,826,045)
Culture and recreation	3,272,084	76,263	377,952	678,868	(2,139,001)
Interest on long-term debt	587,205	-	-	-	(587,205)
Total Governmental Activities	\$ 39,789,084	\$ 8,267,144	\$ 1,651,789	\$ 3,036,466	\$ (26,833,685)
General revenues:					
					7,676,089
					28,571,899
					10,199,294
					517,058
					(2,412,695)
					<u>44,551,645</u>
					17,717,960
					<u>119,516,798</u>
					<u>\$ 137,234,758</u>

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2008

	General Fund	Indigent	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 49,859,453	\$ 117,137	\$ 7,449,014	\$ 57,425,604
Due from other funds	-	-	90,010	90,010
Restricted cash	-	-	1,443,125	1,443,125
Current property taxes receivable	379,777	-	-	379,777
Other receivables	466,415	706,132	959,766	2,132,313
Receivable from other governments	11,567,037	-	-	11,567,037
TOTAL ASSETS	\$ 62,272,682	\$ 823,269	\$ 9,941,915	\$ 73,037,866
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 526,970	\$ 79,047	\$ 90,383	\$ 696,400
Accrued payroll liabilities	233,546	-	-	233,546
Due to other funds	10	-	90,000	90,010
Payable to other governments	1,054	-	-	1,054
Deferred revenue	2,460,453	-	-	2,460,453
TOTAL LIABILITIES	3,222,033	79,047	180,383	3,481,463
FUND BALANCES:				
Reserved for:				
Debt service	-	-	1,883,337	1,883,337
Fire districts	-	-	175,102	175,102
Unreserved	59,050,649	744,222	-	59,794,871
Unreserved, reported in non-major:				
Special revenue funds	-	-	6,349,968	6,349,968
Restricted for:				
Permanent fund	-	-	1,353,125	1,353,125
TOTAL FUND BALANCES	59,050,649	744,222	9,761,532	69,556,403
TOTAL LIABILITIES AND FUND BALANCES	\$ 62,272,682	\$ 823,269	\$ 9,941,915	

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.	207,045
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	80,841,438
Amounts due from other entities not considered available at year-end are not reported in the funds.	541,966
Certain other assets related to deferred revenues are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	269,669
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.	(14,091,580)
Premiums on bonds payable relate to long-term debt and, therefore are not reported in the funds.	(90,183)
Net Assets of Governmental Activities in the Statement of Net Assets	\$ 137,234,758

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, 2008**

	General Fund	Indigent	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property, sales, and miscellaneous taxes	\$ 36,591,116	\$ 3,934,015	\$ 5,343,019	\$ 45,868,150
Fees and fines	82,049	-	-	82,049
Licenses and permits	349,533	-	95,246	444,779
Intergovernmental	2,525,445	-	1,144,523	3,669,968
Charges for services	2,985,974	-	600,331	3,586,305
Investment earnings	2,399,436	-	256,042	2,655,478
Miscellaneous	1,544,656	319,410	305,347	2,169,413
Total Revenues	46,478,209	4,253,425	7,744,508	58,476,142
EXPENDITURES				
Current:				
General government	12,885,115	-	2,350,829	15,235,944
Public safety	11,386,229	-	78,136	11,464,365
Highway and roads	4,864,607	-	-	4,864,607
Health and sanitation	-	4,826,045	-	4,826,045
Culture and recreation	2,722,308	-	418,156	3,140,464
Economic development	432,041	-	-	432,041
Airport	530,418	-	-	530,418
Farm and range	-	-	76,500	76,500
Debt service:				
Interest and other charges	-	-	587,205	587,205
Capital outlay	3,803,253	-	199,496	4,002,749
Total Expenditures	36,623,971	4,826,045	3,710,322	45,160,338
Excess (deficiency) of revenues over (under) expenditures	9,854,238	(572,620)	4,034,186	13,315,804
OTHER FINANCING SOURCES (USES), INCLUDING TRANSFERS				
Transfers in	3,374,115	-	540,379	3,914,494
Transfers out	(540,379)	-	(3,374,115)	(3,914,494)
Total other financing sources (uses), including transfers	2,833,736	-	(2,833,736)	-
Net change in fund balances	12,687,974	(572,620)	1,200,450	13,315,804
Fund balances - beginning of year	46,362,675	1,316,842	8,561,082	56,240,599
Fund balances - end of year	\$ 59,050,649	\$ 744,222	\$ 9,761,532	\$ 69,556,403

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, 2008**

Net change in fund balances - total governmental funds: \$ 13,315,804

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. 6,383,581

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. (2,450,787)

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. 519,505

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. (43,269)

Change in net assets of governmental activities: \$ 17,717,960

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 (non-GAAP Budgetary Basis) and Actual General Fund For the Year Ended June 30, 2008

Statement A-1

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Sales and miscellaneous taxes	\$ 19,175,100	\$ 19,175,100	\$ 32,702,689	\$ 13,527,589
Fees and fines	55,000	55,000	82,049	27,049
Licenses and permits	404,858	404,858	442,742	37,884
Intergovernmental	2,389,953	2,389,953	3,642,980	1,253,027
Charges for services	2,699,513	2,699,513	2,987,677	288,164
Investment earnings	1,144,750	1,144,750	2,148,728	1,003,978
Miscellaneous	1,087,330	1,087,330	1,544,656	457,326
Total Revenues	26,956,504	26,956,504	43,551,521	16,595,017
EXPENDITURES				
Current:				
General government	13,738,314	13,728,514	12,736,310	992,204
Public safety	11,488,126	11,488,126	11,354,842	133,284
Highways and roads	6,517,614	6,517,614	4,893,840	1,623,774
Economic development	675,000	675,000	447,678	227,322
Airport	529,917	529,917	507,322	22,595
Culture and recreation	2,660,211	2,660,211	2,655,193	5,018
Capital outlay	21,004,568	21,014,368	3,802,370	17,211,998
Total Expenditures	56,613,750	56,613,750	36,397,555	20,216,195
Excess (deficiency) of revenues over (under) expenditures	(29,657,246)	(29,657,246)	7,153,966	\$ 36,811,212
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	200	200	-	200
Transfers in	2,472,795	3,374,115	3,374,115	-
Transfers out	(149,400)	(579,579)	(579,579)	-
Total other financing sources and (uses)	2,323,595	2,794,736	2,794,536	\$ 200
Prior year cash balance	39,120,684	39,120,684	-	-
Net change in fund balances	\$ 11,787,033	\$ 12,258,174	9,948,502	
RECONCILIATION TO GAAP BASIS:				
Increase in taxes receivable			419	
Decrease in notes receivable			(250,000)	
Decrease in other receivables			(1,177,040)	
Increase in due from other governments			3,980,353	
Decrease in accrued liabilities			9,758	
Increase in accounts payable			(235,461)	
Decrease in due to other governments			1,198	
Decrease in deferred revenue			410,245	
Net change in fund balance			\$ 12,687,974	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Indigent
For the Year Ended June 30, 2008**

Statement A-2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Sales and miscellaneous taxes	\$ 3,000,000	\$ 3,730,600	\$ 3,820,318	\$ 89,718
Investment earnings	30,000	30,000	-	(30,000)
Miscellaneous	270,000	270,000	319,410	49,410
Total Revenues	3,300,000	4,030,600	4,139,728	109,128
EXPENDITURES				
Health and sanitation	4,017,713	4,748,313	4,748,166	147
Total Expenditures	4,017,713	4,748,313	4,748,166	147
Excess (deficiency) of revenues over (under) expenditures	(717,713)	(717,713)	(608,438)	\$ 109,275
Prior year cash balance	725,575	725,575	-	
Net change in fund balances	\$ 7,862	\$ 7,862	(608,438)	
RECONCILIATION TO GAAP BASIS:				
Increase in other receivables			113,698	
Increase in accounts payable			(77,880)	
Net change in fund balance			\$ (572,620)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

ASSETS:

Cash and cash equivalents	\$ 3,195,802
Taxes receivable	718,429
Due from other governments	<u>80,623</u>

Total assets

\$ 3,994,854

LIABILITIES:

Taxes paid in advance	32,243
Deposits held in trust for others	3,242,984
Due to other taxing units/governments	718,429
Due to other governments	<u>1,198</u>

Total liabilities

\$ 3,994,854

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.

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 County has implemented GASB Statements 45 and 47 in the fiscal year ended June 30, 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 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 funds, information on all of the activities of the County. The effect of interfund transfers and other internal activity 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.

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.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. *Budgets (continued)*

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 uncollectible amounts.

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

The County has retroactively reported all major general infrastructure assets in accordance with GASB 34.

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.

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 3.75 hours of vacation per pay period (biweekly) from date of employment to five years of service, 4.75 hours per pay period from 6 years to 10 years of service, 5.75 hours per pay period from 11 years to 15 years of service, and 6.75 hours per pay period for 16 or greater 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.

The County's permanent, full-time employees accrue sick leave at the rate of eight 3.75 hours per pay period (biweekly) from date of employment to ten years of service and 4.75 hours per pay period for 11 or greater years of continuous employment. 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. *Net Assets*

Net assets are 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.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. *Interfund Transactions (continued)*

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.

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.

14. *Investments*

State statutes authorize the investment of County funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the County properly followed State investment requirements as of June 30, 2008.

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, 2008, the carrying amount of the County's deposits were \$58,868,729, excluding cash held as fiduciary of \$3,195,802. Total cash and cash equivalents balance per the financial institutions of \$53,943,173 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 \$40,266,699 was covered by collateral held in joint safekeeping by a third party.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND CASH EQUIVALENTS (continued)

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. The collateral pledged is listed on Schedule F-4 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.

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, 2008, \$40,266,669 of the County's bank balance of \$53,943,173 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; \$11,014,653 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.

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.

The County keeps excess cash in the State Treasurer Local Government Investment Pool (LGIP). At June 30, 2008, the County's LGIP balance was \$2,161,820.

All investments purchased for the LGIP must be high quality, with a credit rating of A or better to ensure the highest level of safety; U.S. Government securities are rated AAA and all commercial paper investments is A-1+. Also, the State Treasurer is required by law to have the overnight repurchase agreements secured by U.S. Government securities at 102%.

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

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND CASH EQUIVALENTS (continued)

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested.

Participation in the local government investment pool is voluntary.

The LGIP is rated as AAAM by Standard & Poor's, and the fund's WAM is 46 days as of June 30, 2008.

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.

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, 2008 are considered to be fully collectible and are composed of the following:

	<u>Governmental Activities</u>
Other Receivables:	
Accounts Receivable	1,711,345
Grant Receivable	541,964
Interest Receivable	<u>420,970</u>
Totals	<u>\$ 2,674,279</u>

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE E - DUE FROM OTHER GOVERNMENTS

The amounts due from other governments at June 30, 2008 are considered to be fully collectible and are composed of the following:

	<u>General Fund</u>
Due from State of New Mexico:	
Taxation & Revenue	\$ 9,608,706
Other	15,152
Lea County Solid Waste Authority	1,940,891
Lea County Water Users Association	2,288
Totals	<u>\$ 11,567,037</u>

NOTE F - DUE FROM/TO OTHER FUNDS AND TRANSFERS

Due from/to other funds consists of monies which were transferred between governmental funds to support the Lea County Event Center and fund activities. The County expects these amounts to be repaid in the upcoming year.

Individual fund interfund receivables and payable balances at June 30, 2008, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
Due to Hospital Records	\$ -	\$ 10
Special Revenue Fund:		
Due to Lea County Event Center Stipulation	-	90,000
Due from General Fund	10	-
Permanent Fund:		
Due from Lea County Event Center Permanent	90,000	-
Total	<u>\$ 90,010</u>	<u>\$ 90,010</u>

Transfers from the General Fund to Special Revenue funds are made to support the funds' activities. 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.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE F - DUE FROM/TO OTHER FUNDS AND TRANSFERS (continued)

Transfers for the year ended June 30, 2008 were as follows:

	<u>Governmental Activities</u>
Transfers Out:	
General Fund:	
To Farm and Range Special Revenue Fund	\$ (62,000)
To Recreation Special Revenue Fund	(25,000)
To Airport Fire District Special Revenue Fund	(29,400)
To SAMSHA Grant Special Revenue Fund	(479)
To Other Grants Special Revenue Fund	(423,500)
Non-Major Special Revenue Funds:	
To General Fund from DWI Special Revenue Fund	(49,144)
Non-Major Debt Service Funds:	
To General Fund from Gross Receipts Debt Reserve Debt Service Fund	(3,324,971)
Total Transfers Out	<u>(3,914,494)</u>
Transfers In:	
General Fund	
From Gross Receipts Debt Reserve Debt Service Fund	\$ 3,324,971
From DWI Special Revenue Fund	49,144
Non-Major Special Revenue Funds:	
From General Fund to Farm and Range Special Revenue Fund	62,000
From General Fund to Recreation Special Revenue Fund	25,000
From General Fund to Airport Fire District Special Revenue Fund	29,400
From General Fund to SAMSHA Grant Special Revenue Fund	479
From General Fund to Other Grants Special Revenue Fund	423,500
Total Transfers In	<u>3,914,494</u>
Total	<u>\$ -</u>

NOTE G - RISKS OF LOSS

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

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.

Insurance settlements have not exceeded insurance coverage for any of the past three fiscal years.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE H - 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.

NOTE I - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Depreciable assets				
Buildings	\$ 51,820,128	\$ -	\$ 877,425	\$ 50,942,703
Other Improvements	3,343,043	-	1,304,344	2,038,699
Furniture & Equipment	13,495,695	1,698,385	395,259	14,798,821
Infrastructure	28,211,738	4,306,547	753,465	31,764,820
Vehicles	5,428,535	446,441	380,722	5,494,254
Total depreciable assets	102,299,139	6,451,373	3,711,215	105,039,297
Less accumulated depreciation:				
Buildings	7,240,044	1,623,391	267,176	8,596,259
Other Improvements	963,268	192,693	317,281	838,680
Furniture & Equipment	8,286,941	1,233,633	352,503	9,168,071
Infrastructure	8,226,452	566,256	23,423	8,769,285
Vehicles	3,817,214	336,288	300,044	3,853,458
Total accumulated depreciation	28,533,919	3,952,261	1,260,427	31,225,753
Net depreciable assets	73,765,220	2,499,112	2,450,788	73,813,544
Non-depreciable assets				
Land	1,740,991	-	-	1,740,991
Construction in Process	1,402,431	3,884,472	-	5,286,903
Total non-depreciable assets	3,143,422	3,884,472	-	7,027,894
Net capital assets	\$ 76,908,642	\$ 6,383,584	\$ 2,450,788	\$ 80,841,438

*Depreciation expense was charged to functions as follows:

Governmental activities:

General	3,299,746
Public safety	305,599
Culture and recreation	346,916

Total governmental activities depreciation expense

\$ 3,952,261

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

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE J - LONG-TERM DEBT

Revenue Bonds

Bonds outstanding at June 30, 2008 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, 2008 was as follows:

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>	<u>Due Within One Year</u>
Gross Receipts Revenue Bonds					
Series: April 23, 2003	\$ 13,595,000	\$ -	\$ -	\$ 13,595,000	\$ 590,000
Compensated Absences (Note A)	453,311	261,675	218,406	496,580	60,669
Totals	\$ 14,048,311	\$ 261,675	\$ 218,406	\$ 14,091,580	\$ 650,669

The annual debt service requirements to maturity, including principal and interest for long-term debt as of June 30, 2008, are as follows:

Year Ending June 30,	<u>Gross Receipts Bonds Series 2003</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
2009	587,205	590,000	1,177,205
2010	569,505	605,000	1,174,505
2011	549,843	625,000	1,174,843
2012	527,967	645,000	1,172,967
2013	503,780	870,000	1,373,780
2014-2018	2,098,650	3,695,000	5,793,650
2019-2023	1,186,833	4,405,000	5,591,833
2024-2025	158,352	2,160,000	2,318,352
Total	\$ 6,182,135	\$ 13,595,000	\$ 19,777,135

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 K - 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 benefits, disability benefits, survivor benefits and cost-of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy—Plan members are required to contribute 9.15% of their gross salary, except for sheriff's deputies who are required to contribute 12.35% of their gross salary. The County is required to contribute 9.15% for employees other than sheriff's deputies and 18.5% for deputies. The contribution requirements of plan members and the County are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the years ended June 30, 2008, 2007 and 2006 were \$1,382,150, \$1,266,691 and \$1,160,375, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE L - POST EMPLOYMENT BENEFITS

Plan Description—The County contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouse and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMS 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA 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; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy—The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

LEA COUNTY, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

NOTE L – POST EMPLOYMENT BENEFITS (continued)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The County's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$157,546, \$136,544 and \$96,899, which equal the required contributions for each year.

NOTE M - 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 N - 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 O - 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, 2008.

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 O – 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 P - 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, 2008:

Knowles Fire District
Other Grants

These funds have reduced their deficits from the prior year; in addition, they do not have deficit fund balances under the County's budgetary basis accounting. These deficits will be supported by transfers from the General Fund.

NOTE Q – CONSTRUCTION COMMITMENTS

The County has active construction projects at June 30, 2008. These projects include the construction of a new airport terminal building and the installation of a new roof and HVAC system, with total costs of approximately \$8 million, of which approximately \$3.1 million represents future commitments.

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.

SAMSHA 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.

Revolving Loan Fund – To account for the loan funds received under the 1986 Community Development Block Grant Program (CDBG) #86-C-NR-I-04-GA-091.

LEA COUNTY, NEW MEXICO

**Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2008**

**Statement B-1
Page 1 of 5**

	Farm and Range	Recreation	County Clerk	Maljamar Fire District	Knowles Fire District
ASSETS					
Cash and cash equivalents	\$ 1,961	\$ 18,113	\$ 146,473	\$ 80,940	\$ 4,267
Due from other funds	-	-	-	-	-
Other receivables	-	-	-	-	-
Total assets	\$ 1,961	\$ 18,113	\$ 146,473	\$ 80,940	\$ 4,267
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 745	\$ 152	\$ 506	\$ 5,194
Due to other funds	-	-	-	-	-
Total liabilities	-	745	152	506	5,194
Fund balances:					
Reserved for fire districts	-	-	-	80,434	(927)
Unreserved	1,961	17,368	146,321	-	-
Total fund balances	1,961	17,368	146,321	80,434	(927)
Total liabilities and fund balances	\$ 1,961	\$ 18,113	\$ 146,473	\$ 80,940	\$ 4,267

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, 2008**

**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	\$ 25,027	\$ 72,198	\$ 60,975	\$ 9,044	\$ 775,967
Due from other funds	-	-	-	-	-
Other receivables	-	-	-	-	-
Total assets	\$ 25,027	\$ 72,198	\$ 60,975	\$ 9,044	\$ 775,967
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 1,630	\$ 1,837	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	-	1,630	1,837	-	-
Fund balances:					
Reserved for fire districts	25,027	70,568	-	-	-
Unreserved	-	-	59,138	9,044	775,967
Total fund balances	25,027	70,568	59,138	9,044	775,967
Total liabilities and fund balances	\$ 25,027	\$ 72,198	\$ 60,975	\$ 9,044	\$ 775,967

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, 2008

Statement B-1
Page 3 of 5

	Paving District	Property Valuation	Hospital Records	Lea County Event Center Stipulation	Knowles EMS Grant
ASSETS					
Cash and cash equivalents	\$ 481,919	\$ 410,225	\$ -	\$ 204,541	\$ 5,859
Due from other funds	-	-	10	90,000	-
Other receivables	-	-	-	-	-
Total assets	\$ 481,919	\$ 410,225	\$ 10	\$ 294,541	\$ 5,859
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 600	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	-	600	-	-	-
Fund balances:					
Reserved for fire districts	-	-	-	-	-
Unreserved	481,919	409,625	10	294,541	5,859
Total fund balances	481,919	409,625	10	294,541	5,859
Total liabilities and fund balances	\$ 481,919	\$ 410,225	\$ 10	\$ 294,541	\$ 5,859

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, 2008**

**Statement B-1
Page 4 of 5**

	Law Enforcement Project	Maljamar EMS Grant	Fire Excise Tax	Monument EMS Grant	SAMSHA Grant
ASSETS					
Cash and cash equivalents	\$ 5,844	\$ 14,788	\$ 2,320,682	\$ 12,087	\$ -
Due from other funds	-	-	-	-	-
Other receivables	-	-	4,643	-	-
Total assets	\$ 5,844	\$ 14,788	\$ 2,325,325	\$ 12,087	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 234	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	-	234	-	-	-
Fund balances:					
Reserved for fire districts	-	-	-	-	-
Unreserved	5,844	14,554	2,325,325	12,087	-
Total fund balances	5,844	14,554	2,325,325	12,087	-
Total liabilities and fund balances	\$ 5,844	\$ 14,788	\$ 2,325,325	\$ 12,087	\$ -

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, 2008**

**Statement B-1
Page 5 of 5**

	Convenience Centers	Revolving Loan Fund	PRCA Steer Roping	Other Grants	Total Non- Major Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ 1,278,234	\$ 261,965	\$ 80,698	\$ 2	\$ 6,271,809
Due from other funds	-	-	-	-	90,010
Other receivables	248,991	-	-	-	253,634
Total assets	\$ 1,527,225	\$ 261,965	\$ 80,698	\$ 2	\$ 6,615,453
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 46,919	\$ -	\$ 850	\$ 31,716	\$ 90,383
Due to other funds	-	-	-	-	-
Total liabilities	46,919	-	850	31,716	90,383
Fund balances:					
Reserved for fire districts	-	-	-	-	175,102
Unreserved	1,480,306	261,965	79,848	(31,714)	6,349,968
Total fund balances	1,480,306	261,965	79,848	(31,714)	6,525,070
Total liabilities and fund balances	\$ 1,527,225	\$ 261,965	\$ 80,698	\$ 2	\$ 6,615,453

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, 2008**

**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	\$ -	\$ 101	\$ -	\$ -	\$ -
Licenses and permits	-	-	65,696	-	-
Intergovernmental	14,277	-	-	43,627	43,627
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	-	-	-	3,947	38,745
Total revenues	14,277	101	65,696	47,574	82,372
EXPENDITURES					
Current:					
General government	-	-	6,210	20,997	81,560
Public safety	-	-	-	-	-
Culture and recreation	-	17,452	-	-	-
Farm and range	76,500	-	-	-	-
Capital outlay	-	-	43,994	102,779	-
Total expenditures	76,500	17,452	50,204	123,776	81,560
Excess (deficiency) of revenues over expenditures	(62,223)	(17,351)	15,492	(76,202)	812
OTHER FINANCING SOURCES (USES)					
Transfers in	62,000	25,000	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	62,000	25,000	-	-	-
Net change in fund balances	(223)	7,649	15,492	(76,202)	812
Fund balances - beginning of year	2,184	9,719	130,829	156,636	(1,739)
Fund balances - end of year	\$ 1,961	\$ 17,368	\$ 146,321	\$ 80,434	\$ (927)

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, 2008**

	Airport Fire District	Monument Fire District	DWI	House Bill 198 Grant	Correction Fees
REVENUES					
Property, sales, and miscellaneous taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	29,550	-	-
Intergovernmental	-	43,628	439,554	-	162,625
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	-	3,456	4,230	-	-
Total revenues	-	47,084	473,334	-	162,625
EXPENDITURES					
Current:					
General government	5,457	41,590	461,431	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Farm and range	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	5,457	41,590	461,431	-	-
Excess (deficiency) of revenues over expenditures	(5,457)	5,494	11,903	-	162,625
OTHER FINANCING SOURCES (USES)					
Transfers in	29,400	-	-	-	-
Transfers out	-	-	(49,144)	-	-
Total other financing sources (uses)	29,400	-	(49,144)	-	-
Net change in fund balances	23,943	5,494	(37,241)	-	162,625
Fund balances - beginning of year	1,084	65,074	96,379	9,044	613,342
Fund balances - end of year	\$ 25,027	\$ 70,568	\$ 59,138	\$ 9,044	\$ 775,967

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, 2008**

Page 3 of 5

	Paving District	Property Valuation	Hospital Records	Lea County Event Center Stipulation	Knowles EMS Grant
REVENUES					
Property, sales, and miscellaneous taxes	\$ 3,187	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	6,473
Charges for services	-	157,273	-	-	-
Investment earnings	1,485	-	-	72,805	-
Miscellaneous	-	-	-	-	-
Total revenues	4,672	157,273	-	72,805	6,473
EXPENDITURES					
Current:					
General government	-	110,905	-	-	-
Public safety	-	-	-	-	6,202
Culture and recreation	-	-	-	-	-
Farm and range	-	-	-	-	-
Capital outlay	-	52,723	-	-	-
Total expenditures	-	163,628	-	-	6,202
Excess (deficiency) of revenues over expenditures	4,672	(6,355)	-	72,805	271
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	4,672	(6,355)	-	72,805	271
Fund balances - beginning of year	477,247	415,980	10	221,736	5,588
Fund balances - end of year	\$ 481,919	\$ 409,625	\$ 10	\$ 294,541	\$ 5,859

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, 2008**

	Law Enforcement Project	Maljamar EMS Grant	Fire Excise Tax	Monument EMS Grant	SAMSHA Grant
REVENUES					
Property, sales, and miscellaneous taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	69,119	4,800	-	6,381	-
Charges for services	-	-	-	-	-
Investment earnings	-	-	82,658	-	-
Miscellaneous	-	-	-	240	-
Total revenues	69,119	4,800	82,658	6,621	-
EXPENDITURES					
Current:					
General government	-	-	20,751	-	-
Public safety	66,880	2,892	-	2,162	-
Culture and recreation	-	-	-	-	-
Farm and range	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	66,880	2,892	20,751	2,162	-
Excess (deficiency) of revenues over expenditures	2,239	1,908	61,907	4,459	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	479
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	479
Net change in fund balances	2,239	1,908	61,907	4,459	479
Fund balances - beginning of year	3,605	12,646	2,263,418	7,628	(479)
Fund balances - end of year	\$ 5,844	\$ 14,554	\$ 2,325,325	\$ 12,087	\$ -

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
For the Year Ended June 30, 2008

	Convenience Centers	Revolving Loan Fund	PRCA Steer Roping	Other Grants	Total Non-Major Special Revenue Funds
REVENUES					
Property, sales, and miscellaneous taxes	\$ 1,405,713	\$ -	\$ -	\$ -	\$ 1,409,001
Licenses and permits	-	-	-	-	95,246
Intergovernmental	-	-	-	310,412	1,144,523
Charges for services	-	-	443,058	-	600,331
Investment earnings	-	7,236	-	-	164,184
Miscellaneous	-	254,729	-	-	305,347
Total revenues	1,405,713	261,965	443,058	310,412	3,718,632
EXPENDITURES					
Current:					
General government	983,697	-	-	618,231	2,350,829
Public safety	-	-	-	-	78,136
Culture and recreation	-	-	400,704	-	418,156
Farm and range	-	-	-	-	76,500
Capital outlay	-	-	-	-	199,496
Total expenditures	983,697	-	400,704	618,231	3,123,117
Excess (deficiency) of revenues over expenditures	422,016	261,965	42,354	(307,819)	595,515
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	423,500	540,379
Transfers out	-	-	-	-	(49,144)
Total other financing sources (uses)	-	-	-	423,500	491,235
Net change in fund balances	422,016	261,965	42,354	115,681	1,086,750
Fund balances - beginning of year	1,058,290	-	37,494	(147,395)	5,438,320
Fund balances - end of year	\$ 1,480,306	\$ 261,965	\$ 79,848	\$ (31,714)	\$ 6,525,070

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Farm and Range
For the Year Ended June 30, 2008**

Statement B-3

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 14,500	\$ 14,500	\$ 14,277	\$ (223)
Total revenues	14,500	14,500	14,277	(223)
EXPENDITURES				
Farm and Range	76,500	76,500	76,500	-
Total expenditures	76,500	76,500	76,500	-
Excess (deficiency) of revenues over expenditures	(62,000)	(62,000)	(62,223)	\$ (223)
OTHER FINANCING SOURCES (USES)				
Transfers in	62,000	62,000	62,000	-
Total other financing sources and (uses)	62,000	62,000	62,000	\$ -
Prior year cash balance	2,184	2,184	-	
Net change in fund balances	\$ 2,184	\$ 2,184	(223)	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ (223)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Recreation
For the Year Ended June 30, 2008**

Statement B-4

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Sales and miscellaneous taxes	\$ -	\$ -	\$ 101	\$ 101
Total revenues	-	-	101	101
EXPENDITURES				
Culture and recreation	25,000	25,000	16,871	8,129
Total expenditures	25,000	25,000	16,871	8,129
Excess (deficiency) of revenues over expenditures	(25,000)	(25,000)	(16,770)	\$ 8,230
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
Total other financing sources and (uses)	25,000	25,000	25,000	\$ -
Prior year cash balance	9,883	9,883	-	
Net change in fund balances	\$ 9,883	\$ 9,883	8,230	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(581)	
Net change in fund balance			\$ 7,649	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
County Clerk
For the Year Ended June 30, 2008**

Statement B-5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Licenses and permits	\$ 65,000	\$ 65,000	\$ 65,696	\$ 696
Total revenues	65,000	65,000	65,696	696
EXPENDITURES				
General government	11,600	11,600	6,058	5,542
Capital Outlay	80,000	80,000	43,994	36,006
Total expenditures	91,600	91,600	50,052	41,548
Excess (deficiency) of revenues over expenditures	(26,600)	(26,600)	15,644	\$ 42,244
Prior year cash balance	130,830	130,830	-	
Net change in fund balances	\$ 104,230	\$ 104,230	15,644	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(152)	
Net change in fund balance			\$ 15,492	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Maljamar Fire District
For the Year Ended June 30, 2008**

Statement B-6

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 40,773	\$ 40,773	\$ 43,627	\$ 2,854
Miscellaneous	-	-	3,947	3,947
Total revenues	40,773	40,773	47,574	6,801
EXPENDITURES				
General government	40,773	40,773	20,537	20,236
Capital Outlay	110,000	110,000	102,779	7,221
Total expenditures	150,773	150,773	123,316	27,457
Excess (deficiency) of revenues over expenditures	(110,000)	(110,000)	(75,742)	\$ 34,258
Prior year cash balance	156,681	156,681	-	
Net change in fund balances	\$ 46,681	\$ 46,681	(75,742)	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(460)	
Net change in fund balance			\$ (76,202)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Knowles Fire District
For the Year Ended June 30, 2008**

Statement B-7

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 40,773	\$ 40,773	\$ 43,628	\$ 2,855
Miscellaneous	-	37,400	38,745	1,345
Total revenues	40,773	78,173	82,373	4,200
EXPENDITURES				
General government	40,773	78,173	78,149	24
Total expenditures	40,773	78,173	78,149	24
Excess (deficiency) of revenues over expenditures	-	-	4,224	\$ 4,224
Prior year cash balance	43	43	-	
Net change in fund balances	\$ 43	\$ 43	4,224	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(3,412)	
Net change in fund balance			\$ 812	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Airport Fire District
For the Year Ended June 30, 2008**

Statement B-8

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
General government	29,400	29,400	5,457	23,943
Capital Outlay	-	-	-	-
Total expenditures	29,400	29,400	5,457	23,943
Excess (deficiency) of revenues over expenditures	(29,400)	(29,400)	(5,457)	\$ 23,943
OTHER FINANCING SOURCES (USES)				
Transfers in	29,400	29,400	29,400	-
Total other financing sources and (uses)	29,400	29,400	29,400	\$ -
Prior year cash balance	1,084	1,084	-	-
Net change in fund balances	\$ 1,084	\$ 1,084	23,943	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			<u>\$ 23,943</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 (non-GAAP Budgetary Basis) and Actual
Monument Fire District
For the Year Ended June 30, 2008**

Statement B-9

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 40,773	\$ 40,773	\$ 43,629	\$ 2,856
Miscellaneous	-	-	3,456	3,456
Total revenues	40,773	40,773	47,085	6,312
EXPENDITURES				
General government	95,773	95,773	42,282	53,491
Total expenditures	95,773	95,773	42,282	53,491
Excess (deficiency) of revenues over expenditures	(55,000)	(55,000)	4,803	\$ 59,803
Prior year cash balance	67,396	67,396	-	
Net change in fund balances	\$ 12,396	\$ 12,396	4,803	
RECONCILIATION TO GAAP BASIS:				
Decrease in accounts payable			691	
Net change in fund balance			\$ 5,494	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
DWI
For the Year Ended June 30, 2008**

Statement B-10

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Licenses and permits	\$ 25,000	\$ 25,000	\$ 29,550	\$ 4,550
Intergovernmental	506,429	506,429	499,066	(7,363)
Miscellaneous	29,300	29,300	4,230	(25,070)
Total revenues	560,729	560,729	532,846	(27,883)
EXPENDITURES				
General government	559,074	509,074	459,765	49,309
Total expenditures	559,074	509,074	459,765	49,309
Excess (deficiency) of revenues over expenditures	1,655	51,655	73,081	\$ 21,426
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(49,144)	(49,144)	-
Total other financing sources and (uses)	-	(49,144)	(49,144)	\$ -
Prior year cash balance	36,596	36,596	-	
Net change in fund balances	\$ 38,251	\$ 39,107	23,937	
RECONCILIATION TO GAAP BASIS:				
Decrease in other receivables			(59,513)	
Increase in accounts payable			(1,665)	
Net change in fund balance			\$ (37,241)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget (non-GAAP Budgetary Basis) and Actual
 House Bill 198 Grant
 For the Year Ended June 30, 2008**

Statement B-11

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	\$ -
Prior year cash balance	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 (non-GAAP Budgetary Basis) and Actual
Correction Fees
For the Year Ended June 30, 2008**

Statement B-12

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 162,625	\$ 92,625
Total revenues	70,000	70,000	162,625	92,625
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	70,000	70,000	162,625	\$ 92,625
Prior year cash balance	613,341	613,341	-	
Net change in fund balances	\$ 683,341	\$ 683,341	162,625	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 162,625	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Paving District
For the Year Ended June 30, 2008**

Statement B-13

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ 3,187	\$ 3,187
Investment earnings	250	250	1,485	1,235
Total revenues	250	250	4,672	4,422
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	250	250	4,672	\$ 4,422
Prior year cash balance	477,247	477,247	-	
Net change in fund balances	\$ 477,497	\$ 477,497	4,672	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 4,672	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Property Valuation
For the Year Ended June 30, 2008**

Statement B-14

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Charges for services	\$ 100,000	\$ 100,000	\$ 157,273	\$ 57,273
Total revenues	100,000	100,000	157,273	57,273
EXPENDITURES				
General government	134,860	134,540	110,437	24,103
Capital Outlay	68,000	68,320	52,723	15,597
Total expenditures	202,860	202,860	163,160	39,700
Excess (deficiency) of revenues over expenditures	(102,860)	(102,860)	(5,887)	\$ 96,973
Prior year cash balance	416,112	416,112	-	
Net change in fund balances	\$ 313,252	\$ 313,252	(5,887)	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(468)	
Net change in fund balance			\$ (6,355)	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Lea County Event Center Stipulation
For the Year Ended June 30, 2008**

Statement B-15

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Investment earnings	\$ 35,000	\$ 35,000	\$ 72,805	\$ 37,805
Total revenues	35,000	35,000	72,805	37,805
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	35,000	35,000	72,805	\$ 37,805
Prior year cash balance	131,737	131,737	-	
Net change in fund balances	\$ 166,737	\$ 166,737	72,805	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			<u>\$ 72,805</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 (non-GAAP Budgetary Basis) and Actual
Knowles EMS Grant
For the Year Ended June 30, 2008**

Statement B-16

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 6,532	\$ 6,532	\$ 6,473	\$ (59)
Total revenues	6,532	6,532	6,473	(59)
EXPENDITURES				
Public safety	6,532	6,532	6,202	330
Total expenditures	6,532	6,532	6,202	330
Excess (deficiency) of revenues over expenditures	-	-	271	\$ 271
Prior year cash balance	5,589	5,589	-	
Net change in fund balances	\$ 5,589	\$ 5,589	271	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 271	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Law Enforcement Project
For the Year Ended June 30, 2008**

Statement B-17

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 41,000	\$ 69,000	\$ 69,119	\$ 119
Total revenues	41,000	69,000	69,119	119
EXPENDITURES				
Public safety	41,000	67,900	66,880	1,020
Total expenditures	41,000	67,900	66,880	1,020
Excess (deficiency) of revenues over expenditures	-	1,100	2,239	\$ 1,139
Prior year cash balance	3,605	3,605	-	
Net change in fund balances	\$ 3,605	\$ 4,705	2,239	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 2,239	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Maljamar EMS Grant
For the Year Ended June 30, 2008**

Statement B-18

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 4,800	\$ 4,800	\$ 4,800	\$ -
Total revenues	4,800	4,800	4,800	-
EXPENDITURES				
Public safety	4,800	4,800	2,658	2,142
Total expenditures	4,800	4,800	2,658	2,142
Excess (deficiency) of revenues over expenditures	-	-	2,142	\$ 2,142
Prior year cash balance	12,646	12,646	-	
Net change in fund balances	\$ 12,646	\$ 12,646	2,142	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(234)	
Net change in fund balance			\$ 1,908	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Fire Excise Tax
For the Year Ended June 30, 2008**

Statement B-19

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Investment earnings	\$ 75,000	\$ 75,000	\$ 84,944	\$ 9,944
Total revenues	75,000	75,000	84,944	9,944
EXPENDITURES				
General government	75,000	75,000	20,751	54,249
Total expenditures	75,000	75,000	20,751	54,249
Excess (deficiency) of revenues over expenditures	-	-	64,193	\$ 64,193
Prior year cash balance	2,256,490	2,256,490	-	
Net change in fund balances	\$ 2,256,490	\$ 2,256,490	64,193	
RECONCILIATION TO GAAP BASIS:				
Decrease in oher receivables			(2,286)	
Net change in fund balance			\$ 61,907	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Monument EMS Grant
For the Year Ended June 30, 2008**

Statement B-20

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 6,436	\$ 6,436	\$ 6,381	\$ (55)
Miscellaneous	-	-	240	240
Total revenues	6,436	6,436	6,621	185
EXPENDITURES				
Public safety	6,436	6,436	2,402	4,034
Total expenditures	6,436	6,436	2,402	4,034
Excess (deficiency) of revenues over expenditures	-	-	4,219	\$ 4,219
Prior year cash balance	7,868	7,868	-	
Net change in fund balances	\$ 7,868	\$ 7,868	4,219	
RECONCILIATION TO GAAP BASIS:				
Decrease in accounts payable			240	
Net change in fund balance			\$ 4,459	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
SAMSHA Grant
For the Year Ended June 30, 2008**

Statement B-21

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 480	\$ 480	\$ -	\$ (480)
Total revenues	480	480	-	(480)
EXPENDITURES				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	480	480	-	\$ (480)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	479	479	-
Total other financing sources and (uses)	-	479	479	\$ -
Net change in fund balances	\$ 480	\$ 959	479	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 479	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Convenience Centers
For the Year Ended June 30, 2008**

Statement B-22

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Sales and miscellaneous taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,342,358	\$ 342,358
Total revenues	1,000,000	1,000,000	1,342,358	342,358
EXPENDITURES				
Current:				
General government	923,800	959,100	959,023	77
Total expenditures	923,800	959,100	959,023	77
Excess (deficiency) of revenues over expenditures	76,200	40,900	383,335	\$ 342,435
Prior year cash balance	894,899	894,899	-	
Net change in fund balances	\$ 971,099	\$ 935,799	383,335	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(24,675)	
Increase in other receivables			63,356	
Net change in fund balance			\$ 422,016	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Revolving Loan Fund
For the Year Ended June 30, 2008**

Statement B-23

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Investment earnings	-	-	\$ 7,236	7,236
Miscellaneous	-	-	254,729	254,729
Total revenues	-	-	261,965	261,965
EXPENDITURES				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	261,965	\$ 261,965
Prior year cash balance	-	-	-	-
Net change in fund balances	\$ -	\$ -	261,965	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			\$ 261,965	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
PRCA Steer Roping
For the Year Ended June 30, 2008**

Statement B-24

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Charges for services	455,000	455,000	443,058	(11,942)
Total revenues	455,000	455,000	443,058	(11,942)
EXPENDITURES				
Current:				
Culture and recreation	460,383	454,083	399,854	54,229
Total expenditures	460,383	454,083	399,854	54,229
Excess (deficiency) of revenues over expenditures	(5,383)	917	43,204	\$ 42,287
Prior year cash balance	37,495	37,495	-	
Net change in fund balances	\$ 32,112	\$ 38,412	43,204	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(850)	
Net change in fund balance			\$ 42,354	

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Other Grants
For the Year Ended June 30, 2008**

Statement B-25

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 2,580,121	\$ 2,580,121	\$ 967,484	\$ (1,612,637)
Total revenues	2,580,121	2,580,121	967,484	(1,612,637)
EXPENDITURES				
Current:				
General government	1,592,737	1,592,737	600,751	991,986
Total expenditures	1,592,737	1,592,737	600,751	991,986
Excess (deficiency) of revenues over expenditures	987,384	987,384	366,733	\$ (620,651)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	423,500	423,500	-
Total other financing sources and (uses)	-	423,500	423,500	\$ -
Net change in fund balances	\$ 987,384	\$ 1,410,884	790,233	
RECONCILIATION TO GAAP BASIS:				
Increase in accounts payable			(17,480)	
Decrease in other receivables			(657,072)	
Net change in fund balance			\$ 115,681	

The accompanying notes are an integral part of these statements.

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, 2008

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	-	706,132	706,132
Total assets	\$ 1,177,205	\$ 706,132	\$ 1,883,337
LIABILITIES AND FUND BALANCES			
Liabilities:	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balances:			
Reserved	1,177,205	706,132	1,883,337
Total fund balances	1,177,205	706,132	1,883,337
Total liabilities and fund balances	\$ 1,177,205	\$ 706,132	\$ 1,883,337

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, 2008**

Statement C-2

	Detention Bond Reserve	Gross Receipts Debt Service	Total Non-major Debt Service Funds
REVENUES			
Property, sales and miscellaneous taxes	\$ -	\$ 3,934,018	\$ 3,934,018
Investment earnings	-	91,858	91,858
Total revenues	-	4,025,876	4,025,876
EXPENDITURES			
Interest and other charges	-	587,205	587,205
Total expenditures	-	587,205	587,205
Excess (deficiency) of revenues over expenditures	-	3,438,671	3,438,671
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(3,324,971)	(3,324,971)
Total other financing sources (uses)	-	(3,324,971)	(3,324,971)
Net change in fund balances	-	113,700	113,700
Fund balances - beginning of year	1,177,205	592,432	1,769,637
Fund balances - end of year	\$ 1,177,205	\$ 706,132	\$ 1,883,337

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (non-GAAP Budgetary Basis) and Actual
Detention Bond Reserve
For the Year Ended June 30, 2008**

Statement C-3

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	\$ -
Prior year cash balance	1,177,205	1,177,205	-	
Net change in fund balances	<u>\$ 1,177,205</u>	<u>\$ 1,177,205</u>	-	
RECONCILIATION TO GAAP BASIS:				
Net change in fund balance			<u>\$ -</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 (non-GAAP Budgetary Basis) and Actual
Gross Receipts Debt Service
For the Year Ended June 30, 2008**

Statement C-4

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Sales and miscellaneous taxes	\$ 3,000,000	\$ 3,000,000	\$ 3,820,317	\$ 820,317
Investment earnings	60,000	60,000	91,858	31,858
Total revenues	3,060,000	3,060,000	3,912,175	852,175
EXPENDITURES				
Interest and other charges	587,205	587,205	587,205	-
Total expenditures	587,205	587,205	587,205	-
Excess (deficiency) of revenues over expenditures	2,472,795	2,472,795	3,324,970	\$ 852,175
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,472,795)	(3,324,971)	(3,324,971)	-
Total other financing sources and (uses)	(2,472,795)	(3,324,971)	(3,324,971)	\$ -
Net change in fund balances	\$ -	\$ (852,176)	(1)	
RECONCILIATION TO GAAP BASIS:				
Increase in taxes receivable (excluding property tax)			113,701	
Net change in fund balance			\$ 113,700	

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, 2008**

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	1,353,125
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, 2008

Statement D-2

	<u>Lea County Event Center Permanent</u>
REVENUES	<u>\$ -</u>
Total revenues	<u>-</u>
EXPENDITURES	<u>-</u>
Total expenditures	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>
 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 (non-GAAP Budgetary Basis) and Actual
Lea County Event Center Permanent
For the Year Ended June 30, 2008**

Statement D-3

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	\$ -
Prior year cash balance	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 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, 2008**

**Statement E-1
Page 1 of 3**

	June 30, 2007	Additions	Deletions	June 30, 2008
COUNTY TREASURER'S OFFICE				
Assets				
Cash	\$ 1,333,087	\$ 51,320,256	\$ 50,596,814	\$ 2,056,529
Taxes receivable	709,857	19,251,473	19,242,901	718,429
Total assets	\$ 2,042,944	\$ 70,571,729	\$ 69,839,715	\$ 2,774,958
Liabilities				
Taxes paid in advance	\$ 30,759	\$ 31,223	\$ 29,739	\$ 32,243
Deposits held in trust for others	1,302,328	51,289,033	50,567,075	2,024,286
Due to other taxing units/governments	709,857	19,251,473	19,242,901	718,429
Total liabilities	\$ 2,042,944	\$ 70,571,729	\$ 69,839,715	\$ 2,774,958
COUNTY CLERK'S OFFICE				
Assets				
Cash	\$ 29,066	\$ 325,066	\$ 329,633	\$ 24,499
Total assets	\$ 29,066	\$ 325,066	\$ 329,633	\$ 24,499
Liabilities				
Deposits held in trust for others	\$ 29,066	\$ 325,066	\$ 329,633	\$ 24,499
Total liabilities	\$ 29,066	\$ 325,066	\$ 329,633	\$ 24,499
COUNTY PROBATE JUDGE'S OFFICE				
Assets				
Cash	\$ 240	\$ 3,810	\$ 3,780	\$ 270
Total assets	\$ 240	\$ 3,810	\$ 3,780	\$ 270
Liabilities				
Deposits held in trust for others	\$ 240	\$ 3,810	\$ 3,780	\$ 270
Total liabilities	\$ 240	\$ 3,810	\$ 3,780	\$ 270

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, 2008

Page 2 of 3

	June 30, 2007	Additions	Deletions	June 30, 2008
DETENTION INMATE TRUST				
Assets				
Cash	\$ 961	\$ 544,043	\$ 508,100	\$ 36,904
Total assets	\$ 961	\$ 544,043	\$ 508,100	\$ 36,904
Liabilities				
Deposits held in trust for others	\$ 961	\$ 544,043	\$ 508,100	\$ 36,904
Total liabilities	\$ 961	\$ 544,043	\$ 508,100	\$ 36,904
LEA COUNTY SOLID WASTE AUTHORITY				
Assets				
Cash	\$ 1,620,636	\$ 2,545,620	\$ 3,090,183	\$ 1,076,073
Total assets	\$ 1,620,636	\$ 2,545,620	\$ 3,090,183	\$ 1,076,073
Liabilities				
Deposits held in trust for others	\$ 1,620,636	\$ 2,545,620	\$ 3,090,183	\$ 1,076,073
Total liabilities	\$ 1,620,636	\$ 2,545,620	\$ 3,090,183	\$ 1,076,073
LEA COUNTY WATER USERS ASSOCIATION				
Assets				
Cash	\$ 6,886	\$ 52,234	\$ 59,120	\$ -
Due from other governments	81,821	38,002	39,200	80,623
Total assets	\$ 88,707	\$ 90,236	\$ 98,320	\$ 80,623
Liabilities				
Due to others	\$ -	\$ 1,198	\$ -	\$ 1,198
Deposits held in trust for others	88,707	89,038	98,320	79,425
Total liabilities	\$ 88,707	\$ 90,236	\$ 98,320	\$ 80,623

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, 2008

Page 3 of 3

	June 30, 2007	Additions	Deletions	June 30, 2008
DETENTION BOND ACCOUNT				
Assets				
Cash	\$ 2,958	\$ 110,610	\$ 112,041	\$ 1,527
Total assets	\$ 2,958	\$ 110,610	\$ 112,041	\$ 1,527
Liabilities				
Deposits held in trust for others	\$ 2,958	\$ 110,610	\$ 112,041	\$ 1,527
Total liabilities	\$ 2,958	\$ 110,610	\$ 112,041	\$ 1,527
TOTALS				
Assets				
Cash	\$ 2,993,834	\$ 54,901,639	\$ 54,699,671	\$ 3,195,802
Taxes receivable	709,857	19,251,473	19,242,901	718,429
Due from other governments	81,821	38,002	39,200	80,623
Total assets	\$ 3,785,512	\$ 74,191,114	\$ 73,981,772	\$ 3,994,854
Liabilities				
Taxes paid in advance	\$ 30,759	\$ 31,223	\$ 29,739	\$ 32,243
Deposits held in trust for others	3,044,896	54,907,220	54,709,132	3,242,984
Due to other taxing units/governments	709,857	19,251,473	19,242,901	718,429
Due to others	-	1,198	-	1,198
Total liabilities	\$ 3,785,512	\$ 74,191,114	\$ 73,981,772	\$ 3,994,854

The accompanying notes are an integral part of these statements.

OTHER SUPPLEMENTAL INFORMATION

LEA COUNTY, NEW MEXICO

SUPPLEMENTAL SCHEDULE OF RECONCILIATION OF TAX ROLLS
Year Ended June 30, 2008

Schedule F-1

	Taxes Receivable 7/1/2007	Net Taxes Charged to Treasurer	Collections	Taxes Receivable 6/30/2008	Distributions
Lea County funds:					
General	\$ 379,358	\$ 6,911,871	\$ 6,911,452	\$ 379,777	\$ 6,911,452
New Mexico Junior College	190,067	3,365,319	3,365,926	189,460	3,365,926
Nor-Lea Hospital	33,406	719,474	720,894	31,986	720,894
Jal Hospital	2,886	82,697	83,138	2,444	83,138
Livestock	4,878	101,516	98,274	8,120	98,274
Eunice Hospital District	3,221	111,963	112,554	2,629	112,554
Municipalities:					
Lovington	21,822	253,759	254,436	21,145	254,436
Eunice	8,931	86,425	87,601	7,754	87,601
Hobbs	77,673	1,433,084	1,424,886	85,871	1,424,886
Jal	6,802	64,873	65,239	6,436	65,239
Tatum	1,492	13,261	13,100	1,652	13,100
State of New Mexico	53,034	857,653	859,252	51,435	859,252
Schools:					
Lovington	48,638	1,157,839	1,156,399	50,078	1,156,399
Eunice	6,251	250,292	250,986	5,556	250,986
Hobbs	236,410	3,320,521	3,319,636	237,295	3,319,636
Jal	2,849	82,467	82,903	2,412	82,903
Tatum	2,856	132,648	130,180	5,324	130,180
Taxes in Advance	-	636	560	76	560
Re-appraisal	8,640	157,387	157,272	8,755	157,272
Total taxes	\$ 1,089,214	\$ 19,103,685	\$ 19,094,688	\$ 1,098,205	\$ 19,094,688

Property Taxes Receivable by years:

1999	\$ 1,645
2000	18,765
2001	20,606
2002	21,669
2003	28,145
2004	28,802
2005	39,164
2006	55,463
2007	190,625
2008	693,321

Total Taxes Receivable **\$ 1,098,205**

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

COUNTY TREASURER'S PROPERTY TAX SCHEDULE Year Ended June 30, 2008

Schedule F-2

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
Lea County funds:											
General	\$ 467	\$ 7,178	\$ 8,289	\$ 8,657	\$ 9,488	\$ 9,288	\$ 14,713	\$ 20,263	\$ 65,870	\$ 235,544	\$ 379,777
New Mexico Junior College	290	4,150	3,410	3,642	5,600	5,491	7,074	9,933	32,599	117,271	189,460
Nor-Lea Hospital	90	108	186	68	225	230	848	1,002	3,904	25,325	31,986
Jal Hospital	3	3	3	6	6	6	36	71	357	1,953	2,444
Livestock	-	-	-	-	-	-	484	828	1,342	5,466	8,120
Eunice Hospital District	-	-	-	-	-	25	134	245	573	1,652	2,629
Municipalities:											
Lovington	46	62	170	56	272	272	378	679	3,317	15,893	21,145
Eunice	3	3	3	7	36	47	362	724	1,691	4,878	7,754
Hobbs	151	120	407	610	888	729	1,278	2,674	19,037	59,977	85,871
Jal	8	7	7	17	18	18	101	198	1,020	5,042	6,436
Tatum	47	47	47	12	12	13	19	63	192	1,200	1,652
State of New Mexico	94	1,351	1,551	1,813	1,264	1,683	1,483	2,558	8,837	30,801	51,435
Schools:											
Lovington	71	98	227	72	341	348	1,312	1,336	5,594	40,679	50,078
Eunice	25	24	25	37	37	43	234	453	1,069	3,609	5,556
Hobbs	230	5,516	6,202	6,469	9,708	10,347	10,295	13,731	42,910	131,889	237,297
Jal	2	2	2	6	6	6	36	70	351	1,931	2,412
Tatum	98	96	77	17	19	23	56	180	306	4,452	5,324
Nonrendered:											
1% Assessor	-	-	-	180	225	233	321	455	1,656	5,759	8,829
Total taxes	\$ 1,645	\$ 18,765	\$ 20,806	\$ 21,669	\$ 28,145	\$ 28,802	\$ 39,164	\$ 55,463	\$ 190,625	\$ 693,321	\$ 1,098,205

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS JUNE 30, 2008

Schedule F-3

Account Type	Account Name	Lea County State Bank	Western Commerce Bank	Pioneer Savings Bank	Wells Fargo	First National Bank	New Mexico State Treasurer	Total
Checking	Lea County Treasurer	\$ 275,500						\$ 275,500
Checking	Lea County Clerk	24,499						\$ 24,499
Checking	Lea County Probate Clerk	270						\$ 270
Checking	LCDC Inmate Trust Account	2,352						\$ 2,352
Checking	Lea County Treasurer EFTPS	172,651						\$ 172,651
Checking	Lea County Detention Facility	1,527						\$ 1,527
Tbill	Lea County Treasurer	990,285						\$ 990,285
CD	Lea County Treasurer	2,000,000						\$ 2,000,000
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	100,145						\$ 100,145
CD	Lea County Treasurer					1,000,000		\$ 1,000,000
CD	Lea County Treasurer					1,177,205		\$ 1,177,205
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			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			2,000,000				\$ 2,000,000
Checking	Lea County Treasurer				253,527			\$ 253,527
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				2,005,800			\$ 2,005,800
CD	Lea County Treasurer				995,673			\$ 995,673
CD	Lea County Treasurer				1,000,650			\$ 1,000,650
CD	Lea County Treasurer				1,000,422			\$ 1,000,422
CD	Lea County Treasurer				1,000,994			\$ 1,000,994
CD	Lea County Treasurer				1,000,000			\$ 1,000,000
CD	Lea County Treasurer				1,443,125			\$ 1,443,125
Checking	LCDC Inmate Trust Account						108	\$ 108
Checking	LCDC Inmate Trust Account				34,444			\$ 34,444
Checking	Debt Service Account				852,176			\$ 852,176
CD	Lea County Treasurer		1,000,000					\$ 1,000,000
CD	Lea County Treasurer		600,000					\$ 600,000
CD	Lea County Treasurer		2,000,000					\$ 2,000,000
CD	Lea County Treasurer		500,000					\$ 500,000
CD	Lea County Treasurer		850,000					\$ 850,000
LGIP	Lea County Treasurer						2,000,000	\$ 2,000,000
LGIP	Lea County Treasurer						161,820	\$ 161,820
Amounts on Deposit		\$ 7,567,229	\$ 4,950,000	\$ 9,000,000	\$ 25,086,919	\$ 5,177,205	\$ 2,161,820	\$ 53,943,173
Cash and returned checks on hand		1,000	-	-	-	-	-	1,000
Outstanding items		(3,161,250)	-	-	8,085,806	-	-	4,924,556
		\$ 4,406,979	\$ 4,950,000	\$ 9,000,000	\$ 33,172,725	\$ 5,177,205	\$ 2,161,820	\$ 58,868,729
Restricted cash							57,425,604	
Total cash							1,443,125	\$ 58,868,729

The accompanying notes are an integral part of these statements.

LEA COUNTY, NEW MEXICO

SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL

Schedule F-4

June 30, 2008

	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	\$ 7,567,229	\$ 4,950,000	\$ 9,000,000	\$ 25,086,918	\$ 5,177,205	\$ 51,781,352
Less: FDIC or FSLIC coverage	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(500,000)
Total uninsured public funds	7,467,229	4,850,000	8,900,000	24,986,918	5,077,205	51,281,352
Collateral requirement - 50%	3,733,615	2,425,000	4,450,000	12,493,459	2,538,603	25,640,676
Pledged securities:						
Type of security and security number	CUSIP number	Maturity date				
* FHLMC #80691	31282RXU2	7/1/2008	-	4,894	-	4,894
* FHLMC #E01425	31294KSN6	8/1/2018	-	981,896	-	981,896
* GNMA #8434	36202KLP8	6/20/2024	-	168,581	-	168,581
* GNMA #8666	36202KTX3	7/20/2020	-	119,162	-	119,162
* GNMA #8996	36202K7H2	6/20/2022	-	182,191	-	182,191
* GNMA #254187	31371KJ85	12/1/2008	-	75,805	-	75,805
* GNMA #780615A	36225AVG2	8/15/2027	-	145,980	-	145,980
* GNMA #80946	36225DBQ6	6/20/2034	-	374,502	-	374,502
* GNMA #80272	36225CJ56	4/20/2029	-	71,683	-	71,683
* FNMA #52597	313617NN8	7/1/2027	-	61,027	-	61,027
* FNMA #133456	31365PE53	5/1/2027	-	60,949	-	60,949
* FNMA #70002	31362SX75	4/1/2018	-	43,843	-	43,843
* FNMA #70619	31362TPC1	8/1/2029	-	47,743	-	47,743
* FNMA #888990	31410GUP6	1/1/2037	-	1,863,979	-	1,863,979
☼ Torrance County	891400HK2	7/1/2008	500,215	-	-	500,215
☼ Corrales, NM	22025PAV9	8/1/2016	122,349	-	-	122,349
☼ Gallup McKinley	364010NF1	8/15/2015	667,427	-	-	667,427
☼ Torrance County	891400BF1	7/1/2016	-	365,003	-	365,003
☼ FHR 2982 NG	31395UQB0	2/15/2023	1,227,350	-	-	1,227,350
☼ San Juan County	798360EC3	8/15/2016	1,000,450	-	-	1,000,450
☼ Ruidoso, NM	781338GH5	8/1/2016	599,982	-	-	599,982
≈ FGIQH #0H06895	3128MS7G9	6/1/2037	-	292,992	-	292,992
≈ FNIONP #256327	31371MVU8	7/1/2036	-	3,366,330	-	3,366,330
≈ FNCL #256513	31371M3W5	12/1/2036	-	999,248	-	999,248
≈ FNCL #257004	31371NNV3	10/1/2037	-	3,387,236	-	3,387,236
≈ FNCL #867437	31409CV69	5/1/2036	-	972,597	-	972,597
≈ FNCL #867437	31409CV69	5/1/2036	-	8,066,382	-	8,066,382
≈ FNIONP #878442	31409T5B0	5/1/2036	-	744,292	-	744,292
≈ FNCL #879100	31409UUZ6	5/1/2036	-	697,833	-	697,833
* GNMA #080562	36225CTU0	12/20/2031	-	201,892	-	201,892
* GNMA #780313-1	36225AK25	1/15/2011	-	1,394	-	1,394
* FNMA #661745	31391BES2	9/1/2032	-	105,752	-	105,752
* FNMA #696460	31400SWV7	4/1/2033	-	550,889	-	550,889
* FNMA #780385	31404V6W3	6/1/2034	-	348,968	-	348,968
* FNMA #805152	31406BQD5	1/1/2035	-	643,661	-	643,661
* FNMA #845529	31408ALJ7	12/1/2035	-	695,916	-	695,916
* FHLMC #1B0951	31336STG3	7/1/2033	-	182,902	-	182,902
* FHLMC #781086	31349SF32	12/1/2033	-	2,740,002	-	2,740,002
* FHLMC #781721	31349S4E0	7/1/2034	-	1,511,284	-	1,511,284
* FHLMC #782804	31349UDH8	11/1/2034	-	480,285	-	480,285
* FHLMC #782847	31349UEU8	11/1/2034	-	504,203	-	504,203
* FHLMC #782928	31349UHD3	1/1/2035	-	433,077	-	433,077
* FHLMC #789868	31295N6D5	9/1/2032	-	121,173	-	121,173
* FHLMC #847032	3128HDY52	7/1/2032	-	120,804	-	120,804
* Cloudcroft, NM	189134DE6	8/1/2009	-	-	202,819	202,819
* FHLB 1TIME CALL 9/8/11	3133XGSE5	9/8/2016	-	-	300,000	300,000
* MBA FHLMC #e99181	3128H7FW7	9/1/2018	-	-	337,249	337,249
* MBA FHLMC #e99273	3128H7JS2	10/1/2018	-	-	536,232	536,232
* MBS FHLMC #e99742	3128H7ZF2	10/1/2018	-	-	379,717	379,717
* MBS FNMA #681286	31391Y2T3	2/1/2018	-	-	647,302	647,302
* MBS FNMA #555389	31385W7A1	4/1/2018	-	-	264,946	264,946
* MBS FNMA #785689	31405C2W8	10/1/2019	-	-	343,872	343,872
* MBS GNMA #003369	36202DW64	4/20/2018	-	-	404,983	404,983
* Luca Cnty NM Sch Dist	550340DP5	8/1/2019	-	-	995,456	995,456
Total pledged securities	4,482,776	4,202,235	8,642,202	18,526,910	4,412,576	40,266,699
Under (over) pledged	\$ (749,161)	\$ (1,777,235)	\$ (4,192,202)	\$ (6,033,451)	\$ (1,873,973)	\$ (14,626,023)
Uninsured and uncollateralized	\$ 2,984,453	\$ 647,765	\$ 257,798	\$ 6,460,008	\$ 664,629	\$ 11,014,653

Name and Location of Safekeeper:

* 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, 2008**

Schedule G-1

Federal Grantor/ Pass-Through Grantor	Program Title/ Grant Number	Federal CFDA Number	Expenditures
U.S. Department of Transportation	Federal Aviation Administration Terminal Construction 05-06 AIP-3-35-0022-0016-2007	20.106	\$ 583,980 (1)
U.S. Department of Justice	SAMSHA - Drug Free	93.276	91,514
U.S. Department of Transportation	Federal Aviation Administration Control Tower	20.106	57,815
U.S. Department of Justice	SCAAP	16.606	38,512
U.S. Department of Transportation	Federal Aviation Administration Tower Engineering AIP-3-35-0022-015	20.106	<u>12,159</u>
			<u>\$ 783,980</u>

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - Major program

NOTE 2 - 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 financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds presented as supplemental information of Lea County, New Mexico (the County), as of and for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiency described at 08-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

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 that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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, 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*.

The agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the agency'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, others within the agency, the New Mexico State Auditor, the New Mexico Legislature, and applicable federal grantors, 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 14, 2008



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 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 June 30, 2008. 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, 2008.

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 solely for the information and use of the Board of Commissioners, management, others within the agency, the New Mexico State Auditor, the New Mexico Legislature, and applicable federal grantors, 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 14, 2008

State of New Mexico
Lea County
Schedule of Findings and Questioned Costs
Summary of Auditors' Results
June 30, 2008

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

<u>ITEM</u>	<u>DESCRIPTION</u>
Type of report on financial statements	Unqualified opinion
Significant Deficiencies in Internal Control	One
Material Weaknesses in Internal Control	None
Noncompliance Material to the Financial Statements	The level of noncompliance was not material in relation to financial statements covering federal programs.
Significant Deficiencies in Internal Control over Major Programs	None
Material Weaknesses in Internal Control over Major Programs	None
Type of Report on Compliance with Major Programs	Unqualified opinion
Audit Findings Required to be Reported under 510(a) of Circular A-133	None
Findings and Questioned Costs for Federal Awards	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	The County is classified as a low-risk auditee in context of OMB-Circular A-133.
Major Federal programs	FAA Terminal Construction 05-06 CFDA # 20-106
Pass Through Entity	Federal Aviation Administration

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDING 08-1

Condition Found:	The financial statements and related disclosures are not being prepared by the County.
Criteria:	Per SAS 112, the County's system of internal control should include controls over financial statement preparation, including footnote disclosure.
Effect:	Insufficient controls over the preparation of financial statements and related disclosures limits the County's ability to prevent or detect a misstatement in its financial statements.
Cause:	The County does not have the personnel or time to prepare the financial statements and related disclosures.
Recommendation:	We recommend the County's management and personnel receive training on financial reporting.
Agency Response:	Lea County has elected to continue to have our Auditor prepare the financial statements. However, the management of Lea County realizes that it should have better internal controls and oversight over the preparation of the financial statements, therefore Lea County has taken steps to correct this problem. Jim Burke, the Finance Director, has already registered to attend the New Mexico Government Finance Officers Association Annual Conference. This conference will begin December 3, 2008. One of the sessions of this conference is Reviewing and Understanding Financial Statements . Jim will continue to attend the training offered by NMGFOA, the State Auditor's Office, NM Association of Counties Finance Affiliate and continuing professional education courses sponsored by Johnson, Miller & Company. With this education Jim will be better prepared to oversee, review and explain the financial statements to other members of management.

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

07-1

Undercollateralized Deposits

Resolved, comment not repeated.

07-2

Failure to Escheat Abandoned Checks

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, 2008 by Johnson, Miller & Co., Certified Public Accountants, A Professional Corporation.

LEA COUNTY, NEW MEXICO

OTHER DISCLOSURES Year Ended June 30, 2008

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, 2008. The following persons were in attendance.

County Officials

Jim Burke, Finance Director
Gary Schubert, Chairman
Michael Beverly, County Manager

Auditors

Mary Hinds, CPA