State of New Mexico

SIERRA COUNTY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT THEREON

For The Fiscal Year Ended June 30, 2008

Sierra County
TABLE OF CONTENTS
June 30, 2008

RECEIVED
NOV 17 2008
STATE AUDITOR

RECEIVED
JAN 23 2009
STATE AUDITOR

ADDITIONAL REPORTING REQUIREMENTS:

Sierra County
Directory of Officials
June 30, 2008

Elected Officials

James Coslin	Commissioner - Chair
Walter C. Armijo	Commissioner – Vice-Chair
Gary Whitehead	Commissioner
Janice Sanchez	Clerk
Sandra K. Whitehead	Treasurer
Isabel Salazar	Assessor
Ronald D. Brown	Sheriff
Josie Zamora	Probate Judge

Administrative Staff

Janet Porter Carrejo	County Manager
Michelle Chavez	Finance Director

Stone, McGee & Co.
Certified Public Accountants
CPA
The CPA, Never Underestimate the Value.®

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.

KELLEY WYATT, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: stonemcgee@qwest.net

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and
Board of Commissioners
Sierra County
Truth or Consequences, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sierra 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 have also audited the financial statements of each of the County's nonmajor governmental and enterprise funds presented as other 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 Sierra County's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 misstatements. 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.

The County has not maintained records related to the initial estimated closure and post-closure costs related to its Landfill, and has not performed the annual reevaluation of such costs as required by generally accepted accounting principles. We were unable to satisfy ourselves as to the carrying value of the estimated closure and post-closure costs, stated at $146,000, by other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had landfill closures cost records been available for audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining

fund information of the Sierra County as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Disaster Assistance, and Hospital Gross Receipts Tax 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 fund of the Sierra County as of June 30, 2008, and the respective changes in financial position where applicable, thereof and the respective budgetary comparisons for the nonmajor special revenue funds, the capital projects funds, and the enterprise 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 12, 2008, on our consideration of the Sierra 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.

Sierra County has not presented Management's Discussion and Analysis that is required by accounting principles generally accepted in the United States of America to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements, and on the combining, individual fund and budgetary comparisons presented as other supplementary information. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements of the County. In addition, the accompanying financial information listed as other supplemental data in the table of contents is also presented for the purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditure of Federal Awards and the other supplemental data have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Stone, McGee & Co., CPA's

November 12, 2008

Sierra County
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and investments	$ 5,763,654	$ -	$ 5,763,654
Receivables, net	692,662	15,303	707,965
Due from other governments	604,217		604,217
Prepaid expenses	84,499		84,499
Total current assets	$ 7,145,032	$ 15,303	$ 7,160,335
Noncurrent assets:			
Capital assets, net	$ 13,149,284	$ 117,012	$ 13,266,296
Total noncurrent assets	$ 13,149,284	$ 117,012	$ 13,266,296
Total assets	$ 20,294,316	$ 132,315	$ 20,426,631
LIABILITIES			
Current:			
Accounts payable	$ 465,884	$ 9,427	$ 475,311
Accrued liabilities	121,140	3,592	124,732
Deferred revenue	778,450		778,450
Estimated liability for landfill postclosure costs		146,000	146,000
Current maturities of long-term debt	607,425		607,425
Total current liabilities	$ 1,972,899	$ 159,019	$ 2,131,918
Noncurrent:			
Notes payable	$ 6,883,140	$ -	$ 6,883,140
Compensated absences	96,756	5,652	102,408
Total noncurrent liablilities	$ 6,979,896	$ 5,652	$ 6,985,548
Total liabilities	$ 8,952,795	$ 164,671	$ 9,117,466

Sierra County
STATEMENT OF NET ASSETS (concluded)
June 30, 2008

NET ASSETS	Governmental Activities	Business-Type Activities	Total
Invested in capital assets, net of related debt	$ 5,658,719	$ 117,012	$ 5,775,731
Restricted for:			
Capital projects	1,303		1,303
Other purposes	2,725,754		2,725,754
Unrestricted	2,955,745	(149,368)	2,806,377
Total net assets	$ 11,341,521	$ (32,356)	$ 11,309,165

The accompanying notes are an integral part of these financial statements.

Sierra County
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activites:			
General government	$ 2,486,952	$ 83,243	$ 185,346
Public safety	2,987,352	118,444	1,066,580
Highways and streets	1,010,412	375	248,911
Health and welfare	2,195,486		978,324
Culture-recreation	43,927		16,904
Unallocated interest expense	264,439		
Total governmental activities	$ 8,988,568	$ 202,062	$ 2,496,065
Business-type activities:			
Landfill	$ 225,109	$ 119,126	$ -
Total business-type activities	$ 225,109	$ 119,126	$ -
Total government	$ 9,213,677	$ 321,188	$ 2,496,065

General revenues:
Property taxes
Gross receipts taxes
Motor vehicle taxes
Gas taxes
Other taxes
Interest and penalties on property taxes
Interest and investment earnings
Miscellaneous
Transfers

Total general revenues

Change in net assets

Net assets--beginning of year

Net assets--end of year

The accompanying notes are an integral part of these financial statements.

Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets		
	Governmental Activities	Business -Type Activities	Total
$ -	$ (2,218,363)	$ -	$ (2,218,363)
	(1,802,328)		(1,802,328)
49,856	(711,270)		(711,270)
	(1,217,162)		(1,217,162)
	(27,023)		(27,023)
	(264,439)		(264,439)
$ 49,856	$ (6,240,585)	$ -	$ (6,240,585)
$ -	$ -	$ (105,983)	$ (105,983)
$ -	$ -	$ (105,983)	$ (105,983)
$ 49,856	$ (6,240,585)	$ (105,983)	$ (6,346,568)
	$ 3,076,360	$ -	$ 3,076,360
	1,533,387	43,554	1,576,941
	282,324		282,324
	139,941		139,941
	747,827		747,827
	66,612		66,612
	246,004		246,004
	101,145	7,413	108,558
	(88,749)	88,749	-
	$ 6,104,851	$ 139,716	$ 6,244,567
	$ (135,734)	$ 33,733	$ (102,001)
	11,477,255	(66,089)	11,411,166
	$ 11,341,521	$ (32,356)	$ 11,309,165

Sierra County
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Disaster Assistance	Hospital GRT
Assets			
Cash and investments	$ 2,992,703	$ -	$ 446,080
Taxes receivable	405,374		123,603
Interfund receivable	472,614		
Interest receivable	9,202		
Due from other governments	67,963	399,155	
Prepaid expenses	84,499		
Total assets	$ 4,032,355	$ 399,155	$ 569,683
Liabilities and Fund Balance			
Accounts payable	$ 180,392	$ 917	$ 1,917
Accrued expenses	67,015		
Interfund payable		454,941	
Deferred revenue	1,015,218	274,127	45,139
Total liabilities	$ 1,262,625	$ 729,985	$ 47,056
Fund balances:			
Reserved for capital projects	$ -	$ -	$ -
Unreserved, reported in:			
General fund	2,769,730		
Special revenue funds		(330,830)	522,627
Total fund balance	$ 2,769,730	$ (330,830)	$ 522,627
Total liabilities and fund balance	$ 4,032,355	$ 399,155	$ 569,683

The accompanying notes are an integral part of these financial statements.

Other Funds	Total Governmental Funds
$ 2,324,871	$ 5,763,654
150,120	679,097
	472,614
4,363	13,565
137,099	604,217
	84,499
$ 2,616,453	$ 7,617,646
$ 282,658	$ 465,884
9,896	76,911
17,673	472,614
121,140	1,455,624
$ 431,367	$ 2,471,033
$ 1,303	$ 1,303
	2,769,730
2,183,783	2,375,580
$ 2,185,086	$ 5,146,613
$ 2,616,453	$ 7,617,646

Sierra County

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

Total governmental fund balances	$	5,146,613
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,149,284
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes subject to the 60 day availability period		376,462
Intergovernmental grants subject to the 60 day availability period		300,712
Long-term liabilities are not reported in the funds:		
Notes payable		(7,490,565)
Accrued interest payable		(44,229)
Compensated absences		(96,756)
Net assets of governmental activities	$	11,341,521

The accompanying notes are an integral part of these financial statements.

Sierra County

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2008

	General Fund	Disaster Assistance	Hospital GRT
Revenues:			
Property Taxes	$ 2,234,495	$ -	$ 434,649
Taxes GRT	768,711		410,784
MVD tax	134,631		
Gas tax			
Other taxes	547		
Intergovernmental	1,036,302	631,650	
Charges for services	77,746		
Licenses and permits	4,266		
Miscellaneous	298,968	2,006	17,815
Total revenues	$ 4,555,666	$ 633,656	$ 863,248
Expenditures:			
Current:			
General government	$ 1,905,437	$ -	$ -
Public safety	1,508,779		
Highways and streets	35,560		
Health and welfare	87,173	919,736	665,086
Culture-recreation	31,068		
Capital outlay	2,493,416		
Debt service:			
Principal	40,104		102,611
Interest	85,544		66,308
Total expenditures	$ 6,187,081	$ 919,736	$ 834,005
Revenues over (under) expenditures	$ (1,631,415)	$ (286,080)	$ 29,243
Other financing sources (uses):			
Transfer in		67,819	
Transfer out	(898,273)		
Loan proceeds	5,075,223		
Net change in fund balance	$ 2,545,535	$ (218,261)	$ 29,243
Fund balance July 1, 2007	$ 224,195	$ (112,569)	$ 493,384
Fund balance June 30, 2008	$ 2,769,730	$ (330,830)	$ 522,627

The accompanying notes are an integral part of these financial statements.

Other Funds	Total Governmental Funds
$ 325,776	$ 2,994,920
353,892	1,533,387
147,693	282,324
139,941	139,941
4,082	4,629
1,320,455	2,988,407
120,050	197,796
	4,266
94,972	413,761
$ 2,506,861	$ 8,559,431
$ 41,417	$ 1,946,854
827,968	2,336,747
759,870	795,430
523,491	2,195,486
12,859	43,927
839,476	3,332,892
129,893	272,608
75,949	227,801
$ 3,210,923	11,151,745
$ (704,062)	$ (2,592,314)
809,524	877,343
(67,819)	(966,092)
	5,075,223
$ 37,643	$ 2,394,160
$ 2,147,443	$ 2,752,453
$ 2,185,086	$ 5,146,613

Sierra County

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Net change in fund balances-total governmental funds	$	2,394,160
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated lives as depreciation expense.		
Capital outlay		3,332,892
Depreciation expense		(1,406,127)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change for the year.		
Property taxes subject to the 60 day availability period		81,440
Intergovernmental grants subject to the 60 day availability period		300,712
Bond and loan proceeds are reported as financing sources in the funds, In the Statement of Activities, however, issuing debt increased long term liabilities		(5,075,223)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Notes payable		272,608
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the net change during the year.		(36,638)
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the funds. This is the net change during the year.		442
Change in Net Assets of Governmental Activities	$	(135,734)

The accompanying notes are an integral part of these financial statements.

Sierra County

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	$ 2,278,440	$ 2,278,440	$ 2,204,426	$ (74,014)
Taxes GRT	929,566	929,566	830,457	(99,109)
MVD taxes	121,000	121,000	147,228	26,228
Cigarette tax	250	250	488	238
Licenses and permits	5,750	5,750	4,266	(1,484)
Intergovernmental	4,825,717	4,860,717	1,103,323	(3,757,394)
Charges for services	283,800	283,800	77,746	(206,054)
Miscellaneous	483,397	483,397	291,224	(192,173)
Total revenues	$ 8,927,920	$ 8,962,920	$ 4,659,158	$ (4,303,762)
Expenditures:				
Current:				
General government	$ 2,224,452	$ 2,224,452	$ 1,968,942	$ 255,510
Public safety	1,591,652	1,591,652	1,478,871	112,781
Health and welfare	108,384	108,384	87,173	21,211
Public works	-	-	31,380	(31,380)
Culture - recreation	23,700	23,700	30,532	(6,832)
Capital outlay	8,998,123	9,033,123	2,622,729	6,410,394
Total expenditures	$ 12,946,311	$ 12,981,311	$ 6,219,627	$ 6,761,684
Revenues over (under) expenditures	$ (4,018,391)	$ (4,018,391)	$ (1,560,469)	$ 2,457,922
Other financing sources (uses):				
Transfers in	484,670	484,670	360,282	(124,388)
Transfers out	(1,618,330)	(1,618,330)	(1,258,555)	359,775
Loan proceeds	5,075,223	5,075,223	2,178,583	(2,896,640)
Net change in fund balance after other financing sources (uses)	$ (76,828)	$ (76,828)	$ (280,159)	$ (203,331)
Fund balance July 1, 2007	107,679	107,679	820,288	712,609
Fund balance June 30, 2008	$ 30,851	$ 30,851	$ 540,129	$ 509,278

The accompanying notes are an integral part of these financial statements.

Sierra County

DISASTER ASSISTANCE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 349,024	$1,071,334	$ 474,345	$ (596,989)
Miscellaneous	15,000	15,000	2,006	(12,994)
Total revenues	$ 364,024	$1,086,334	$ 476,351	$ (609,983)
Expenditures:				
Current:				
Health and welfare	$ 300,974	$1,033,813	$ 947,771	$ 86,042
Capital outlay	69,000	69,000		69,000
Total expenditures	$ 369,974	$1,102,813	$ 947,771	$ 155,042
Revenues over (under) expenditures	$ (5,950)	$ (16,479)	$ (471,420)	$ (454,941)
Other financiang sources (uses):				
Transfer in	67,819	67,819	67,819	-
Net change in fund balance after other financing sources (uses)	$ 61,869	$ 51,340	$ (403,601)	(454,941)
Fund balance July 1, 2007	(51,340)	(51,340)	(51,340)	-
Fund balance June 30, 2008	$ 10,529	$ -	$ (454,941)	$ (454,941)

The accompanying notes are an integral part of these financial statements.

Sierra County

HOSPITAL GROSS RECEIPTS TAX FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	$ 447,000	$ 447,000	$ 429,085	$ (17,915)
Taxes GRT	209,731	209,731	246,440	36,709
Miscellaneous	200	200	16	(184)
Total revenues	$ 656,931	$ 656,931	$ 675,541	$ 18,610
Expenditures:				
Current:				
Health and welfare	$ 944,597	$ 944,597	$ 835,945	$ 108,652
Capital outlay				-
Total expenditures	$ 944,597	$ 944,597	$ 835,945	$ 108,652
Revenues over (under) expenditures	$ (287,666)	$ (287,666)	$ (160,404)	$ 127,262
Other financiang sources (uses):				
Loan proceeds	173,804	173,804	173,804	-
Net change in fund balance after other financing sources (uses)	$ (113,862)	$ (113,862)	$ 13,400	127,262
Fund balance July 1, 2007	113,862	113,862	114,037	175
Fund balance June 30, 2008	$ -	$ -	$ 127,437	$ 127,437

The accompanying notes are an integral part of these financial statements.

Sierra County
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

Assets	Landfill
Current:	
Cash	$ -
Accounts receivable	8,319
Taxes receivable	6,984
Total current assets	$ 15,303
Noncurrent:	
Property, plant and equipment	$ 342,634
Less accumulated depreciation	(225,622)
Net capital assets	$ 117,012
Total assets	$ 132,315
Liabilities	
Current:	
Accounts payable	$ 9,427
Accrued expenses	3,592
Estimated liability for landfill postclosure costs	146,000
Total current liabilities	$ 159,019
Noncurrent:	
Compensated absences	5,652
Total liabilities	$ 164,671
Net Assets	
Invested in capital assets	$ 117,012
Unrestricted	(149,368)
Total net assets	$ (32,356)

The accompanying notes are an integral part of these financial statements.

Sierra County

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2008

	Landfill
Operating revenues:	
Charges for services	119,126
Total operating revenues	$ 119,126
Operating expenses:	
Personnel	$ 123,462
Operating	87,215
Repairs and maintenance	6,081
Depreciation	8,351
Total operating expenses	$ 225,109
Operating income (loss)	$ (105,983)
Non-operating revenue (expense):	
Taxes GRT	$ 43,554
Miscellaneous	7,413
Total nonoperating revenue (expense)	$ 50,967
Income (loss) before transfers	$ (55,016)
Other:	
Transfer in	88,749
Transfer out	-
Change in net assets	$ 33,733
Net assets, beginning of year	(66,089)
Net assets, end of year	$ (32,356)

The accompaning notes are an integral part of these financial statements.

Sierra County

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2008

	Landfill
Cash flows from operating activities:	
Receipts from customers	$ 119,450
Payments to suppliers	(106,464)
Payments to employees	(121,515)
Net cash provided (used) by operating activities	$ (108,529)
Cash flows from noncapital financing activites:	
Dedicated gross receipts	$ 43,585
Miscellaneous revenues	7,413
Transfers from other funds	88,749
Net cash provided (used) by noncapital financing activites	$ 139,747
Cash flows from capital and related financing activites:	
Purchase of capital assets	$ (34,898)
Net increase (decrease) in cash	$ (3,680)
Cash, beginning of year	3,680
Cash, end of year	$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	$ (105,983)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	8,351
Changes in assets and liabilities:	
Accounts receivable	324
Accounts payable	(13,168)
Compensated absences payable	704
Accrued expenses	1,243
	$ (108,529)

The accompanying notes are an integral part of these financial statements.

Sierra County

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

June 30,2008

Assets	
Cash and investments	$ 105,561
Taxes receivable	594,953
Total assets	$ 700,514
Liabilities	
Due to others	$ 700,514
Total liabilities	$ 700,514

The accompanying notes are an integral part of these financial statements.

Note 1 Summary of Significant Accounting Policies

A. GENERAL

The County of Sierra, a political subdivision of the State of New Mexico, operates under the commissioner-manager form of government. The County provides the following authorized services: public safety, highways and streets, sanitation, health and welfare, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The County complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement No.'s 20 and 34 provide the County the option of electing to apply FASB pronouncements issued after November 30, 1989. The County has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2004, the County implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

B. FINANCIAL REPORTING ENTITY

The County's basic financial statements include the accounts of all County operations. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County

Based on the aforementioned criteria, the County has no component units.

C. BASIS OF PRESENTATION

Governmental-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the County and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are not allocated, but are presented as separate functions. Program revenues include charges paid by recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which a program or business segment is self-financing or draws from the general revenues of the County.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the County and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

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

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general obligation bonds of the County other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the County's general obligation bonds.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the County in a purely custodial capacity. The reporting entity includes two agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency funds areas follows:

Property Tax Fund – to account for the undistributed property taxes both received and yet to be received which are to be distributed to the various taxing entities at a later date.

Prisoners Fund – to account for the deposits and expenditures from prisoners' private funds, used to buy personal items at the commissary.

Major Funds

The funds classified as major are as follows:

General – Accounts for all activities except those accounted for in other funds.

Special Revenue Funds:

Section 12-10-5 Local Civil Emergency Preparedness (Disaster Assistance) – The governing bodies of political subdivisions of the State are responsible for the civil emergency preparedness of their respective jurisdictions. Each political subdivision is authorized to establish, by ordinance or resolution, a local office of civil emergency preparedness as an agency of the local government, and responsible to the governing body, in accordance with the state civil emergency preparedness plan and program. The governing body, subject to approval of the state director, shall appoint every local coordinator of civil emergency preparedness and such local coordinator shall have direct responsibility for carrying out the civil emergency preparedness programs of the political subdivision. He shall coordinate the civil emergency preparedness activities of all local government department and agencies, and shall maintain liaison with and cooperate with civil preparedness agencies and organizations of other political subdivisions and of the state government. Each local organization shall perform civil preparedness functions within territorial limits of the political subdivision within which it is organized.

Hospital GRT – accounts for the operations related to the Hospital, including gross receipts tax collection, debt service, and hospital operation funding.

Proprietary:

Landfill – Accounts for activities associated with refuse disposal, including the operation of a landfill.

Nonmajor Funds

Fund description for all funds are included in the "Other Supplementary Information" section of this report.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Derived tax revenues are recognized when the exchange takes place, and grants are recognized when all eligibility requirements are met.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported when due.

All proprietary funds and fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

E. BUDGETS

Budgets for the General, Special Revenue, Debt Service, Capital Projects, and Enterprise Funds are prepared by management and approved by the local council and the New Mexico Department of Finance and Administration.

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

Actual expenditures may not exceed the budget on a by fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Commission approval. If a transfer between "funds" or a budget increase is required, approval must also be obtained from the Department of Finance and Administration.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

F. CASH AND INVESTMENTS

For the purpose of the Statement of Net Assets, "cash and investments" includes all demand, savings accounts, and certificates of deposits of the County. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of six months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the state treasurers investment pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the County. The pledged securities remain in the name of the financial institution. Premiums (discounts) on investments are amortized by the interest method, or methods approximating the interest method.

G. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables or payables". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and periodic aging of accounts receivable. Major receivable balances for the governmental activities include gross receipts and use taxes, franchise taxes, and grants. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as gross receipts tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

I. CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

The County has retroactively reported all infrastructure assets. The County has always maintained a capitalization policy which included infrastructure assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of

Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

• Buildings	25-50 years
• Improvements	10-50 years
• Machinery and Equipment	03-10 years
• Infrastructure	25-75 years
• Software and Library	5-10 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements. Assets acquired with an original cost of $5,000 or more are capitalized. Construction period interest is capitalized in proprietary funds.

J. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets acquired with the debt are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

K. COMPENSATED ABSENCES

The County's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

L. EQUITY CLASSIFICATIONS

Government-wide Statements

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

a. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Equity is classfied as fund balance and displayed in two components.

a. Reserved – Consists of governmental fund balances that are not appropriable, legally segregated for specific usage, or commitments to outside third parties.
b. Unreserved – Consists of designations of amounts representing tentative management plans for governmental fund balances, but subject to change (Designated), and undesignated, for which no restrictions or designations exist.

M. REVENUES, EXPENDITURES, AND EXPENSES

Gross Receipts Tax

The County levies a gross receipts tax on taxable gross receipts within the County. The rate includes both County and State assessments. The tax is collected by the New Mexico Taxation and Revenue Department and remitted to the County in the month following receipt by the Department. The Department receives the tax one month after collection by vendors. Included in this tax is amounts dedicated to intercept agreements, and those dedicated amounts are recorded directly in those funds.

Gross receipts tax collected by the State in June and July (which represent May and June transactions) and received by the County in July and August have been accrued and are included under the caption "Taxes Receivable."

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of

Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the County by the County Treasurer, and are remitted to the County in the month following collection. Because the Treasurer of the County in which the County is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable county to the County.
The County is permitted to levy taxes for general operating purposes based on a state formula, per $1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the County is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the County. The County's total tax rate to finance general government services for the year ended June 30, 2008 was $11.850 per $1,000 for non-residential property and $9.256 for residential property. The County's tax rate for debt service was $.00 per $1,000 for both residential and nonresidential property.

Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year end are reported as deferred revenue in the fund statements.

Operating Revenues and Expenses

Operating revenue of governmental funds includes fees to users and license fees. Operating grants include operating-specific and discretionary grants while capital grants reflect capital-specific appropriations.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures / Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Fund – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund-By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

The County first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The County does not allocate indirect costs.

N. INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

O. USE OF ESTIMATES

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the Governments deposits may not be returned to it. The County does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2008, $678,475 of the County's bank balance of $2,267,320 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 678,475

The cash on deposit with NMFA and the Bank of Albuquerque, is, in effect, loan payments made by the County but not yet disbursed. Such deposits are subject to the collateral requirements of NMFA. Such deposits total $3,304,321.

Note 2A Investments

As of June 30, 2008, the County had the following investments:

Investment Type	Fair Value
GNMA Pools	$ 209,912
U.S. Government Money Market	280,033
	$ 489,945

Interest Rate Risk – The County invests solely in pools holding government-backed securities, and is not subject to interest rate risk.

Credit Risk – The County invests only in direct obligations of the United States, or securities backed by the United States, and is not subject to credit risk.

Concentration of Credit Risk – The County places no limits on the amount it may invest in any one issuer. The County currently has 100% invested in GNMA Securities and the U.S. Government Money Market.

Custodial Credit Risk – The County is not subject to custodial credit risk for its investments, since all are held in the name of the County.

Note 3 Receivables

	Governmental Activities	Business Type Activities
Accounts receivable:		
Services (net)	$ -0-	$ 8,319
Property taxes	$ 393,550	$
Gross receipts tax	219,282	6,984
Motor Vehicle Taxes	47,662	
Gas Tax	17,949	
Cigarette tax	89	
Lodgers Tax	565	
Total taxes receivable	$ 679,097	$ 6,984
Interest receivable	$ 13,565	$
Due from governments:		
Intergovernmental grants	$ 604,217	$ -0-
Total	$ 1,296,879	$ 15,303

The County believes all receivables are collectible, therefore no allowance for doubtful accounts has been established.

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental Activities:				
Capital assets not being depreciated:				
Land and land improvements	$ 343,630	$ -0-	$ -0-	$ 343,630
Construction in progress	100,718	2,782,879	-0-	2,883,597
Total capital assets not being depreciated	$ 444,348	$ 2,782,879	$ -0-	$ 3,227,227
Capital assets being depreciated:				
Road network, levies and bridges	$ 17,355,071	$ 86,194	$ -0-	$ 17,441,265

Buildings and improvements	7,547,549	11,499		7,559,048
Equipment/vehicles/machinery	3,649,683	452,320	-0-	4,102,003
Total capital assets being depreciated	$ 28,552,303	$ 550,013	$	$ 29,102,316
Less accumulated depreciation for:				
Road network/levies/bridges	$ 10,823,529	$ 590,330	$ -0-	$ 11,413,859
Buildings and improvements	4,508,055	366,496		4,874,551
Equipment/vehicles/machinery	2,442,548	449,301		2,891,849
Total accumulated depreciation	$ 17,774,132	$ 1,406,127	$ -0-	$ 19,180,259
Total capital assets being depreciated, net	$ 10,778,171	$ (856,114)	$ -0-	$ 9,922,057
Governmental activity, capital assets, net	$ 11,222,519	$ 1,926,765	$ -0-	$ 13,149,284

Other business-type activity programs:

Capital assets not being depreciated:	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Land and land improvements	$ 3,975	$ -0-	$ -0-	$ 3,975
Total capital assets not being depreciated	$ 3,975	$ -0-	$ -0-	$ 3,975
Capital assets being depreciated:				
Equipment/vehicles/machinery	$ 303,761	$ 34,898	$ -0-	$ 338,659
Total capital assets being depreciated	$ 303,761	$ 34,898	$ -0-	$ 338,659
Less accumulated depreciation for:				
Equipment/vehicles/machinery	$ 217,271	$ 8,351	$ -0-	$ 225,622
Total accumulated depreciation	$ 217,271	$ 8,351	$ -0-	$ 225,622
Total capital assets being depreciated, net	$ 86,490	$ 26,547	$ -0-	$ 113,037
Other business-type activity programs capital assets, net	$ 90,465	$ 26,547	$ -0-	$ 117,012

Depreciation was charged to the Governmental Activities as follows:

General Government	$ 542,188
Public Safety	650,771
Highways and Streets	213,168
	$ 1,406,127

Note 5 Landfill Postclosure Costs

State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

Estimated closure and post-closure costs	$ 292,000
Landfill capacity utilized	50%
Closure costs recognized to date	$ 292,000
Cost incurred to date	146,000
Remaining post closure liability	$ 146,000

The County is currently seeking approval of an expansion of the landfill, which would include the acquisition of land owned by the Bureau of Land Management. The landfill capacity utilized has been estimated assuming the expansion will be approved.

Note 6 Accrued Expenses

At June 30, 2008, accrued expenses consisted of the following:

	Governmental Activities	Business-type Activities
Accruals payroll and benefits	$ 76,911	$ 3,592
Accrue interest payable	44,229	
	$ 121,140	$ 3,592

Note 7 Long-Term Debt

Changes in governmental funds long-term debt is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Notes payable	$ 2,682,014	$ 5,075,223	$ 266,672	$ 7,490,565	$ 607,425

The County of Sierra has entered into several financing agreements to purchase equipment. The terms of the financing agreements contain interest rates ranging from .90% to 8.35%. The repayment of principal ranges from monthly payments to annual payments with various due dates depending on the financing agreement terms and conditions.

On September 3, 1997, the County of Sierra entered into a loan agreement with New Mexico Finance Authority to borrow $2,102,394, for the county's percentage, to purchase and renovate the Sierra Vista Hospital. Under the loan agreement, the County has pledged portions of its one-fourth (1/4) of one percent (1%) hospital emergency gross receipts tax imposed under the County Local Option Gross Receipts Taxes Act as authorized by Section 7-20E-12.1, NMSA 1978 and County Ordinance 97-005. The tax collections will be intercepted by the Department of Taxation and Revenue and forwarded monthly to the New Mexico Finance Authority for payment of this loan. Should the gross receipts tax collected be insufficient to meet the loan obligation as established, the loan payment will be reduced for that month. The loan terms and conditions call for interest rates ranging from 4.05% to 5.50% and are amortized over twenty (20) years.

The ordinance requires that a reserve of $155,090 be established and maintained.

	Required Amount	Balance in Account
At June 30, 2008	$ 155,090	$ 192,139

The annual principal payment requirements for notes outstanding as of June 30, 2008, in the general long-term account group, are summarized as follows:

Fiscal Year Ending June 30	Principal Payment	Interest Payment
2009	$ 607,425	$ 281,908
2010	345,889	74,588
2011	374,616	66,508
2012	342,466	57,234
2013	355,763	49,433
2014-2018	1,725,098	117,502
2019-2023	1,229,430	16,795
2024-2028	1,297,278	1,051
2029-2033	1,212,600	-0-
	$7,490,565	$ 665,019

Compensated absences in governmental funds were as follows:

	Balance July 1, 2007	Increase	Decrease	Balance June 30, 2008
Compensated absences	$ 97,198	$ 90,979	$ (91,421)	$ 96,756

Changes in Proprietary Funds Long-Term Debt were as follows during the year ended June 30, 2008:

	July 1, 2007	Increase	Decrease	June 30, 2008
Compensated absences	$ 4,948	$ 6,234	$ (5,530)	$ 5,652

All compensated absences are considered non-current. Compensated absences are paid out of the fund that salaries for the respective employee are paid out of provided there are funds available. Otherwise, they are paid out of the general fund.

Note 8 Pension Plan - Public Employees Retirement Association

Plan Description

Substantially all of the Sierra County's full-time full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees 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% to 12.35%, depending upon the plan, i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer of their gross salary. The County is required to contribute 9.15% to 18.5% depending upon the plan of the gross covered salary. The contribution requirements of plan members and the County of Sierra are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The County of Sierra's contributions to PERA for the fiscal years ending June 30, 2008, 2007, and 2006 were $219,198, $202,259, and $185,090 respectively, which equal the amount of the required contributions for each fiscal year.

Note 9 Retiree Health Care Act Contributions

The County does not participate in the Retiree Health Care Act.

Note 10 Contingent Liabilities

Amounts received *or* receivable from grantor 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 government expects such amounts, if any, to be immaterial.

Note 11 Subsequent Events

The County has contracts and grant awards for construction projects in various stages of completion. Such contracts, funded principally by federal and state agencies, constitute future commitments.

Note 12 Risk Management

The County is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined together with other agencies in the State and obtained insurance through the New Mexico Self Insurers Fund, a public risk pool currently operating as a common risk management and insurance program for local governments. The County pays an annual premium to New Mexico Self Insurers Fund for its general insurance coverage.

Note 13 Budgetary Reconciliations

The Statements of Revenues, Expenditures and Changes in Fund Balance Budget (NON-GAAP Budgetary Basis) and Actual present comparisons of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of changes in fund balance for the General and major Special Revenue funds for the year ended June 30, 2008 is as follows:

	General	Disaster Assistance	HGRT
Changes in fund balance (GAAP Basis)	$2,545,535	$ (218,261)	$ 29,243
Revenue accruals	103,492	(157,305)	(187,707)

Expenditure accruals	(32,546)	(28,035)	(1,940)
Net change in other financing sources	(2,896,640)		173,804
Changes in fund balance (NON-GAAP) Budgetary Basis	$ (280,159)	$ (403,601)	$ 13,400

Note 14 Fund Balance Deficits

The County had fund balance deficits in the following funds:

Recreation ($9,378), Landfill ($32,356), Juvenile Probation ($101), Corrections ($13,194), and Disaster Assistance, ($330,830). These deficits are caused by the accrual of accounts payable, and the modified accrual basis limitation of 60 days on the accrual of revenue. As revenue is received and liabilities liquidated, the deficit fund balance will be reduced.

Note 15 Deferred Compensation Plan

The government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. 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 solely the property and rights of the employee or their beneficiary.

Investments are managed by the plan's trustee with various investment options, or a combination thereof. The choice of investment option is made by the participants.

Note 16 Interfund Activity

Interfund balances at June 30, 2008, consisted of the following:

	Receivable	Payable
General Fund	$ 472,614	$
Disaster Assistance		454,941
Other funds		17,673
	$ 472,614	$ 472,614

These amounts are expected to be repaid within one year, and the advances were made to meet operating expenses.

Interfund transfers were as follows during the year ended June 30, 2008:

Transfers To	Transfers From: General Fund	Transfers From: Other Funds	Total
Disaster Assistance	$ -0-	$ 67,819	$ 67,819
Landfill Fund	88,749		88,749
Other Funds	809,524		809,524
	$ 898,273	$ 67,819	$ 966,092

The transfers were made to fund debt service payments, fund construction projects and provide operating funds.

Note 17 Restricted Net Assets

Net assets restricted for other purposes consists of special revenue fund balances which are restricted by legislation to specific purposes. The restricting legislation is listed in the fund descriptions appearing at the beginning of Other Supplementary Information. Major restrictions are as follows:

Road Fund	$ 184,190
Hospital GRT Fund	567,766
County Indigent Fund	240,943
Rural Fire Departments	914,383
Flood damage	690,462
Other	128,010
	$ 2,725,754

Note 18 Operating Leases

On March 31, 2007, the County entered into an operating lease with Wagner Equipment Company for a CAT 140H Grader. The agreement calls for monthly payments of $1,795 made up of rent $1,680 and gross receipts tax of $115. The agreement also calls for additional payment in the amount of $10.20 for every hour over the allotted 176 hours per month. Amount paid in 2006-2007 was $3,359.

Additional rent payments are due as follows:

2009	$ 21,540
2010	21,540
2011	21,540
2012	13,046
	$ 77,666

SIERRA COUNTY

Special Revenue Funds

Farm and Range Fund – to account for the operations of farm and range activities, including soil and water conservation, rodent and predatory animal control, poisonous and noxious weed control, and livestock parasite control. Financing is primarily from state-shared revenues through the Taylor Grazing Act. Authority is NMSA 6-11-6.

Recreation Fund – to account for the operations and maintenance of County-owned recreation facilities. Financing is provided by the County's share of cigarette tax. State law requires the use of these cigarette taxes to be used for recreation purposes. The authority to create this fund was given by New Mexico Statute 7-12-15.

County Indigent Fund – to account for expenditures incurred in providing services for the care of indigent. Financing is provided by the County's share of gross receipts tax and may be used for that purpose. Authority NMSA 24-10A-1.

Treasurers Fee – to account for the fees collected by the County Treasurer to be used exclusively for the purchase of capital assets for the Treasurer's Office, as authorized by commission action and New Mexico Statutes.

Hospital GRT- to account for funds provided by New Mexico Emergency County Hospital gross receipts tax. The Authority is a local ordinance to assess the gross receipts tax.

Enhanced 911 Addressing Grant Fund – to account for funds provided by the State of New Mexico under the Enhanced 911 Act (NMSA 1978 Sections 63-9D-1). To be used to improve the physical addressing and provide faster responses in case of emergency.

County Reappraisal Fund – to account for the operations of a fund to help with reappraisal of County property to ensure valuation reflects current fair market value. Financing is provided by retainage of 1% of tax collections. Authority NMSA 7-38-38-1.

Lodgers' Tax – to account for collections of a lodgers' tax, the proceeds of which are used for advertisement of local attractions. Authority NMSA 3-38-13 to 3-38-24.

Mednet Emergency Medical Services – to account for revenues, grants received, and expenditures incurred in providing emergency medical services to County residents. Sources of funds are the State of New Mexico Health and Environment Department, Emergency Medical Services Bureau. Authority is NMSA 24-10A-1 to 24-10A-10.

Law Enforcement Protection – to account for the operations of a grant from the State of New Mexico through Law Enforcement Protection Fund Act for the purpose of maintenance and improvement of law enforcement equipment, and may be used only for that purpose. Authority is NMSA 23-13-1.

Correction Fees – to account for fees assessed for the housing of prisoners and is used for maintenance of the county jail.

Juvenile Probation - to account for the resources to be utilized to enhance juvenile probation. Authority is the County Commission.

Maternal Child Health Grant – to account for funds provided by the New Mexico Department of Health for maternal child health care. Authority Chapter 24, Article 1B, Section 7 NMSA 1978 and Section 9-7-6E, NMSA 1978.

Clerk Equipment Fee Fund – to account for fees collected by the County Clerk to be used exclusively for the purchase of capital assets for the Clerk's Office, as authorized by the New Mexico State Statutes (NMSA 14-8-12.2B).

Flood Damage – to account for taxes levied on property in Sierra County to establish the Office of County Flood Commissioner as authorized in Section 4-50-1 NMSA 1978 and County Resolution 88-069.

Fire Departures - to account for grants received and expenditures incurred in providing fire protection to residents. Financing is provided from the County's share of fire allotment issued by the State Fire Marshall under NMSA 59-53-1. Such revenue provides for payment of all current operating costs and may be used only for that purpose. Expenditures related to emergency medical services, funded in part by state grants under the Authority of NMSA 24-10A-1 to 24-10A-10 are accounted for in the individual fire funds.

Section 12-10-5 Local Civil Emergency Preparedness (Disaster Assistance) – The governing bodies of political subdivisions of the State are responsible for the civil emergency preparedness of their respective jurisdictions. Each political subdivision is authorized to establish, by ordinance or resolution, a local office of civil emergency preparedness as an agency of the local government, and responsible to the governing body, in accordance with the state civil emergency preparedness plan and program. The governing body, subject to approval of the state director, shall appoint every local coordinator of civil emergency preparedness and such local coordinator shall have direct responsibility for carrying out the civil emergency preparedness programs of the political subdivision. He shall coordinate the civil emergency preparedness activities of all local government department and agencies, and shall maintain liaison with and cooperate with civil preparedness agencies and organizations of other political subdivisions and of the state government. Each local organization shall perform civil preparedness functions within territorial limits of the political subdivision within which is it organized.

Road Fund – accounts for the activities associated with the maintenance of County roads.

Sierra County

Capital Projects Funds

Butte City – to account for the Federal Funds to be used solely for capital planning. Authority is the Community Development Block Grant Program, P.L. 93-383.

Agency Funds

Property Tax Fund – to account for the undistributed property taxes both received and yet to be received which are to be distributed to the various taxing entities at a later date.

Prisoners Fund – to account for the deposits and expenditures from prisoners' private funds, used to buy personal items at the commissary.

Sierra County
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds			
	Road	Farm and Range	Recreation	911 Addressing
Assets				
Cash and investments	$ 253,587	$ 2,110	$ 699	$ -
Taxes receivable	42,990		30	
Interest receivable				
Due from other governments				
Total assets	$ 296,577	$ 2,110	$ 729	$ -
Liabilities and Fund Balances				
Accounts payable	$ 64,196	$ -	$ -	$ -
Accrued expenses	9,896			
Interfund payable	8,295			9,378
Deferred revenue	30,000			
Total liabilities	$ 112,387	$ -	$ -	$ 9,378
Fund balances:				
Reserved for capital projects	$ -	$ -	$ -	$ -
Unreserved	184,190	2,110	729	(9,378)
Total fund balances	$ 184,190	$ 2,110	$ 729	$ (9,378)
Total liabilities and fund balances	$ 296,577	$ 2,110	$ 729	$ -

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds						
Reappraisal	Lodgers Tax	Mednet EMS	Juvenile Probation	Maternal Health Council	Law Enforcement	Correction Fees
$136,690	$ 6,136 565	$ 7,521	$ 4,917	$ 1	$ 14,345	$ 53,148
$136,690	$ 6,701	$ 7,521	$ 4,917	$ 1	$ 14,345	$ 53,148
$ 3,939	$ 24	$ 357	$ 5,018	$ -	$ -	$ 66,342
$ 3,939	$ 24	$ 357	$ 5,018	$ -	$ -	$ 66,342
$ - 132,751	$ - 6,677	$ - 7,164	$ - (101)	$ - 1	$ - 14,345	$ - (13,194)
$132,751	$ 6,677	$ 7,164	$ (101)	$ 1	$ 14,345	$ (13,194)
$136,690	$ 6,701	$ 7,521	$ 4,917	$ 1	$ 14,345	$ 53,148

Sierra County
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds			
	Food Damage	Treasurer's Fees	County Indigent	Clerks Equipment Fee
Assets				
Cash and investments	$ 630,366	$ 10,125	$ 178,020	$ 33,484
Taxes receivable	56,630		49,905	
Interest receivable	4,363			
Due from other governments			137,099	
Total assets	$ 691,359	$ 10,125	$ 365,024	$ 33,484
Liabilities and Fund Balances				
Accounts payable	$ 897	$ -	$ 124,081	$ -
Accrued expenses				
Interfund payable				
Deferred revenue	48,552			
Total liabilities	$ 49,449	$ -	$ 124,081	$ -
Fund balances:				
Reserved for capital projects	$ -	$ -	$ -	$ -
Unreserved	641,910	10,125	240,943	33,484
Total fund balances	$ 641,910	$ 10,125	$ 240,943	$ 33,484
Total liabilities and fund balances	$ 691,359	$ 10,125	$ 365,024	$ 33,484

The accompanying notes are an integral part of these financal statements.

Rural Fire Departments	Capital Projects Funds CDBG Capital Projects	Total
$ 992,419	$ 1,303	$ 2,324,871
		150,120
		4,363
		137,099
$ 992,419	$ 1,303	$ 2,616,453
$ 17,804	$ -	$ 282,658
		9,896
		17,673
42,588		121,140
$ 60,392	$ -	$ 431,367
$ -	$ 1,303	$ 1,303
932,027		2,183,783
$ 932,027	$ 1,303	$ 2,185,086
$ 992,419	$ 1,303	$ 2,616,453

Sierra County

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds			
	Road	Farm and Range	Recreation	911 Addressing
Revenues:				
Property taxes	$ -	$ -	$ -	$ -
Gas tax	139,941	-	-	-
MVD tax	147,693			
Taxes GRT				
Other taxes			275	
Intergovernmental	248,911	17,401		378,820
Charges for services				565
Miscellaneous	601			42
Total revenues	$ 537,146	$ 17,401	$ 275	$ 379,427
Expenditures:				
Current:				
General government	$ -	$ -	$ -	$ -
Public safety				413,339
Health and welfare		25,000		
Highways & streets	759,870			
Culture and recreation			1,615	
Capital outlay	160,079			
Debt service:				
Principal	69,459			
Interest	20,091			
Total expenditures	$ 1,009,499	$ 25,000	$ 1,615	$ 413,339
Revenues over (under) expenditures	$ (472,353)	$ (7,599)	$ (1,340)	$ (33,912)
Other financing sources (uses):				
Transfer in	351,072			
Transfer out				
Loan proceeds				
Net change in fund balance	$ (121,281)	$ (7,599)	$ (1,340)	$ (33,912)
Fund balance July 1, 2007	305,471	9,709	2,069	24,534
Fund balance, June 30, 2008	$ 184,190	$ 2,110	$ 729	$ (9,378)

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds						
Reappraisal	Lodgers Tax	Mednet EMS	Juvenile Probation	Law Enforcement Protection	Correction Fees	Flood Damage
$ -	$ -	$ -	$ -	$ -	$ -	$ 325,776
-	-	-	-	-	-	-
					56,517	
	3,807					
		22,000		24,200	129,384	
					89,479	
62,183	2	2		3		12,649
$ 62,183	$ 3,809	$ 22,002	$ -	$ 24,203	$ 275,380	$ 338,425
$ 30,793	$ -	$ -	$ -	$ -	$ -	$ -
		20,492	17,716	9,858	172,051	
						184,449
	11,244					
22,970		7,377			439,469	41,500
					4,659	
					42,613	
$ 53,763	$ 11,244	$ 27,869	$ 17,716	$ 9,858	$ 658,792	$ 225,949
$ 8,420	$ (7,435)	$ (5,867)	$ (17,716)	$ 14,345	$ (383,412)	$ 112,476
			29,969		428,483	
						(67,819)
$ 8,420	$ (7,435)	$ (5,867)	$ 12,253	$ 14,345	$ 45,071	$ 44,657
124,331	14,112	13,031	(12,354)	-	(58,265)	597,253
$ 132,751	$ 6,677	$ 7,164	$ (101)	$ 14,345	$ (13,194)	$ 641,910

Sierra County

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (concluded)
For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds		
	Treasurers Fee	County Indigent	Clerk's Equipment Fee
Revenues:			
Property taxes	$ -	$ -	$ -
Gas tax			
MVD tax			
Taxes GRT		297,375	
Other taxes			
Intergovernmental			
Charges for services	3,567		25,519
Miscellaneous	1	11,820	
Total revenues	$ 3,568	$ 309,195	$ 25,519
Expenditures:			
Current:			
General government	$ 439	$ -	$ 10,185
Public safety			
Health and welfare		314,042	
Highways & streets			
Culture and recreation			
Capital outlay			4,000
Debt service:			
Principal			
Interest			
Total expenditures	$ 439	$ 314,042	$ 14,185
Revenues over (under) expenditures	$ 3,129	$ (4,847)	$ 11,334
Other financing sources (uses):			
Transfer in			
Transfer out			
Loan proceeds			
Net change in fund balance	$ 3,129	$ (4,847)	$ 11,334
Fund balance, July 1, 2007	6,996	245,790	22,150
Fund balance, June 30, 2008	$ 10,125	$ 240,943	$ 33,484

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds	Capital Projects Funds	
Rural Fire Departments	CDBG Capital Projects	Total
$ -	$ -	$ 325,776
		139,941
		147,693
		353,892
		4,082
499,739		1,320,455
920		120,050
7,669		94,972
$ 508,328	$ -	$ 2,506,861
$ -	$ -	$ 41,417
194,512		827,968
		523,491
		759,870
		12,859
164,081		839,476
55,775		129,893
13,245		75,949
$ 427,613	$ -	$ 3,210,923
$ 80,715	$ -	$ (704,062)
		809,524
		(67,819)
		-
$ 80,715	$ -	$ 37,643
851,312	1,304	2,147,443
$ 932,027	$ 1,304	$ 2,185,086

Sierra County

NONMAJOR SPECIAL REVENUE FUNDS - RURAL FIRE DEPARTMENTS

COMBINING BALANCE SHEET

For the Fiscal Year Ended June 30, 2008

	Monticello Fire	Caballo Fire	Hillsboro Fire	Lakeshore Fire
Assets				
Cash	$ 181,736	$ 54,527	$ 219,781	$ 19,422
Due from governments				
Total assets	$ 181,736	$ 54,527	$ 219,781	$ 19,422
Liabilities and Fund Equity				
Accounts payable	$ 25	$ 142	$ 4,191	$ 2,890
Deferred revenue				
Total liabilities	$ 25	$ 142	$ 4,191	$ 2,890
Fund balances:				
Unreserved	$ 181,711	$ 54,385	$ 215,590	$ 16,532
Total fund equity	$ 181,711	$ 54,385	$ 215,590	$ 16,532
Total liabilities and fund equity	$ 181,736	$ 54,527	$ 219,781	$ 19,422

The accompanying notes are an integral part of these financial statements.

Arrey/Derry Fire	Winston Fire	Las Palomas Fire	Poverty Creek Fire	Total
$ 150,086	$ 237,012	$ 31,471	$ 98,384	$ 992,419
				-
$ 150,086	$ 237,012	$ 31,471	$ 98,384	$ 992,419
$ 2,523	$ 6,330	$ 1,487	$ 216	$ 17,804
	15,268	17,320	10,000	42,588
$ 2,523	$ 21,598	$ 18,807	$ 10,216	$ 60,392
$ 147,563	$ 215,414	$ 12,664	$ 88,168	$ 932,027
$ 147,563	$ 215,414	$ 12,664	$ 88,168	$ 932,027
$ 150,086	$ 237,012	$ 31,471	$ 98,384	$ 992,419

Sierra County

NONMAJOR SPECIAL REVENUE FUNDS - RURAL FIRE DEPARTMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2008

	Monticello Fire	Caballo Fire	Hillsboro Fire	Lakeshore Fire
Revenues:				
Intergovernmental	$ 43,628	$ 50,628	$ 87,468	$ 51,025
Charges for services				902
Miscellaneous	24	542	2,986	767
Total revenues	$ 43,652	$ 51,170	$ 90,454	$ 52,694
Expenditures:				
Public safety	$ 7,537	$ 20,648	$ 61,691	$ 30,056
Capital Outlay		72,100	12,454	6,112
Debt service:				
Principal		11,348		11,114
Interest		554		2,264
Total expenditures	$ 7,537	$ 104,650	$ 74,145	$ 49,546
Revenues over (under) expenditures	$ 36,115	$ (53,480)	$ 16,309	$ 3,148
Other financing sources (uses):				
Loan proceeds				
Net change in fund balances	$ 36,115	$ (53,480)	$ 16,309	$ 3,148
Fund balance, July 1, 2007	145,596	107,865	199,281	13,384
Fund balance, June 30, 2008	$ 181,711	$ 54,385	$ 215,590	$ 16,532

The accompanying notes are an integral part of these financial statements.

Arrey/Derry Fire	Winston Fire	Las Palomas Creek	Poverty Creek Fire	Total
$ 43,628	$ 129,802	$ 54,528	$ 39,032	$ 499,739
18				920
2,230	711	395	14	7,669
$ 45,876	$ 130,513	$ 54,923	$ 39,046	$ 508,328
$ 19,868	$ 12,365	$ 34,322	$ 8,025	$ 194,512
6,344	47,643	19,428		164,081
				-
9,925	14,825	8,563		55,775
6,256	3,792	379		13,245
$ 42,393	$ 78,625	$ 62,692	$ 8,025	$ 427,613
$ 3,483	$ 51,888	$ (7,769)	$ 31,021	$ 80,715
				-
$ 3,483	$ 51,888	$ (7,769)	$ 31,021	$ 80,715
144,080	163,526	20,433	57,147	851,312
$ 147,563	$ 215,414	$ 12,664	$ 88,168	$ 932,027

Sierra County

FARM AND RANGE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 22,170	$ 22,170	$ 17,401	$ (4,769)
Miscellaneous				-
Total revenues	$ 22,170	$ 22,170	$ 17,401	$ (4,769)
Expenditures:				
Current:				
Health and welfare	25,000	25,000	25,000	-
Net change in fund balance	$ (2,830)	$ (2,830)	$ (7,599)	$ (4,769)
Fund balance July 1, 2007	9,709	9,709	9,709	-
Fund balance June 30, 2008	$ 6,879	$ 6,879	$ 2,110	$ (4,769)

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ (7,599)
Revenue accruals (net)	-
Expenditure accruals (net)	-
Net change in fund balance, NON-GAAP budgetary basis	$ (7,599)

The accompanying notes are an integral part of these financial statements.

Sierra County

RECREATION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$ 65	$ 65	$ 245	$ 180
Expenditures:				
Current:				
Culture - recreation	2,528	2,528	2,009	519
Net change in fund balance	$ (2,463)	$ (2,463)	$ (1,764)	$ 699
Fund balance July 1, 2007	2,463	2,463	2,463	-
Fund balance June 30, 2008	$ -	$ -	$ 699	$ 699

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ (1,340)
Revenue accruals (net)	(30)
Expenditure accruals (net)	(394)
Net change in fund balance, NON-GAAP budgetary basis	$ (1,764)

The accompanying notes are an integral part of these financial statements.

Sierra County

911 ADDRESSING FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 420,000	$ 428,000	$ 371,788	$ (56,212)
Charges for services	1,600	1,600	565	(1,035)
Miscellaneous	5,660	5,660	7,074	18,394
Total revenues	$ 427,260	$ 435,260	$ 379,427	$ (38,853)
Expenditures:				
Current:				
Public safety	$ 421,024	$ 429,024	$ 415,069	$ 13,955
Capital outlay	32,500	32,500		32,500
Total expenditures	$ 453,524	$ 461,524	$ 415,069	$ 46,455
Net change in fund balance	$ (26,264)	$ (26,264)	$ (35,642)	$ (9,378)
Fund balance July 1, 2007	26,264	26,264	26,264	-
Fund balance June 30, 2008	$ -	$ -	$ (9,378)	$ (9,378)

Budgetary reconciliations:	
Net change in fund balance, GAAP basis	$ (33,912)
Revenue accruals (net)	-
Expenditure accruals (net)	(1,730)
Net change in fund balance, NON-GAAP budgetary basis	$ (35,642)

The accompanying notes are an integral part of these financial statements.

Sierra County

REAPPRAISAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous	$ 63,320	$ 63,320	$ 62,183	$ (1,137)
Expenditures:				
Current:				
General government	$ 85,709	$ 85,709	$ 55,230	$ 30,479
Capital outlay	130,318	130,318	22,970	107,348
Total expenditures	$ 216,027	$ 216,027	$ 78,200	$ 137,827
Revenues over (under) expenditures	$ (152,707)	$ (152,707)	$ (16,017)	$ 136,690
Other financing sources (uses):				
Transfer in			-	-
Net change in fund balance after other financing sources (uses)	$ (152,707)	$ (152,707)	$ (16,017)	$ 136,690
Fund balance July 1, 2007	152,707	152,707	152,707	-
Fund balance June 30, 2008	$ -	$ -	$ 136,690	$ 136,690
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			$ 8,420	
Revenue accruals (net)			-	
Expenditure accruals (net)			(24,437)	
Net change in fund balance, NON-GAAP budgetary basis			$ (16,017)	

The accompanying notes are an integral part of these financial statements.

Sierra County

LODGER'S TAX FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$ 4,000	$ 4,000	$ 3,574	$ (426)
Miscellaneous			2	2
Total revenues	$ 4,000	$ 4,000	$ 3,576	$ (424)
Expenditures:				
Current:				
Culture-recreation	17,780	17,780	11,220	6,560
Net change in fund balance	$ (13,780)	$ (13,780)	$ (7,644)	$ 6,136
Fund balance July 1, 2007	13,780	13,780	13,780	-
Fund balance June 30, 2008	$ -	$ -	$ 6,136	$ 6,136

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ (7,435)
Revenue accruals (net)	(233)
Expenditure accruals (net)	24
Net change in fund balance, NON-GAAP budgetary basis	$ (7,644)

The accompanying notes are an integral part of these financial statements.

Sierra County

MED NET EMS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 20,000	$ 20,000	$ 20,002	$ 2
Expenditures:				
Current:				
Public safety	$ 25,416	$ 25,416	$ 20,568	$ 4,848
Capital outlay	10,048	10,048	7,377	2,671
Total expenditures	$ 35,464	$ 35,464	$ 27,945	$ 7,519
Net change in fund balance	$ (15,464)	$ (15,464)	$ (7,943)	$ 7,521
Fund balance July 1, 2007	15,464	15,464	15,464	-
Fund balance June 30, 2008	$ -	$ -	$ 7,521	$ 7,521

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ (5,867)
Revenue accruals (net)	(2,000)
Expenditure accruals (net)	(76)
Net change in fund balance, NON-GAAP budgetary basis	$ (7,943)

The accompanying notes are an integral part of these financial statements.

Sierra County

LAW ENFORCEMENT PROTECTION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 24,200	$ 24,200	$ 24,200	$ -
Miscellaneous			3	3
Total revenues	$ 24,200	$ 24,200	$ 24,203	$ 3
Expenditures:				
Current:				
Public safety	24,200	24,200	9,858	14,342
Revenues over (under) expenditures	$ -	$ -	$ 14,345	$ 14,345
Other financiang sources (uses):				
Loan proceeds	-	-	-	-
Net change in fund balance after other financing sources (uses)	$ -	$ -	$ 14,345	14,345
Fund balance July 1, 2007			-	-
Fund balance June 30, 2008	$ -	$ -	$ 14,345	$ 14,345

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ 14,345
Revenue accruals (net)	-
Expenditure accruals (net)	-
Net change in fund balance, NON-GAAP budgetary basis	$ 14,345

The accompanying notes are an integral part of these financial statements.

Sierra County

CORRECTION FEES FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 70,000	$ 183,531	$ 129,384	$ (54,147)
Charges for services	9,205	9,205	89,479	80,274
Total revenues	$ 79,205	$ 192,736	$ 218,863	$ 26,127
Expenditures:				
Current:				
Public safety	640,782	754,313	603,161	151,152
Revenues over (under) expenditures	$ (561,577)	$ (561,577)	$ (384,298)	$ 177,279
Other financiang sources (uses):				
Transfer in	561,577	561,577	428,483	(133,094)
Net change in fund balance after other financing sources (uses)	$ -	$ -	$ 44,185	44,185
Fund balance July 1, 2007			-	-
Fund balance June 30, 2008	$ -	$ -	$ 44,185	$ 44,185

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ 45,071
Revenue accruals (net)	(56,517)
Expenditure accruals (net)	55,631
Net change in fund balance, NON-GAAP budgetary basis	$ 44,185

The accompanying notes are an integral part of these financial statements.

Sierra County

JUVENILE PROBATION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ -	$ -	$ -	$ -
Expenditures:				
Current:				
Public safety	35,000	35,000	25,052	9,948
Revenues over (under) expenditures	$ (35,000)	$ (35,000)	$ (25,052)	$ 9,948
Other financing sources (uses):				
Transfer in	35,000	35,000	29,969	(5,031)
Transfer out				-
Net change in fund balance after other financing sources (uses)	$ -	$ -	$ 4,917	4,917
Fund balance July 1, 2007			-	-
Fund balance June 30, 2008	$ -	$ -	$ 4,917	$ 4,917

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ 12,253
Revenue accruals (net)	-
Expenditure accruals (net)	(7,336)
Transfer differences	-
Net change in fund balance, NON-GAAP budgetary basis	$ 4,917

The accompanying notes are an integral part of these financial statements.

Sierra County

MATERNAL HEALTH COUNCIL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ -	$ -	$ -	$ -
Expenditures:				
Current:				
Health and welfare	-	-	-	-
Net change in fund balance	$ -	$ -	$ -	$ -
Fund balance July 1, 2007	-	-	1	1
Fund balance June 30, 2008	$ -	$ -	$ 1	$ 1

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ -
Revenue accruals (net)	-
Expenditure accruals (net)	-
Net change in fund balance, NON-GAAP budgetary basis	$ -

The accompanying notes are an integral part of these financial statements.

Sierra County

FLOOD DAMAGE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property tax	$ 330,000	$ 330,000	$ 321,605	$ (8,395)
Miscellaneous	4,600	4,600	7,031	2,431
Total revenues	$ 334,600	$ 334,600	$ 328,636	$ (5,964)
Expenditures:				
Current:				
Health and welfare	$ 184,183	$ 184,183	$ 184,434	$ (251)
Capital outlay	719,570	651,751	41,500	610,251
Total expenditures	$ 903,753	$ 835,934	$ 225,934	$ 610,000
Revenues over (under) expenditures	$ (569,153)	$ (501,334)	$ 102,702	$ 604,036
Other financiang sources (uses):				
Transfer out	-	-	(67,819)	(67,819)
Net change in fund balance after other financing sources (uses)	$ (569,153)	$ (501,334)	$ 34,883	536,217
Fund balance July 1, 2007	569,153	569,153	568,354	(799)
Fund balance June 30, 2008	$ -	$ 67,819	$ 603,237	$ 535,418
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			$ 44,657	
Revenue accruals (net)			(9,789)	
Expenditure accruals (net)			15	
Net change in fund balance, NON-GAAP budgetary basis			$ 34,883	

The accompanying notes are an integral part of these financial statements.

Sierra County

CLERK'S EQUIPMENT FEE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Charges for services	$ 23,621	$ 23,621	$ 25,519	$ 1,898
Miscellaneous				-
Total revenues	$ 23,621	$ 23,621	$ 25,519	$ 1,898
Expenditures:				
Current:				
General government	$ 21,900	$ 21,900	$ 10,185	$ 11,715
Capital outlay	23,871	23,871	4,000	19,871
Total expenditures	$ 45,771	$ 45,771	$ 14,185	$ 31,586
Revenues over (under) expenditures	$ (22,150)	$ (22,150)	$ 11,334	$ 33,484
Other financiang sources (uses):				
Transfer out	-	-	-	-
Net change in fund balance after other financing sources (uses)	$ (22,150)	$ (22,150)	$ 11,334	33,484
Fund balance July 1, 2007	22,150	22,150	22,150	-
Fund balance June 30, 2008	$ -	$ -	$ 33,484	$ 33,484
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			$ 11,334	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			$ 11,334	

The accompanying notes are an integral part of these financial statements.

Sierra County

ROAD FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Gas tax	$ 145,000	$ 145,000	$ 133,154	$ (11,846)
MVD tax	150,000	150,000	161,723	11,723
Intergovernmental	399,463	408,199	424,303	16,104
Charges for services	8,736			-
Miscellaneous	12,000	12,000	601	(11,399)
Total revenues	$ 715,199	$ 715,199	$ 719,781	$ 4,582
Expenditures:				
Current:				
Highways and streets	$ 792,193	$ 792,193	$ 609,016	$ 183,177
Capital outlay	543,888	585,328	415,787	169,541
Total expenditures	$ 1,336,081	$ 1,377,521	$ 1,024,803	$ 352,718
Revenues over (under) expenditures	$ (620,882)	$ (662,322)	$ (305,022)	$ 357,300
Other financing sources (uses):				
Transfers in	482,111	482,111	351,072	(131,039)
Transfers out				-
Net change in fund balance after other financing sources (uses)	$ (138,771)	$ (180,211)	$ 46,050	$ 226,261
Fund balance July 1, 2007	207,537	207,537	207,537	-
Fund balance June 30, 2008	$ 68,766	$ 27,326	$ 253,587	$ 226,261
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			$ (121,281)	
Revenue accruals (net)			182,635	
Expenditure accruals (net)			(15,304)	
Net change in fund balance, NON-GAAP budgetary basis			$ 46,050	

The accompanying notes are an integral part of these financial statements.

Sierra County

TREASURERS FEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous	$ 4,000	$ 4,000	$ 3,568	$ (432)
Expenditures:				
Current:				
General government	$ 20	$ 20	$ 439	$ (419)
Capital outlay	10,976	10,976		10,976
Total expenditures	10,996	10,996	439	10,557
Net change in fund balance	$ (6,976)	$ (6,976)	$ 3,129	$ 10,125
Fund balance July 1, 2007	6,996	6,996	6,996	-
Fund balance June 30, 2008	$ 20	$ 20	$ 10,125	$ 10,125

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ 3,129
Revenue accruals (net)	-
Expenditure accruals (net)	-
Net change in fund balance, NON-GAAP budgetary basis	$ 3,129

The accompanying notes are an integral part of these financial statements.

Sierra County

COUNTY INDIGENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes GRT	$ 904,015	$ 904,015	$ 630,922	$ (273,093)
Miscellaneous	6,250	6,250	66,703	60,453
Total revenues	$ 910,265	$ 910,265	$ 697,625	$ (212,640)
Expenditures:				
Current:				
Health and welfare	959,091	959,091	568,431	390,660
Net change in fund balance	$ (48,826)	$ (48,826)	$ 129,194	$ 178,020
Fund balance July 1, 2007	48,826	48,826	48,826	-
Fund balance June 30, 2008	$ -	$ -	$ 178,020	$ 178,020

Budgetary reconciliation;	
Net change in fund balance, GAAP basis	$ (4,847)
Revenue accruals (net)	388,430
Expenditure accruals (net)	(254,389)
Other financing sources	-
Net change in fund balance, NON-GAAP budgetaty basis	$ 129,194

The accompanying notes are an integral part of these financial statements.

Sierra County

HILLSBORO FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 106,014	$ 111,913	$ 87,468	$ (24,445)
Charges for services				-
Miscellaneous	800	800	2,986	2,186
Total revenues	$ 106,814	$ 112,713	$ 90,454	$ (22,259)
Expenditures:				
Current:				
Public safety	$ 80,748	$ 86,647	$ 58,303	$ 28,344
Capital outlay	226,151	226,151	12,454	213,697
Total expenditures	$ 306,899	$ 312,798	$ 70,757	$ 242,041
Net change in fund balance	$ (200,085)	$ (200,085)	$ 19,697	$ 219,782
Fund balance July 1, 2007	200,085	200,085	200,084	(1)
Fund balance June 30, 2008	$ -	$ -	$ 219,781	$ 219,781

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ 16,309
Revenue accruals (net)	-
Expenditure accruals (net)	3,388
Net change in fund balance, NON-GAAP budgetary basis	$ 19,697

The accompanying notes are an integral part of these financial statements.

Sierra County

LAKESHORE FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 43,773	$ 51,170	$ 51,025	$ (145)
Charges for services			902	
Miscellaneous	150	150	255	105
Total revenues	$ 43,923	$ 51,320	$ 52,182	$ (40)
Expenditures:				
Current:				
Public safety	$ 35,153	$ 42,550	$ 40,273	$ 2,277
Capital outlay	21,113	21,113	6,112	15,001
Total expenditures	$ 56,266	$ 63,663	$ 46,385	$ 17,278
Revenues over (under) expenditures	$ (12,343)	$ (12,343)	$ 5,797	$ 18,140
Other financiang sources (uses):				
Loan proceeds				-
Net change in fund balance after other financing sources (uses)	$ (12,343)	$ (12,343)	$ 5,797	18,140
Fund balance July 1, 2007	12,343	12,343	12,343	-
Fund balance June 30, 2008	$ -	$ -	$ 18,140	$ 18,140
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			$ 3,148	
Revenue accruals (net)			(512)	
Expenditure accruals (net)			3,161	
Net change in fund balance, NON-GAAP budgetary basis			$ 5,797	

The accompanying notes are an integral part of these financial statements.

Sierra County

MONTICELLO FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 63,773	$ 63,773	$ 43,628	$ (20,145)
Charges for services				-
Miscellaneous	300	300	24	(276)
Total revenues	$ 64,073	$ 64,073	$ 43,652	$ (20,421)
Expenditures:				
Current:				
Public safety	$ 53,490	$ 53,490	$ 7,575	$ 45,915
Capital outlay	156,242	156,242		156,242
Total expenditures	$ 209,732	$ 209,732	$ 7,575	$ 202,157
Net change in fund balance	$ (145,659)	$ (145,659)	$ 36,077	$ 181,736
Fund balance July 1, 2007	145,659	145,659	145,659	-
Fund balance June 30, 2008	$ -	$ -	$ 181,736	$ 181,736

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ 36,115
Revenue accruals (net)	-
Expenditure accruals (net)	(38)
Net change in fund balance, NON-GAAP budgetary basis	$ 36,077

The accompanying notes are an integral part of these financial statements.

Sierra County

CABALLO FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 52,797	$ 52,797	$ 50,628	$ (2,169)
Charges for services				-
Miscellaneous	140	140	66	(74)
Total revenues	$ 52,937	$ 52,937	$ 50,694	$ (2,243)
Expenditures:				
Current:				
Public safety	$ 58,721	$ 58,721	$ 28,170	$ 30,551
Capital outlay	97,822	97,822	72,100	25,722
Total expenditures	$ 156,543	$ 156,543	$ 100,270	$ 56,273
Revenues over (under) expenditures	$ (103,606)	$ (103,606)	$ (49,576)	$ 54,030
Other financiang sources (uses):				
Loan proceeds	-	-		-
Net change in fund balance after other financing sources (uses)	$ (103,606)	$ (103,606)	$ (49,576)	54,030
Fund balance July 1, 2007	103,606	103,606	103,606	-
Fund balance June 30, 2008	$ -	$ -	$ 54,030	$ 54,030

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ (53,480)
Revenue accruals (net)	(476)
Expenditure accruals (net)	4,380
Net change in fund balance, NON-GAAP budgetary basis	$ (49,576)

The accompanying notes are an integral part of these financial statements.

Sierra County

ARREY/DERRY FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 48,292	$ 48,292	$ 43,628	$ (4,664)
Charges for services			18	(4,664)
Miscellaneous	165	165	660	495
Total revenues	$ 48,457	$ 48,457	$ 44,306	$ (8,833)
Expenditures:				
Current:				
Public safety	$ 68,601	$ 68,601	$ 30,840	$ 37,761
Capital outlay	92,611	92,611	6,344	86,267
Total expenditures	$ 161,212	$ 161,212	$ 37,184	$ 124,028
Net change in fund balance	$ (112,755)	$ (112,755)	$ 7,122	$ 115,195
Fund balance July 1, 2007	112,755	112,755	112,755	-
Fund balance June 30, 2008	$ -	$ -	$ 119,877	$ 115,195

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ 3,483
Revenue accruals (net)	(1,570)
Expenditure accruals (net)	5,209
Net change in fund balance, NON-GAAP budgetary basis	$ 7,122

The accompanying notes are an integral part of these financial statements.

Sierra County

WINSTON FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 77,074	$ 123,434	$ 107,218	$ (16,216)
Charges for services				-
Miscellaneous	325	325	31	(294)
Total revenues	$ 77,399	$ 123,759	$ 107,249	$ (16,510)
Expenditures:				
Current:				
Public safety	$ 60,753	$ 107,113	$ 65,911	$ 41,202
Capital outlay	216,502	216,502	4,869	211,633
Total expenditures	$ 277,255	$ 323,615	$ 70,780	$ 252,835
Net change in fund balance	$ (199,856)	$ (199,856)	$ 36,469	$ 236,325
Fund balance July 1, 2007	199,856	199,856	199,856	-
Fund balance June 30, 2008	$ -	$ -	$ 236,325	$ 236,325

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ 51,888
Revenue accruals (net)	(23,264)
Expenditure accruals (net)	7,845
Net change in fund balance, NON-GAAP budgetary basis	$ 36,469

The accompanying notes are an integral part of these financial statements.

Sierra County

LAS PALOMAS FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 120,808	$ 120,808	$ 54,528	$ (66,280)
Charges for services				-
Miscellaneous	400	400	39	(361)
Total revenues	$ 121,208	$ 121,208	$ 54,567	$ (66,641)
Expenditures:				
Current:				
Public safety	$ 130,173	$ 130,173	$ 50,013	$ 80,160
Capital outlay	37,009	37,009	19,428	17,581
Total expenditures	$ 167,182	$ 167,182	$ 69,441	$ 97,741
Net change in fund balance	$ (45,974)	$ (45,974)	$ (14,874)	$ 31,100
Fund balance July 1, 2007	45,974	45,974	45,974	-
Fund balance June 30, 2008	$ -	$ -	$ 31,100	$ 31,100

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ (7,769)
Revenue accruals (net)	(356)
Expenditure accruals (net)	(6,749)
Net change in fund balance, NON-GAAP budgetary basis	$ (14,874)

The accompanying notes are an integral part of these financial statements.

Sierra County

POVERTY CREEK FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ 46,478	$ 46,478	$ 39,032	$ (7,446)
Charges for services				-
Miscellaneous	1,100	1,100	14	(1,086)
Total revenues	$ 47,578	$ 47,578	$ 39,046	$ (8,532)
Expenditures:				
Current:				
Public safety	$ 36,421	$ 36,421	$ 9,723	$ 26,698
Capital outlay	80,218	80,218		80,218
Total expenditures	$ 116,639	$ 116,639	$ 9,723	$ 106,916
Net change in fund balance	$ (69,061)	$ (69,061)	$ 29,323	$ 98,384
Fund balance July 1, 2007	69,061	69,061	69,061	-
Fund balance June 30, 2008	$ -	$ -	$ 98,384	$ 98,384

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ 31,021
Revenue accruals (net)	-
Expenditure accruals (net)	(1,698)
Net change in fund balance, NON-GAAP budgetary basis	$ 29,323

The accompanying notes are an integral part of these financial statements.

Sierra County

CDBG CAPITAL PROJECTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	$ -	$ -	$ -	$ -
Expenditures:				
Current:				
Health and welfare	$ -	$ -	$ -	$ -
Capital outlay			-	-
Total expenditures	$ -	$ -	$ -	$ -
Net change in fund balance	$ -	$ -	$ -	$ -
Fund balance July 1, 2007			1,303	1,303
Fund balance June 30, 2008	$ -	$ -	$ 1,303	$ 1,303
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			$ -	

The accompanying notes are an integral part of these financial statements.

Sierra County

LANDFILL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes GRT	$ 45,000	$ 45,000	$ 47,279	$ 2,279
Charges for services	124,000	177,885	115,756	(62,129)
Miscellaneous	13	13	7,413	7,400
Total revenues	$ 169,013	$ 222,898	$ 170,448	$ (52,450)
Expenditures:				
Current:				
Personnel	$ 131,642	$ 131,642	$ 121,515	$ 10,127
Operating	64,257	118,142	106,464	11,678
Capital outlay	18,000	18,000	34,898	(16,898)
Total expenditures	$ 213,899	$ 267,784	$ 262,877	$ 4,907
Revenues over (under) expenditures	$ (44,886)	$ (44,886)	$ (92,429)	$ (47,543)
Other financing sources (uses):				
Transfer in	41,206	41,206	88,749	47,543
Transfer out				-
Revenues over (under) expenditures after other financing sources uses	$ (3,680)	$ (3,680)	$ (3,680)	$ -
Fund balance July 1, 2007	3,680	3,680	3,680	-
Fund balance June 30, 2008	$ -	$ -	$ -	$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			$ 33,733	
Revenue accruals (net)			355	
Expenditure accruals (net)			(37,768)	
Net change in fund balance, NON-GAAP budgetary basis			$ (3,680)	

The accompanying notes are an integral part of these financial statements.

Sierra County
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Receipts	Disbursements	Balance June 30, 2008
Property Tax Fund				
Assets				
Cash and investments	$ 106,141	$ 5,416,114	$ 5,427,807	$ 94,448
Taxes receivable	515,035	79,918		594,953
Total assets	$ 621,176	$ 5,496,032	$ 5,427,807	$ 689,401
Liabilities				
Due to others	$ 621,176	$ 5,496,032	$ 5,427,807	$ 689,401
Prisoners Personal fund				
Assets				
Cash and investments	$ 8,882	$ 26,786	$ 24,555	$ 11,113
Total assets	$ 8,882	$ 26,786	$ 24,555	$ 11,113
Liabilities				
Due to others	$ 8,882	$ 26,786	$ 24,555	$ 11,113
Total all agency funds				
Assets				
Cash and investments	$ 115,023	$ 5,442,900	$ 5,452,362	$ 105,561
Taxes receivable	515,035	79,918	-	594,953
Total assets	$ 630,058	$ 5,522,818	$ 5,452,362	$ 700,514
Liabilities				
Due to others	$ 630,058	$ 5,522,818	$ 5,452,362	$ 700,514

The accompanying notes are an integral part of these financial statements.

Sierra County

SCHEDULE OF DEPOSITORY COLLATERAL

For the Fiscal Year Ended June 30, 2008

	Bank of the Southwest	State National Bank	First Savings Bank
Checking	$ 430,456	$ 15,681	
Repurchase	880,648	408,156	
Savings		50,000	
Certificates of deposit	190,000	100,000	60,255
Total on deposit	$ 1,501,104	$ 573,837	$ 60,255
Less: FDIC/SPIC insurance	(200,000)	(165,681)	(60,255)
Total uninsured public funds	$ 1,301,104	$ 408,156	$ -
102% collateralization requirement	$ 898,261	$ 416,319	$ -
50% collateralization requirement (Section 6-10-17 NMSA)	201,421	-	-
Total collateralization requirement	$ 1,099,682	$ 416,319	$ -
Pledged Securities:			
FHLB Letter of Credit 7/9/07	$ 150,000		
FHLB Letter of Credit 5/18/09	450,000		
FNMA #089416 4/1/29	22,629		
FHLMC 2/3/11		510,570	
FNMA ARM #113750 4/1/16		52,842	
GNMA Pool ARM #8308 1/20/18		36,143	
Hutto TX CTFS 448474BK1 8/1/08		10,007	
FNMA ARM #97512 6/1/20		2,567	
FNMA ARM #127314 8/1/20		26,364	
FNMA ARM #127314 8/1/20		3,196	
FG #M90843 31282U5C7 9/1/08		10,007	
FN CMT#97512 31363SKZ6 6/1/20			
FN NACRI#127314 31365GK31 8/1/20			
FN NACRI#127314 31365GK31 8/1/20			
Total pledged securities	$ 622,629	$ 651,696	$ -
Pledged securities over (under) requirement	$ (477,053)	$ 235,377	$ -

Securities pledged are held by the Federal Home Loan Bank in Irving, TX. ; First Financial in El Paso, TX. and First National Bank in Pierre, SD. Safekeeping receipts are held by the County.

Edward Jones	Wachovia	Total
$ 9,540		$ 455,677
		1,288,804
		50,000
65,353	57,231	472,839
$ 74,893	$ 57,231	$ 2,267,320
(74,893)	(57,231)	(558,060)
$ -	$ -	$ 1,709,260
$ -	$ -	$ 1,314,580
-	-	201,421
$ -	$ -	$ 1,516,001
$ -	$ -	$ 150,000
		450,000
		22,629
		510,570
		52,842
		36,143
		10,007
		2,567
		26,364
		3,196
		10,007
		-
		-
		-
$ -	$ -	$ 1,274,325
$ -	$ -	$ (241,676)

Sierra County

SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS

For the Fiscal Year Ended June 30, 2008

	Type of Account	Bank Balance	Reconciled Balance
Bank of the Southwest			
General	Checking	$ 400,080	$ 215,516
Repurchase	Checking	880,648	880,648
Commissary	Checking	11,301	11,113
Treasurer	CD	95,000	95,000
Treasurer	CD	95,000	95,000
Treasurer	Money Market	19,075	19,075
Total Bank of the Southwest		$ 1,501,104	$ 1,316,352
Compass Bank			
Treasurer	Savings	$ 50,000	$ 50,000
Treasurer	Money Market	15,681	15,681
Treasurer	CD	100,000	100,000
Treasurer	Sweep	408,156	408,156
Total State National Bank		$ 573,837	$ 573,837
First Savings Bank			
Treasurer	CD	$ 60,255	$ 60,255
Wachovia Securities			
Treasurer	Gov't MM	$ 270,493	$ 270,493
Treasurer	CD's	57,231	57,231
Treasurer	GNMA	209,912	209,912
Total Wachovia Securities		$ 537,636	$ 537,636
New Mexico Finance Authority			
Courthouse & Detention Center Renovations	Trust	$ 26,955	$ 26,955
Lakeshore Fire Pumper	Trust	359	359
Lakeshore Fire Station	Trust	157	157
Winston Fire Station	Trust	687	687
Arrey/Derry Fire Station	Trust	1,272	1,272
Caballo Fire Truck	Trust	499	499
County Courthouse Renovations	Trust	2,983	2,983
Las Palomas Fire Department	Trust	371	371
Hospital GRT	Trust	158,856	158,856
Total New Mexico Finance Authority		$ 192,139	$ 192,139

Sierra County

SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS (CONCLUDED)

For the Fiscal Year Ended June 30, 2008

	Type of Account	Bank Balance	Reconciled Balance
Edward Jones			
Treasurer	Money Market	$ 9,540	$ 9,540
Treasurer	CD	65,353	65,353
Total Edward Jones		$ 74,893	$ 74,893
Bank of Albuquerque			
Arrey/Derry Fire Department	Trust	$ 16,773	$ 16,773
Arrey/Derry Fire Department	Trust	12,164	12,164
Hospital Trust	Trust	159,786	159,786
Lakeshore Fire Department	Trust	766	766
Detention Center Trust	Trust	237	237
Courthouse & Detention Center Renovations	Trust	2,538,280	2,538,280
Courthouse & Detention Center Renovations	Trust	331,439	331,439
Flood Vehicle	Trust	26,776	26,776
Administration Building Renovation	Trust	25,962	25,962
Total Bank of Albuquerque		$ 3,112,183	$ 3,112,183
Total cash and investments		$ 6,052,047	$ 5,867,295
Cash on hand			1,919
			$ 5,869,214

Sierra County
SCHEDULE OF JOINT POWERS AGREEMENTS
For the Fiscal Year Ended June 30, 2008

97-059

Participants	The City of Truth or Consequences The Village of Williamsburg Sierra County
Responsible party	The City of Truth or Consequences The Village of Williamsburg Sierra County
Description	To provide adequate and appropriate hospital facilities.
Dates of agreement	Indefinitely until terminated by parties.
Amount of project	Unknown
Agency contribution	Gross receipts intercept agreement for 47.5% of ownership.
Audit responsibility	Sierra Vista Hospital The City of Truth or Consequences The Village of Williamsburg Sierra County

JPA 2000-2001

Participants	Sierra County Commission Sierra County Sheriff The Village of Williamsburg
Responsible party	Sierra County Commission Sierra County Sheriff The Village of Williamsburg
Description	To assign the use of any existing Law Enforcement equipment owned by the Village to the Sheriff Department to be used in providing law enforcement protection.

Dates of agreement	Ongoing
Amount of project	Unknown
Agency contribution	Any costs for regular and standard maintenance of vehicles and equipment.
Audit responsibility	Sierra County

Elephant Butte

Participants	Sierra County Commission Sierra County Sherriff City of Elephant Butte
Responsible party	Sierra County Commission Sierra County Sherriff City of Elephant Butte
Description	Provide law enforcement protection for the City of Elephant Butte.
Dates of agreement	Ongoing
Amount of project	City Elephant Butte will pay the sherriff's office $20,600.00
Agency contribution	Unknown
Audit responsibility	Sierra County

DAC JPA 2K-0148

Participants	Sierra County Dona Ana County

Sierra County
SCHEDULE OF JOINT POWERS AGREEMENTS (continued)
For the Fiscal Year Ended June 30, 2008

Responsible party	Sierra County Dona Ana County
Description	For the purpose of constructing a portion of a roadway withing both counties boundaries known as Kite Road.
Dates of agreement	Indefinite, can be terminated with 30 days notice.
Amount of project	Unknown
Agency contribution	Unknown
Audit responsibility	Sierra County Dona Ana County

JPA 79-026

Participants	Sierra County Valencia County
Responsible party	Sierra County Valencia County
Description	Valencia County will provide incarceration services to male juveniles from Sierra County.
Dates of agreement	Indefinite
Amount of project	Sierra County shall pay Valencia County $65 per day per juvenile.
Agency contribution	Sierra County shall pay Valencia County $65 per day per juvenile.
Audit responsibility	Valencia County

Sierra County
SCHEDULE OF JOINT POWERS AGREEMENTS (continued)
For the Fiscal Year Ended June 30, 2008

JPA 79-521, 23-115

Participants	Sierra County State of New Mexico Energy, Minerals and Natural Resources Department
Responsible party	Sierra County State of New Mexico Energy, Minerals and Natural Resources Department
Description	Wildfire suppression.
Dates of agreement	Indefinite
Amount of project	Unknown
Agency contribution	Unknown
Audit responsibility	Sierra County

Prisioner Care

Participants	Sierra County Sierra County Sherriff City of Truth or Consequences
Responsible party	Sierra County Sierra County Sherriff City of Truth or Consequences
Description	Housing and care of adult prisioners.
Dates of agreement	Indefinite

Sierra County
SCHEDULE OF JOINT POWERS AGREEMENTS (continued)
For the Fiscal Year Ended June 30, 2008

Amount of project	The City of Truth or Consequences shall pay Sierra County $45 per day per prisioner.
Agency contribution	Unknown
Audit responsibility	Sierra County

Luna County

Participants	Sierra County Luna County
Responsible party	Sierra County Luna County
Description	To provide for the use of the Luna County Juvenile Detention Facility to detain juveniles referred for detention from Sierra County.
Dates of agreement	Ongoing
Amount of project	Sierra County shall pay $85 per day per juvenile.
Agency contribution	Sierra County shall pay $85 per day per juvenile.
Audit responsibility	Sierra County Luna County

Road Maintenance

Participants	Sierra County City of Elephant Butte
Responsible party	Sierra County City of Elephant Butte

Sierra County

SCHEDULE OF JOINT POWERS AGREEMENTS (concluded)

For the Fiscal Year Ended June 30, 2008

Description	Road and street maintenance with the incorporated boundries of the City of Elephant Butte.
Dates of agreement	Ongoing
Amount of project	$6,000 in equal quarterly payments.
Agency contribution	Cost of road and street maintenance.
Audit responsibility	Sierra County City of Elephant Butte

Sierra County

TAX ROLL RECONCILIATION

For the Fiscal Year Ended June 30, 2008

Property taxes receivable, July 1, 2007	$ 787,342
Net taxes charged to the Treasurer for 2008	5,585,079
Collections/Distributions/Changes	(5,383,918)
Property taxes receivable, June 30, 2008	$ 988,503

Property taxes receivable by year:

2007	$ 468,446
2006	160,904
2005	203,093
1998-2004	156,060
Total taxes receivable	$ 988,503

Sierra County

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2008

	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR			
Direct:			
Distribution of Receipts	15.227	N/A	$ 17,401
Passed through NM Energy, Minerals and Natural Resources Department:			
Wildland Urban Interface	15.228	GDA051038	1,170
Total U.S. Department of the Interior			$ 18,571
U.S. DEPARTMENT OF AGRICULTURE			
Direct:			
Schools and Roads-Grants to States	10.665	N/A	$ 26,336
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct:			
Assistance to firefighters	97.044	N/A	$ 591,475
Total expenditures of federal awards			$ 636,382

See the accompanying notes to Schedule of Expenditures of Federal Awards.

Sierra County

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2008

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sierra County, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 Insurance

The County had the following insurance coverages during the year ended June 30, 2008:

Worker's Compensation	Unlimited
Employer's Liability	$1,050,000
Personal Injury:	
Per person	$ 400,000
Per occurrence	$ 750,000
Per Occurrence Property Damage	$ 100,000
Auto Liability	Limits
Auto Physical Damage	Per Auto

Sierra County
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2008

Findings – Financial Statement Audit

	Finding	Current Status
07-1	Landfill postclosure costs have not been calculated	Repeated
07-2	Actual expenditures exceeded budgetary authority	Resolved
07-3	Purchases made without appropriate authorization	Resolved
07-4	Property tax schedule not presented in accordance with SAO Rule 2.2.2.12D	Repeated
07-5	Employee documentation not on file	Resolved
07-6	Bank of the Southwest depository collateral insufficient	Repeated

Stone, McGee & Co.
Certified Public Accountants
CPA
The CPA, Never Underestimate the Value.®

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.

KELLEY WYATT, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: stonemcgee@qwest.net

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, State Auditor
and
Board of Commissioners
Sierra County
Truth or Consequences, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sierra County as of and for the year ended June 30, 2008, which collectively comprise Sierra County's basic financial statements and have issued our report thereon dated November 6, 2008. We have also audited the financial statements of each of the County's nonmajor governmental and enterprise funds presented as other supplementary information as of and for the year ended June 30, 2008 and have issued our report thereon dated November 12, 2008. The report on the business-type activities was qualified because of inadequate records relating to landfill closure costs. Except as discussed in the preceding sentence, 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 Sierra 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 Sierra County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sierra 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 Sierra County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more that a remote likelihood that a misstatement of Sierra County's financial statements that is more than inconsequential will not be prevented or detected by Sierra County's internal control. We consider deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. The findings are identified in the accompanying Schedule of Findings as 07-1.

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 Sierra County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance And Other Matters

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

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16 and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 07-4 and 07-6.

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

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, the New Mexico State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stone, McGee & Co., CPA's

November 12, 2008

Stone, McGee & Co.
Certified Public Accountants
CPA
The CPA, Never Underestimate the Value.®

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.

KELLEY WYATT, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: stonemcgee@qwest.net

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, State Auditor
and
Board of Commissioners
Sierra County
Truth or Consequences, New Mexico

Compliance

We have audited the compliance of the Sierra 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. Sierra 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 Sierra County's management. Our responsibility is to express an opinion on Sierra 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 Sierra County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sierra County's compliance with those requirements.

In our opinion, Sierra 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 Sierra County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Sierra 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 our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sierra County's internal control over compliance.

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

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by 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 considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the organization, the New Mexico State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stone, McGee & Co., CPA's

November 12, 2008

Sierra County
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of Sierra County. The report was qualified for insufficient records pertaining to landfill post-closure costs.

2. One significant deficiency disclosed during the audit of the financial statements is reported in the "Findings – Financial Statement Audit" section of this report. This significant deficiency is reported as a material weakness.

3. No instances of noncompliance material to the financial statements of Sierra County, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditor's report on compliance for the major federal award programs expresses an unqualified opinion on all major programs.

6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted during the audit.

7. The programs tested as major programs included: Assistance to Firefighters, CFDA No. 97.044.

8. The threshold used for distinguishing between Type A and Type B programs was $300,000.

9. Sierra County did not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

07-1 Landfill Postclosure Costs

Condition – The County has not performed the required calculations relating to the costs of providing postclosure care for the currently operating landfill.

Criteria – Generally accepted accounting principles require that landfill closure and postclosure costs be estimated and recognized on an ongoing basis as the remaining life of the landfill declines.

Effect – The County's financial statements do not include the estimated postclosure costs, and the methods of funding such costs has not been considered.

Cause – The County has not contracted the appropriate study to determine postcloslure costs, and cannot readily estimate such costs without outside consultation.

Recommendation – We recommend that the County commission the appropriate landfill closure study, and that the costs be recognized in accordance with generally accepted accounting principles.

Agency response – The study has been commissioned, and should be complete in time to appropriately recognize landfill closure costs during the 2008-2009 fiscal year.

OTHER INSTANCES OF NONCOMPLIANCE

07-4 Property Tax Schedule

Condition – The County Treasurer's property tax schedule does not include ten years of information in the format required by the New Mexico State Auditor.

Criteria – Section 2.2.2.12D(2) of NMAC 2008 requires that property tax information be presented in a specific format.

Effect – The County has not complied with 2.2.2 NMAC 2007, and records related to amounts due to other taxing entities is not available in a by-year format.

Cause – The County has been unable to compile the information in the requested format.

Recommendation – We recommend that the County attempt to compile the information in the format required by the New Mexico State Auditor.

Agency Response – The recommendation will be adopted, subject to manpower availability.

07-6 Depository Collateral

Condition – The depository collateral pledged by Bank of the Southwest was insufficient to comply with Section 6-10-17 NMSA 1978. The accounts were under collateralized by $477,053.

Criteria – Section 6-10-17 NMSA 1978 requires that collateral be pledged in an amount not less that 50% of the amount of the government's deposits. It further requires that repurchase agreements be collateralized at 102%.

Effect – The County is not in compliance with New Mexico Statutes, and there is an increased custodial credit risk in the event of bank failure.

Cause – Bank of the Southwest does not consider "Sweep Accounts" to be repurchase accounts, and therefore not subject to the 102% collateralization requirement.

Recommendation – We recommend that the County Treasurer review depository collateral monthly to insure proper coverage of County deposits.

Agency Response – The procedure has been established, and reviews are being made on a monthly basis. The Bank of the Southwest will be contacted again, and if compliance is refused, the County will remove the deposits.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., CPA'S with substantial help from County personnel.

EXIT CONFERENCE

The contents of this report were discussed November 12, 2008. Present at this exit conference were:

Name	Title	Affiliation
Walter C. Armijo	Commission Vice-Chairman	Sierra County
Jan Porter Carrejo	County Manager	Sierra County
Sandra K. Whitehead	County Treasurer	Sierra County
Michelle Chavez	Finance Director	Sierra County
Mike Stone	Shareholder	Stone, McGee & Co., C.P.A.'s