

**CITY OF AZTEC
STATE OF NEW MEXICO
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Year Ended June 30, 2007**

INTRODUCTORY SECTION

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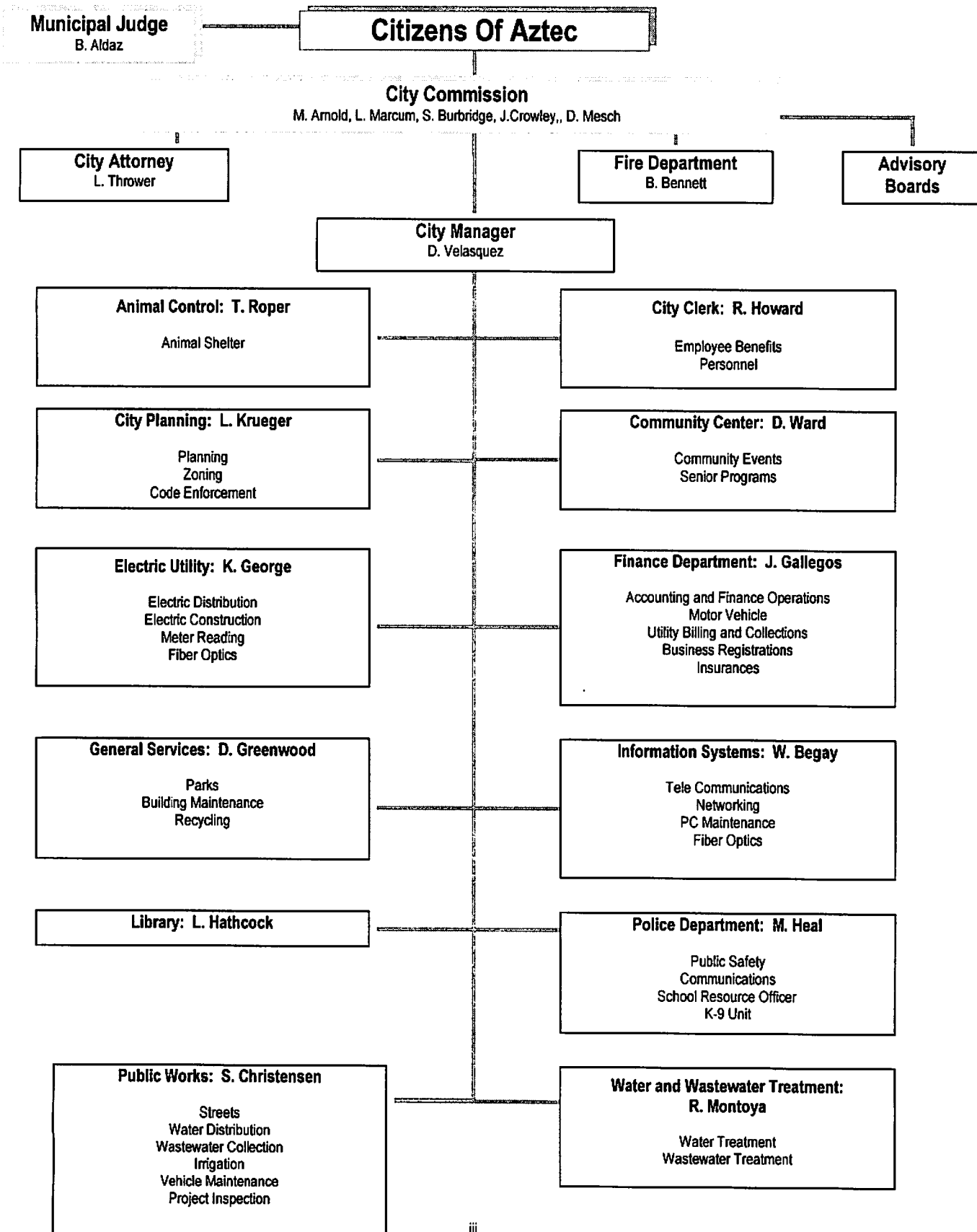
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CITY OF AZTEC, NEW MEXICO

ORGANIZATIONAL CHART

June 30, 2007



CITY OF AZTEC, NEW MEXICO
List of Principal Officials

<u>Title</u>	<u>Name</u>
Mayor.....	Mike Arnold
Mayor Pro-Tem.....	Larry N. Marcum
City Commissioner.....	Sally Burbridge
City Commissioner.....	Jim Crowley
City Commissioner.....	Diana C. Mesch
City Manager.....	David Velasquez
Finance Director	John Gallegos

FINANCIAL SECTION

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Independent Auditor's Report

City of Aztec
Aztec, New Mexico
Honorable Mayor and City Commission, and
Hector H. Balderas, New Mexico State Auditor

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 the City of Aztec, New Mexico (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, enterprise funds, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund and the Municipal Road Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each nonmajor governmental, enterprise and fiduciary fund of the City, as of June 30, 2007, and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects fund, nonmajor governmental funds and the business-type 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 April 22, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Audit Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and budgetary comparisons. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information included in the accompanying introductory section and statistical section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subject to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Edwin Berry, CPA, PC". The signature is written in a cursive, flowing style.

**Farmington, New Mexico
April 22, 2010**

Management's Discussion and Analysis

As management of the City of Aztec, we offer readers of the City of Aztec's financial statements this narrative overview and analysis of the financial activities of the City of Aztec for the fiscal year ended June 30, 2007.

Financial Highlights

- The assets of the City of Aztec exceeded its liabilities at the close of the most recent fiscal year by \$42,789,207 (*net assets*). Of this amount, \$15,910,983 (*unrestricted net assets*) may be used to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Aztec's governmental funds reported combined ending fund balances of \$8,667,800 an increase of \$604,781 in comparison with the prior year. A total of \$7,810,248 (*unreserved fund balance*) is available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,751,236 or 63.5 percent of the total general fund expenditures.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Aztec's basic financial statements. The City of Aztec's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. *The government-wide financial statements* are designed to provide readers with a broad overview of the City of Aztec's financial condition, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Aztec's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Aztec is improving or deteriorating.

The *statement of activities* presents information showing how the City of Aztec's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave, etc).

Both of the government-wide financial statements distinguish functions of the City of Aztec that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Aztec include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the City of Aztec include a joint utility fund comprised of electric, water, and wastewater utilities, solid waste operations and irrigation operations.

The government-wide financial statements can be found on pages 3-4 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Aztec, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Aztec can be divided into two categories: (1) governmental funds and (2) proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Aztec maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital improvements fund, both of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for these

nonmajor governmental funds is provided in the form of *combining statements* following the notes to the financial statements (pages 31-44).

The City of Aztec adopts an annual appropriated budget for each of its funds. Budgetary comparative statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 5-9 of this report.

Proprietary funds. The City of Aztec maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Aztec uses three enterprise funds to account for its electric, water, wastewater, sanitation and irrigation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the joint utility fund (electric, water, and wastewater operations), solid waste and irrigation operations and are found on pages 59-63 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Aztec's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statements can be found on page 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-30 of this report.

Government-wide Financial Analysis

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. In the case of the City of Aztec, assets exceeded liabilities by \$42,789,207 at the close of the most recent fiscal year.

The largest portion of the City of Aztec's net assets (60.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Aztec uses these capital assets to provide services to

citizens; consequently, these assets are *not* available for future spending. Although the City of Aztec's investment in its capital assets is reported net of related debt, it should be noted that the resources required to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Aztec's Net Assets

	Governmental Activities		Business-type Activities		Total	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Current and other assets	10,025,143	9,412,533	9,270,054	8,153,153	19,295,197	17,565,686
Capital assets	13,037,916	12,058,062	16,588,596	16,135,648	29,626,512	28,193,710
Total assets	<u>\$23,063,059</u>	<u>\$21,470,595</u>	<u>\$25,858,650</u>	<u>\$24,288,801</u>	<u>\$48,921,709</u>	<u>\$45,759,396</u>
Long-term liabilities outstanding	1,771,696	1,857,651	2,306,283	2,458,309	4,077,979	4,315,960
Other liabilities	931,591	963,688	1,122,932	919,389	2,054,523	1,883,077
Total liabilities	<u>\$2,703,287</u>	<u>\$2,821,339</u>	<u>\$3,429,215</u>	<u>\$3,377,698</u>	<u>\$6,132,502</u>	<u>\$6,199,037</u>
Net assets						
Invested in capital assets, net of related debt	11,583,291	10,427,544	14,387,194	13,784,572	25,970,485	24,212,116
Restricted	857,582	765,441	50,157	45,918	907,739	811,359
Unrestricted	7,918,899	7,456,271	7,992,084	7,080,613	15,910,983	14,536,884
Total net assets	<u>\$20,359,772</u>	<u>\$18,649,256</u>	<u>\$22,429,435</u>	<u>\$20,911,103</u>	<u>\$42,789,207</u>	<u>\$39,560,359</u>

A portion of the City of Aztec's net assets (2.0%) are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$15,910,983) may be used to meet government's ongoing obligations.

At the end of the current fiscal year, the City of Aztec has achieved positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City of Aztec's net assets increased by \$3,228,848 during the current fiscal year. This increase represents the continuing commitment of the Aztec City Commission and administration to build the financial stability of the City of Aztec.

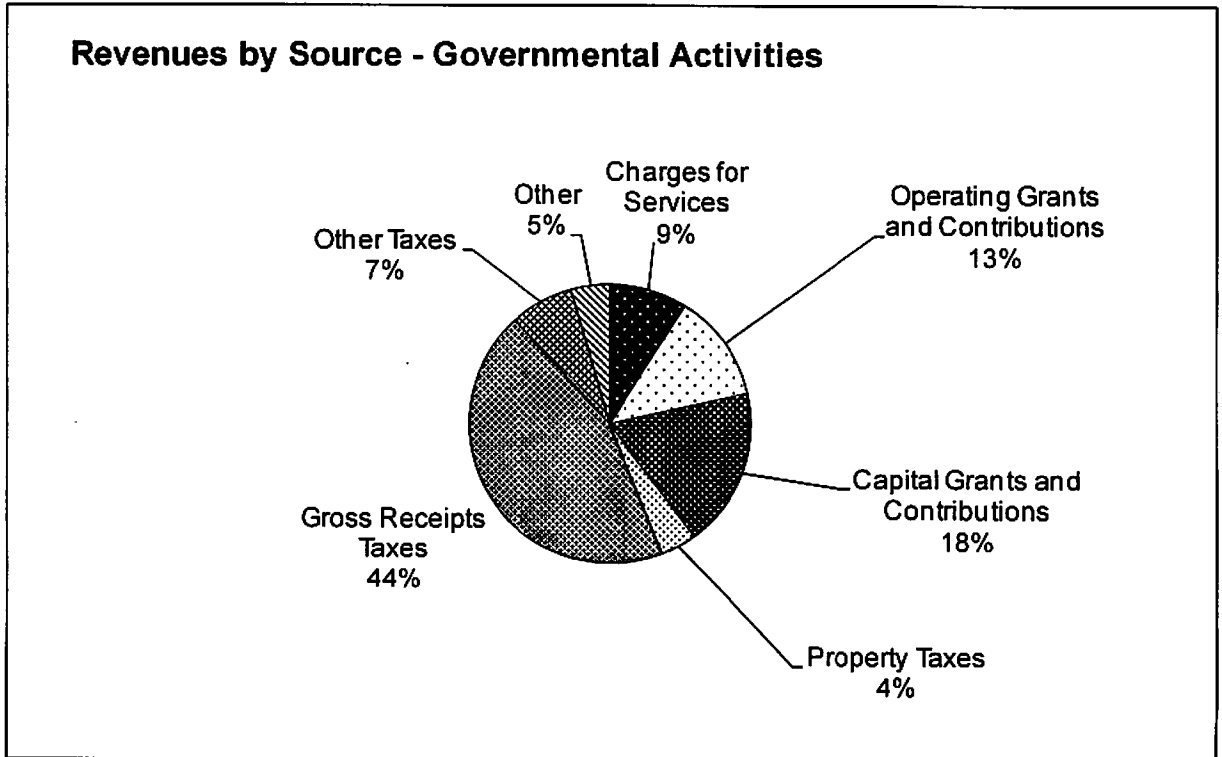
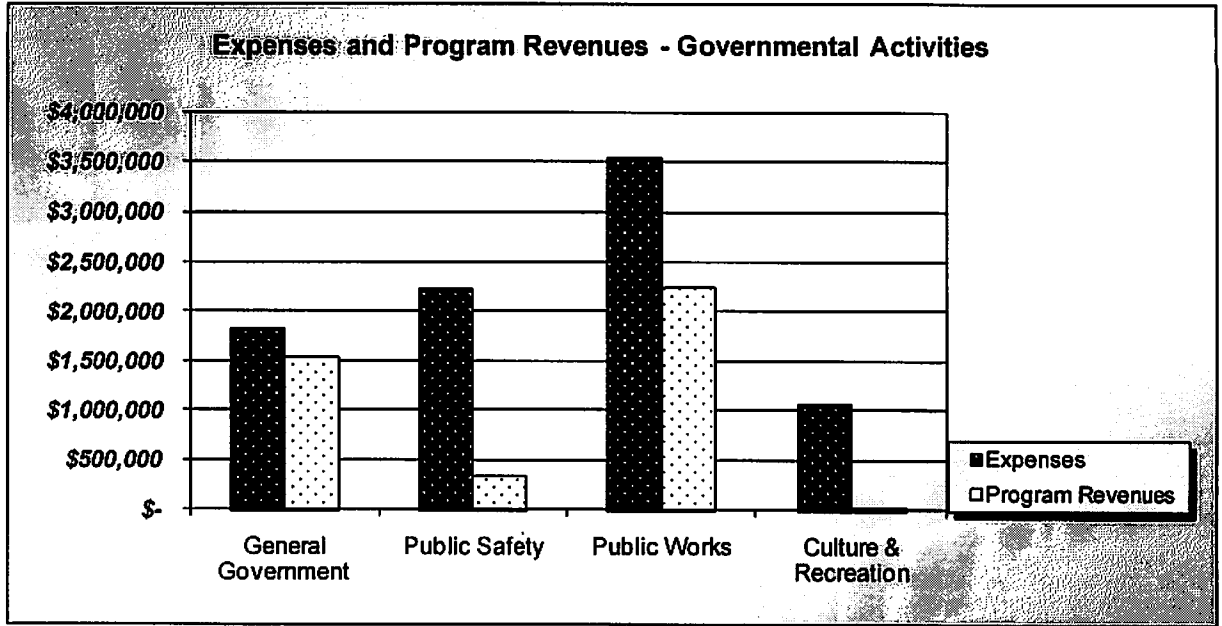
Governmental activities. Governmental activities increased the City of Aztec's net assets by \$1,710,516. Key elements of the change in net assets are as follows:

City of Aztec's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 922,174	\$ 967,177	\$9,287,865	\$ 8,051,202	\$10,210,039	\$ 9,018,379
Operating Grants and contributions	1,296,919	1,035,880		-	1,296,919	1,035,880
Capital Grants and contributions	1,893,140	518,599	224,236	285,169	2,117,376	803,768
General Revenues:						
Property Taxes	424,940	398,982		-	424,940	398,982
GRT Taxes	4,582,503	3,998,584	96,021	83,682	4,678,524	4,082,266
Other Taxes	758,880	715,672		-	758,880	715,672
Other	459,973	400,701	351,984	210,102	811,957	610,803
	10,338,529	8,035,595	9,960,106	8,630,155	20,298,635	16,665,750
Expenses:						
General Government	1,815,671	1,381,532			1,815,671	1,381,532
Public Safety	2,229,695	2,135,358			2,229,695	2,135,358
Public Works	3,532,321	1,853,128			3,532,321	1,853,128
Culture & Recreation	1,055,677	1,012,513			1,055,677	1,012,513
Joint Utility			7,841,078	5,972,592	7,841,078	5,972,592
Solid Waste			588,533	566,775	588,533	566,775
Irrigation			6,812	25,108	6,812	25,108
	8,633,364	6,382,531	8,436,423	6,564,475	17,069,787	12,947,006
Increase in net assets before transfers	1,705,165	1,653,064	1,523,683	2,065,680	3,228,848	3,718,744
Transfers	5,351	(197,436)	(5,351)	197,436	0	0
Restatement						
Increase in net assets	1,710,516	1,455,628	1,518,332	2,263,116	3,228,848	3,718,744
Net assets – 6/30/06	18,649,256	17,193,628	20,911,103	18,647,987	39,560,359	35,841,615
Net assets – 6/30/07	20,359,772	\$18,649,256	22,429,435	\$20,911,103	42,789,207	\$39,560,359

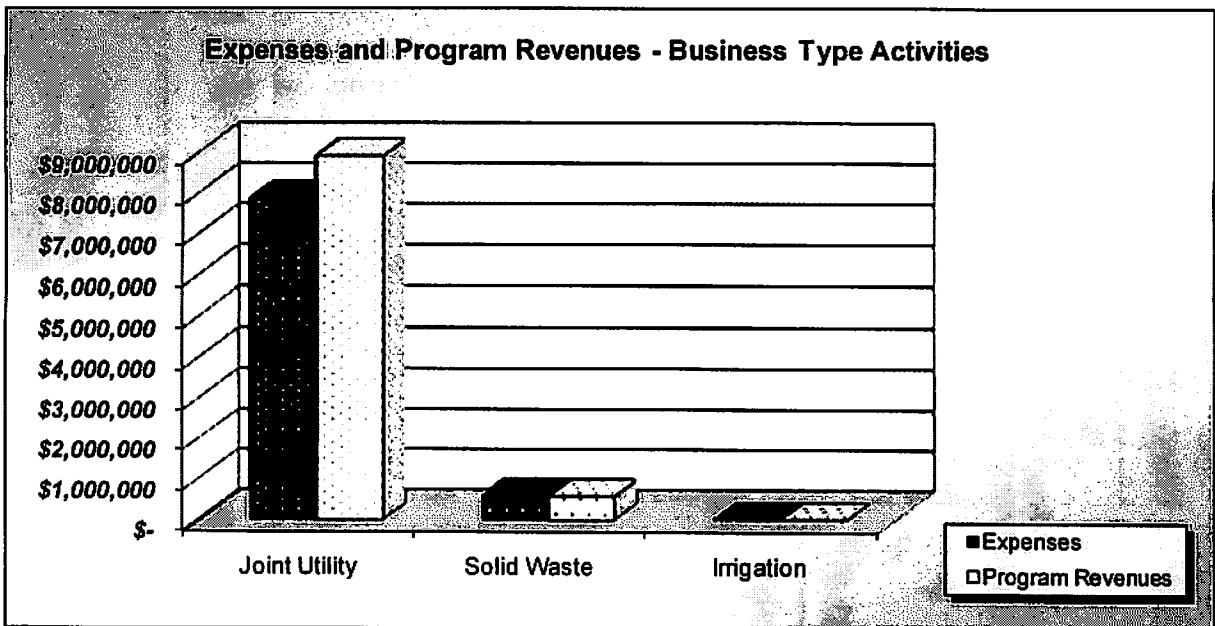
- Property taxes increased by \$25,958 (6.5 percent) during the year attributable to new construction within the incorporated municipal boundary;
- Gross Receipts Tax revenues increased by \$596,258 (14.6%) during the year and is attributable to growth within the City and surrounding areas.
- Operating grants for governmental activities increased due to additional funding opportunities. These grants provide supplemental resources to assist the City in providing services to its citizens.

- Capital grants for governmental activities increased due to the availability of federal and state funding specific to capital projects.
- The increase in capital grant revenues and public works expenditures is the result of transportation improvements to Main Avenue (US550).

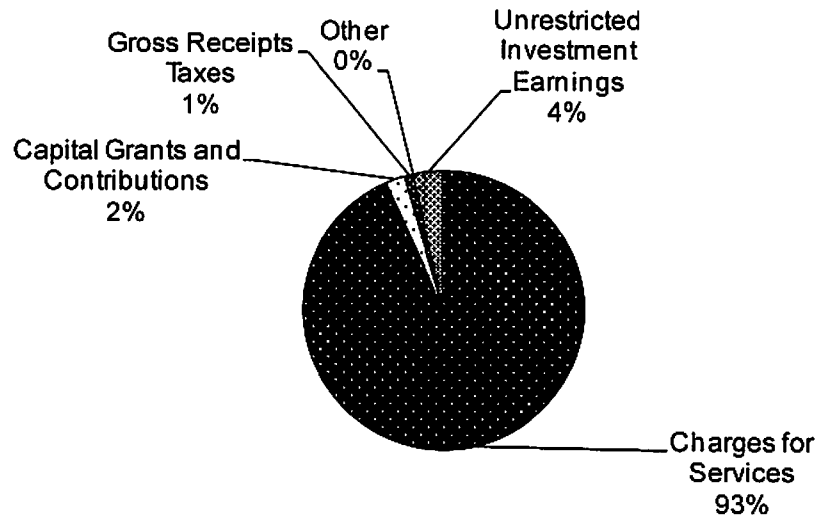


Business-type activities. Business-type activities increased the City of Aztec's net assets by \$1,518,332, accounting for 46.6 percent of the total growth in the government's net assets. Key financial elements of the past year are as follows:

- Operating expenses are 89.7 percent of revenues, resulting in \$951,708 in operating income.
- Total joint utility fund operating revenues increased by \$1,217,165 or 16.3%. The increases are the result of changes in utility rate structures and CPI increases begun in FY2004 and modest increases in the number of customer services.
- Investment earnings for business-type activities were \$351,984 or an increase of 67.5% percent due in part to increasing interest rates.



Revenues by Source - Business Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Aztec uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the June 30, 2007, the City of Aztec's governmental funds reported combined ending fund balances of \$8,667,800, an increase of \$604,781 in comparison with the prior year. Approximately 90.0 percent of this total amount or \$7,810,218 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes (\$857,582).

The general fund is the chief operating fund of the City of Aztec. At the end of the current fiscal year, unreserved and total fund balance of the general fund was \$4,448,432. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balance represents 75 percent of total general fund expenditures.

The fund balance of the City of Aztec's general fund decreased by \$247,151 during the current fiscal year. The primary factor in this decrease is an increase in capital asset acquisitions and road maintenance.

Other key governmental-type funds, other than the general fund, include the municipal road fund and capital projects fund. The municipal road fund is funded primarily with Gross Receipt Tax (.125%) revenue and Gasoline Tax and the capital projects fund is funded primarily with Gross Receipts Tax (.375%) revenue

Proprietary funds. The City of Aztec's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the joint utility fund at the end of the year amounted to \$7,717,631, for solid waste \$185,436, and irrigation \$89,017. The total growth in net assets for the joint utility fund was \$1,507,486, solid waste fund was \$131 and irrigation \$10,715.

Government Wide Budgetary Highlights

Differences between the original budget and the final amended budget were \$1,742,571 which represents a 4.5 percent increase in appropriations and can be briefly summarized as follows:

- Major mid-year adjustments included:
 - General Fund, total increase of \$599,532; 100% was due to a transfer to municipal road fund for road improvements;
 - Special Revenue Funds, total increase of \$654,379; 92% the result of the transfer of funds from the General Fund and the balance external funding for street improvements;
 - Capital Projects Fund, total decrease of \$43,940 due to a decrease in the operating transfer from General Fund;
 - Proprietary Funds, total increase of \$532,600; 68% was to provide funds for operating costs and 32% for multiple capital projects.

The increases were funded from the City's cash balances, \$1,319,571 (75.7%), and \$423,000 (24.3%) as a result of increased utility service revenues.

The most favorable budget highlight for the year is the budget to actual comparison at the end of the year. In the general fund, actual revenue exceeded budgeted revenues by \$2,860,931 and actual expenditures were under budget by \$2,480,120 or 29.5%. The joint utility fund actual revenue exceeded budgeted revenues by \$1,364,031 or 18.6% and actual operating expenses were under budget by \$8,708,792 or 51.7%.

Capital Asset and Debt Administration

Capital assets. The City of Aztec's investment in capital assets for its governmental and business type activities as of June 30, 2007, amounts to \$29,626,513 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, utility systems, machinery and equipment, park facilities, roads, highways, and bridges. The business-type capital assets accounted for \$16,588,597 or 56 percent of the total City of Aztec capital assets. Business-type investment in capital assets for the current fiscal year increased by \$452,949 or 3%. The governmental activities investment in capital assets accounted for \$13,037,916 or 44 percent of all capital assets owned by the City. The total increase in governmental activities investment in capital assets for the current year was \$979,854 or 8% percent.

Major capital asset events during this fiscal year including the following:

- Remodel and expansion of motor vehicle and utility customer service facility
- Enhancements to Main Avenue including utility infrastructure and landscaping (the roadway was rebuilt but is a federal highway and is not considered a capital asset of the City) (in progress);
- Continued regular scheduled replacement of technology systems;
- Continued regular scheduled replacement of vehicles and heavy equipment.

City of Aztec's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
Land	609,348	581,348	694,402	694,402	1,303,750	1,275,750
Buildings & System	4,799,992	4,666,449	14,040,528	13,745,364	18,840,520	18,411,813
Improvements	923,779	379,295	0	0	923,779	379,295
Machinery & Equipment	1,175,155	1,277,026	1,013,297	921,538	2,188,453	2,198,564
Infrastructure	4,887,771	3,767,478	0	0	4,887,771	3,767,478
Construction in Progress	641,871	1,386,466	840,369	774,344	1,482,240	2,160,810
Total	\$13,037,916	\$12,058,062	\$16,588,596	\$16,135,648	\$29,626,513	\$28,193,710

Capital expenses for the electric utility system scheduled in the current five-year capital improvements plan include the city-wide replacement of electric distribution poles, fiber optic network expansion and continued customer requested electric line extensions. The City expects to fund these projects from electric customer-generated revenues.

Capital expenses for the water utility system scheduled in the current five-year capital improvements plan principally include the construction of Raw Water Reservoir #3 and upgrades and replacements of existing facilities to maintain the existing system and meet future demand requirements. The capital expenditures are expected to total \$5,000,000 for fiscal years 2008, 2009 and 2010. The improvements will be funded through a combination of internally generated funds, grants and a loan (gross receipts revenue pledge).

Wastewater system improvements include the expansion of the wastewater treatment facility. The City has secured funding through the USDA Rural Utility Service loan/grant program, is finalizing funding through the Clean Water State Revolving Fund loan administered by New Mexico Environment Department, and has received notice of EPA STAG funding. Updated preliminary estimates for this project are \$10.0 million with construction to be completed by 2010. The loans will be secured by Joint Utility revenues.

Additional information on the City of Aztec's capital assets can be found in note C on pages 23-24 of this report.

Long-term debt. At the end of the current fiscal year, the City of Aztec had no bonded debt outstanding.

The City has acquired additional debt during the fiscal years of 2008 and 2009 as follows:

New Mexico Finance Authority capital project loan in the amount of \$3,367,380, secured by capital project gross receipts tax was acquired in 2008. This funding may be used for multiple capital improvements and is specifically identified by the City for the construction of raw water reservoir #3 and wastewater treatment plant.

A USDA RUS loan, for the construction of the wastewater treatment plant, \$860,447, secured by environmental gross receipt tax revenues was acquired in 2008.

New Mexico Environment Department Clean Water State Revolving Fund (CWSRF) loan in the amount of \$5,000,000 was secured in 2009 for the construction of the wastewater treatment plant and is secured by net joint utility revenues.

Additional information on the City of Aztec's long-term debt can be found in note E on pages 25-27 of this report.

Debt limitation. Article IX, Section 13 of the State Constitution limits the powers of the City to incur general obligation debt in an aggregate amount, including existing indebtedness, not to exceed four percent of the value of the taxable property in the City as shown by the last preceding general assessments. The City may, however, contract debt in excess of such limitation for the construction or purchase of a system for supplying water or a sewer system for the City. Based on the 2009 assessed valuation of \$101,682,995, the City's general obligation debt limit is \$4,067,320. The City presently has no general obligation bonds outstanding.

Future bond financing activities. None

Economic Factors and Next Year's Budgets and Rates

The City's FY2008 and FY2009 budgets reflect the continued growth in all areas (tax and utility service revenues); however, expenditures continued to exceed current revenues and required the use of cash reserves.

The governing body, with the FY2010 budget, required significant reductions to departmental budgets (both governmental and business-type activities) to reduce the use of cash reserves to balance the annual budget. A process has begun to

conduct review of all city operations to streamline costs, increase efficiency and productivity.

The economic crisis of 2008 was slow to impact San Juan County; however, by the fall of 2009, city tax revenues began to decline. Immediate action was directed by the governing body which included:

Personnel positions – critical need to be documented by department and only with approval of City Manager are to positions to be filled

Capital purchases – vehicle and equipment purchases, although scheduled through a managed plan, are reviewed and again, only with critical need documentation and city manager approval, are purchases allowed.

San Juan County is dependent on the energy industry and changes in federal and state regulations have impacted the industry. This will continue to have an impact on City revenues into FY2011.

Utility rates are regularly reviewed to ensure the availability of sufficient revenues to cover operating and maintenance costs as well as providing a reserve for future capital improvements and expansion.

Requests for Information

This financial report is designed to provide a general overview of the City of Aztec's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 201 W Chaco, Aztec, NM 87410.

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Basic Financial Statements

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CITY OF AZTEC, NEW MEXICO
Statement of Net Assets
June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 6,534,325	\$ 6,989,830	\$ 13,524,155
Receivables (net, where applicable, of allowances for uncollectibles)	-	1,037,608	1,037,608
Interest receivable	-	108,147	108,147
Intergovernmental receivable	3,409,939	67,687	3,477,626
Other receivables	74,545	-	74,545
Internal balances	1,547	(1,547)	-
Inventories	-	1,067,768	1,067,768
Prepays	4,787	561	5,348
Capital assets:			
Non-depreciable assets	1,251,219	1,534,771	2,785,990
Depreciable assets, net	11,786,697	15,053,825	26,840,522
Total assets	23,063,059	25,858,650	48,921,709
LIABILITIES:			
Accounts payable	690,530	623,114	1,313,644
Accrued payroll, taxes and benefits	228,846	180,935	409,781
Accrued interest payable	9,393	16,311	25,704
Unearned revenue	2,822	75,331	78,153
Customer deposits	-	227,241	227,241
Non-current liabilities:			
Due within one year	359,925	261,194	621,119
Due in more than one year	1,411,771	2,045,089	3,456,860
Total liabilities	2,703,287	3,429,215	6,132,502
NET ASSETS:			
Invested in capital assets, net of related debt	11,583,291	14,387,194	25,970,485
Restricted for:			
Subsequent year's statutory reserve	697,196	-	697,196
Debt service	160,386	50,157	210,543
Unrestricted	7,918,899	7,992,084	15,910,983
Total net assets	\$ 20,359,772	\$ 22,429,435	\$ 42,789,207

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,815,671	\$ 748,151	\$ 120,776	\$ 654,574	\$ (292,170)	\$ -	\$ (292,170)
Public safety	2,229,695	72,413	218,689	33,428	(1,905,165)	-	(1,905,165)
Public works	3,532,321	85,366	957,454	1,205,138	(1,284,363)	-	(1,284,363)
Culture and recreation	1,055,677	16,244	-	-	(1,039,433)	-	(1,039,433)
Total governmental activities	<u>8,633,364</u>	<u>922,174</u>	<u>1,296,919</u>	<u>1,893,140</u>	<u>(4,521,131)</u>	<u>-</u>	<u>(4,521,131)</u>
Business-type activities:							
Joint utility	7,841,078	8,695,555	-	224,236	-	1,078,713	1,078,713
Solid waste	588,533	579,151	-	-	-	(9,382)	(9,382)
Irrigation	6,812	13,159	-	-	-	6,347	6,347
Total business-type activities	<u>8,436,423</u>	<u>9,287,865</u>	<u>-</u>	<u>224,236</u>	<u>-</u>	<u>1,075,678</u>	<u>1,075,678</u>
Total government	<u>17,069,787</u>	<u>10,210,039</u>	<u>1,296,919</u>	<u>2,117,376</u>	<u>(4,521,131)</u>	<u>1,075,678</u>	<u>(3,445,453)</u>
General revenues:							
Property taxes					424,940	-	424,940
Gross receipts tax					4,582,503	96,021	4,678,524
Franchise taxes					534,301	-	534,301
Other taxes					224,579	-	224,579
Miscellaneous					116,688	-	116,688
Unrestricted investment earnings					343,285	351,984	695,269
Transfers					5,351	(5,351)	-
Total general revenues and transfers					<u>6,231,647</u>	<u>442,654</u>	<u>6,674,301</u>
Change in net assets					<u>1,710,516</u>	<u>1,518,332</u>	<u>3,228,848</u>
Net assets - beginning					<u>18,649,256</u>	<u>20,911,103</u>	<u>39,560,359</u>
Net assets - ending					<u>\$ 20,359,772</u>	<u>\$ 22,429,435</u>	<u>\$ 42,789,207</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Balance Sheet
Governmental Funds
June 30, 2007

	General	Municipal Road	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,403,152	\$ 504,929	\$ 978,128	\$ 1,648,116	\$ 6,534,325
Intergovernmental receivable	1,725,374	1,183,076	478,720	22,769	3,409,939
Other receivables	69,410	-	-	5,135	74,545
Prepaid items	3,505	-	-	1,282	4,787
Due from other funds	1,239	160	119	193	1,711
Total Assets	\$ 5,202,680	\$ 1,688,165	\$ 1,456,967	\$ 1,677,495	\$ 10,025,307
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 94,269	\$ 584,628	\$ -	\$ 11,633	\$ 690,530
Accrued payroll, taxes and benefits	223,130	2,597	-	3,119	228,846
Unearned revenue	1,540	-	-	1,282	2,822
Deferred revenue	435,145	-	-	-	435,145
Due to other funds	164	-	-	-	164
Total Liabilities	754,248	587,225	-	16,034	1,357,507
Fund Balances:					
Reserved for:					
Subsequent year's statutory reserve	697,196	-	-	-	697,196
Debt service	-	-	160,386	-	160,386
Unreserved, reported in:					
General fund - undesignated	3,751,236	-	-	-	3,751,236
Special revenue funds	-	1,100,940	-	653,380	1,754,320
Capital project funds	-	-	1,296,581	1,008,081	2,304,662
Total Fund Balances	4,448,432	1,100,940	1,456,967	1,661,461	8,667,800
Total Liabilities and Fund Balances	\$ 5,202,680	\$ 1,688,165	\$ 1,456,967	\$ 1,677,495	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,037,916
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	435,145
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Contracts and loans payable	(1,522,948)
Accrued compensated absences	(248,748)
Accrued interest payable	(9,393)
Net assets of governmental activities	\$ 20,359,772

The notes to the financial statements are an integral part of this statement.

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

	General	Municipal Road	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 385,364	\$ -	\$ -	\$ -	\$ 385,364
Gross Receipts	3,815,480	191,907	575,116	-	4,582,503
Franchise	534,301	-	-	-	534,301
Other	25,314	169,473	-	29,792	224,579
Licenses and permits	54,113	-	-	55,607	109,720
Intergovernmental	775,350	1,787,455	375,137	252,117	3,190,059
Charges for services	259,770	-	-	77,218	336,988
Fines	475,466	-	-	-	475,466
Investment earnings	193,424	26,947	44,508	78,406	343,285
Miscellaneous	90,691	15,392	-	10,605	116,688
Total Revenues	6,609,273	2,191,174	994,761	503,745	10,298,953
EXPENDITURES:					
Current:					
General government	1,590,404	-	15,287	26,325	1,632,016
Public safety	1,808,481	-	-	158,970	1,967,451
Public works	926,904	2,101,337	95,525	-	3,123,766
Culture and recreation	898,835	-	-	12,050	910,885
Capital outlay	654,574	1,205,138	-	33,428	1,893,140
Debt service:					
Principal	19,620	-	87,951	-	107,571
Interest	6,235	-	58,459	-	64,694
Total Expenditures	5,905,053	3,306,475	257,222	230,773	9,699,523
Excess (Deficiency) of Revenues Over (Under) Expenditures	704,220	(1,115,301)	737,539	272,972	599,430
OTHER FINANCING SOURCES (USES):					
Operating transfers, in	77,591	994,155	12,973	471,769	1,556,488
Operating transfers, out	(1,028,962)	-	-	(522,175)	(1,551,137)
Total other financing sources and uses	(951,371)	994,155	12,973	(50,406)	5,351
Net change in fund balances	(247,151)	(121,146)	750,512	222,566	604,781
Fund balances - beginning	4,695,583	1,222,086	706,455	1,438,895	8,063,019
Fund balances - ending	\$ 4,448,432	\$ 1,100,940	\$ 1,456,967	\$ 1,661,461	\$ 8,667,800

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2007

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

Net change in fund balances-total governmental funds	<u>\$ 604,781</u>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The detail is as follows:</p>	
Capital outlay	1,892,662
Depreciation expense	<u>(912,809)</u>
Total	<u>979,853</u>
<p>Deferred revenues are not available to pay current period expenditures and therefore are not recognized in the fund financial statement. The revenues are not deferred in the governmental activities of the Statement of Net Assets.</p>	
	<u>39,576</u>
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail is as follows:</p>	
Principal repayments	107,571
Accrued interest payable	350
Compensated absences	<u>(21,615)</u>
Total	<u>86,306</u>
Change in net assets of governmental activities	<u><u>\$ 1,710,516</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property taxes	\$ 355,000	\$ 358,500	\$ 385,364	\$ 26,864
Gross receipts tax	3,300,000	3,300,000	3,815,480	515,480
Franchise taxes	453,034	463,034	534,301	71,267
Other taxes	18,000	18,000	25,314	7,314
Licenses and permits	48,790	48,790	54,113	5,323
Intergovernmental	1,077,558	1,128,118	775,350	(352,768)
Charges for services	227,610	227,610	259,770	32,160
Fines	462,000	462,000	475,466	13,466
Investment earnings	125,000	125,000	193,424	68,424
Miscellaneous	90,195	97,410	90,691	(6,719)
Total Revenues	6,157,187	6,228,462	6,609,273	380,811
EXPENDITURES:				
Current:				
General government:				
Legislative	143,119	143,894	109,064	34,830
Judicial	172,808	174,227	146,720	27,507
City Manager	383,595	377,940	353,441	24,499
Finance	596,681	1,821,340	437,043	1,384,297
Legal	48,964	46,809	40,869	5,940
Motor vehicle	202,579	246,227	229,775	16,452
Planning	231,997	179,192	132,770	46,422
Information systems	181,814	170,319	166,577	3,742
Total general government	1,961,557	3,159,948	1,616,259	1,543,689
Public safety:				
Police	1,697,463	1,701,745	1,395,397	306,348
Fire	150,781	135,031	94,956	40,075
Animal control	289,928	299,039	310,219	(11,180)
Vector control	13,000	8,075	7,909	166
Total public safety	2,151,172	2,143,890	1,808,481	335,409
Public works:				
City buildings	261,103	314,747	292,743	22,004
Streets	989,555	707,443	618,891	88,552
Shop	18,078	5,868	15,270	(9,402)
Total public works	1,268,736	1,028,058	926,904	101,154
Culture and recreation:				
Recreation	68,225	62,031	52,445	9,586
Parks	343,776	437,863	354,547	83,316
Library	310,062	320,184	291,069	29,115
Community center	105,840	109,668	86,065	23,603
Community support	118,175	143,767	114,709	29,058
Total culture and recreation	946,078	1,073,513	898,835	174,678
Capital outlay	2,038,810	979,764	654,574	325,190
Total expenditures	8,366,353	8,385,173	5,905,053	2,480,120
Excess of revenues over expenditures	(2,209,166)	(2,156,711)	704,220	2,860,931
OTHER FINANCING SOURCES (USES):				
Transfers in	106,000	119,848	77,591	(42,257)
Transfers out	(588,445)	(1,286,417)	(1,028,962)	257,455
Total Other Financing Sources and Uses	(482,445)	(1,166,569)	(951,371)	215,198
Net change in fund balances	(2,691,611)	(3,323,280)	(247,151)	3,076,129
Fund balances - beginning	4,695,583	4,695,583	4,695,583	-
Fund balances - ending	\$ 2,003,972	\$ 1,372,303	\$ 4,448,432	\$ 3,076,129

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Municipal Road Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ 160,000	\$ 160,000	\$ 191,907	\$ 31,907
Other taxes	198,000	198,000	169,474	(28,526)
Intergovernmental	2,912,097	2,912,097	1,787,456	(1,124,641)
Investment earnings	7,500	7,500	26,947	19,447
Miscellaneous	28,900	28,900	15,390	(13,510)
Total Revenues	3,306,497	3,306,497	2,191,174	(1,115,323)
EXPENDITURES:				
Current:				
Public works	472,832	951,790	69,041	882,749
Capital outlay	4,014,147	4,175,189	3,237,434	937,755
Total Expenditures	4,486,979	5,126,979	3,306,475	1,820,504
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,180,482)	(1,820,482)	(1,115,301)	705,181
OTHER FINANCING SOURCES (USES):				
Transfers in	345,450	994,155	994,155	-
Transfers out	-	-	-	-
Total other financing sources (uses)	345,450	994,155	994,155	-
Net change in fund balances	(835,032)	(826,327)	(121,146)	705,181
Fund balances - beginning	1,222,086	1,222,086	1,222,086	-
Fund balances - ending	\$ 387,054	\$ 395,759	\$ 1,100,940	\$ 705,181

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities-Enterprise Funds			
	Joint Utility	Solid Waste	Irrigation Assessment	Totals
ASSETS				
Current assets:				
Pooled cash and investments	\$ 6,721,143	\$ 177,227	\$ 91,460	\$ 6,989,830
Accounts receivable (net of allowance for doubtful accounts)	975,122	61,877	609	1,037,608
Interest receivable	108,147	-	-	108,147
Intergovernmental receivable	67,687	-	-	67,687
Inventories	1,067,768	-	-	1,067,768
Prepaid items	554	7	-	561
Due from other funds	3,402	22	-	3,424
Total Current Assets	8,943,823	239,133	92,069	9,275,025
Noncurrent assets:				
Capital assets:				
Land and land rights	694,402	-	-	694,402
Building and system	21,602,660	-	122,550	21,725,210
Machinery and equipment	2,448,907	52,752	-	2,501,659
Construction in progress	840,369	-	-	840,369
Less accumulated depreciation	(9,108,012)	(18,021)	(47,011)	(9,173,044)
Total noncurrent assets	16,478,326	34,731	75,539	16,588,596
Total Assets	25,422,149	273,864	167,608	25,863,621
LIABILITIES				
Current liabilities:				
Accounts payable	572,986	50,128	-	623,114
Accrued payroll, taxes and benefits	177,680	3,255	-	180,935
Accrued interest payable	16,311	-	-	16,311
Unearned revenue	75,331	-	-	75,331
Customer deposits	227,241	-	-	227,241
Compensated absences	104,567	314	-	104,881
Due to other funds	1,919	-	3,052	4,971
Bonds, notes and loans payable - current portion	156,313	-	-	156,313
Total Current Liabilities	1,332,348	53,697	3,052	1,389,097
Noncurrent liabilities:				
Bonds, notes and loans payable, net	2,045,089	-	-	2,045,089
Total liabilities	3,377,437	53,697	3,052	3,434,186
NET ASSETS				
Invested in capital assets, net of related debt	14,276,924	34,731	75,539	14,387,194
Restricted for debt service	50,157	-	-	50,157
Unrestricted	7,717,631	185,436	89,017	7,992,084
Total net assets	\$ 22,044,712	\$ 220,167	\$ 164,556	\$ 22,429,435

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities-Enterprise Funds			
	Joint Utility	Solid Waste	Irrigation Assessment	Totals
Operating revenues:				
Charges for services	\$ 8,622,621	\$ 577,709	\$ 13,159	\$ 9,213,489
Miscellaneous	72,934	1,442	-	74,376
Total Operating Revenues	8,695,555	579,151	13,159	9,287,865
Operating expenses:				
Salaries and fringe benefits	1,313,103	16,830	-	1,329,933
Purchased power, fuel and chemicals	3,476,487	-	-	3,476,487
Other operating expenses	1,647,321	566,074	2,481	2,215,876
Payments in lieu of taxes	415,676	-	-	415,676
Depreciation and amortization	888,225	5,629	4,331	898,185
Total Operating Expenses	7,740,812	588,533	6,812	8,336,157
Operating income (loss)	954,743	(9,382)	6,347	951,708
Nonoperating revenues (expenses):				
Investment earnings	338,103	9,513	4,368	351,984
Gross receipts tax	96,021	-	-	96,021
Interest expense	(100,266)	-	-	(100,266)
Total Nonoperating Revenues (Expenses)	333,858	9,513	4,368	347,739
Income (Loss) Before Operating Transfers	1,288,601	131	10,715	1,299,447
Capital contributions	224,236	-	-	224,236
Operating transfers, in	1,230,404	-	-	1,230,404
Operating transfers, out	(1,235,755)	-	-	(1,235,755)
Change in net assets	1,507,486	131	10,715	1,518,332
Total net assets - beginning	20,537,226	220,036	153,841	20,911,103
Total net assets - ending	\$ 22,044,712	\$ 220,167	\$ 164,556	\$ 22,429,435

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities-Enterprise Funds			
	Joint Utility	Solid Waste	Irrigation Assessment	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers/users	\$ 8,478,622	\$ 573,845	\$ 13,230	\$ 9,065,697
Payments to suppliers	(5,507,147)	(564,928)	(3,366)	(6,075,441)
Payments to employees	(1,312,745)	(16,503)	-	(1,329,248)
Net cash provided by operating activities	<u>1,658,730</u>	<u>(7,586)</u>	<u>9,864</u>	<u>1,661,008</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to other funds	(1,235,755)	-	-	(1,235,755)
Transfer from other funds	1,230,404	-	-	1,230,404
Advances from / to other funds	(1,483)	(22)	-	(1,505)
Net cash provided (used) by noncapital financing activities	<u>(6,834)</u>	<u>(22)</u>	<u>-</u>	<u>(6,856)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	224,236	-	-	224,236
Gross receipts tax	96,021	-	-	96,021
Purchases of capital assets	(1,351,134)	-	-	(1,351,134)
Principal paid on capital debt	(149,674)	-	-	(149,674)
Interest paid on capital debt	(100,266)	-	-	(100,266)
Net cash provided (used) by capital and related financing activities	<u>(1,280,817)</u>	<u>-</u>	<u>-</u>	<u>(1,280,817)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	338,103	9,513	4,368	351,984
Net increase in cash and cash equivalents	709,182	1,905	14,232	725,319
Cash and cash equivalents, July 1, 2006	<u>6,011,961</u>	<u>175,322</u>	<u>77,228</u>	<u>6,264,511</u>
Cash and cash equivalents, June 30, 2007	<u>\$ 6,721,143</u>	<u>\$ 177,227</u>	<u>\$ 91,460</u>	<u>\$ 6,989,830</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities-Enterprise Funds			Totals
	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Irrigation Assessment</u>	
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	954,743	(9,382)	6,347	951,708
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	888,225	5,629	4,331	898,185
(Increase) decrease in:				
Accounts receivable	(165,706)	(5,306)	71	(170,941)
Interest receivable	(53,701)	-	-	(53,701)
Intergovernmental receivable	923	2	-	925
Inventories	(169,124)	-	-	(169,124)
Prepaid items	(279)	(8)	-	(287)
Increase (decrease) in:				
Accounts payable	253,322	1,152	(9)	254,465
Accrued payroll, taxes and benefits	(854)	118	(876)	(1,612)
Accrued interest payable	(1,326)	-	-	(1,326)
Unearned revenue	(51,227)	-	-	(51,227)
Customer deposits	3,238	-	-	3,238
Compensated absences	496	209	-	705
Total adjustments	703,987	1,796	3,517	709,300
Net cash provided by operating activities	1,658,730	(7,586)	9,864	1,661,008

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2007

	<u>Employee Association</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 4,973</u>
Total assets	<u><u>\$ 4,973</u></u>
LIABILITIES:	
Deposits held for others	<u>\$ 4,973</u>
Total liabilities	<u><u>\$ 4,973</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Aztec, (City), New Mexico, which was incorporated in 1890, operates under a Commission / Manager form of government. Five commissioners are elected at large and one of the commissioners serves as Mayor. This reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's financial statements to be misleading or incomplete.

The City had no blended or discrete component units during the fiscal year ended June 30, 2007.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Derived tax revenues (gross receipts taxes, cigarette taxes and gas taxes) are recognized when the underlying transaction takes place. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following major governmental funds:

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

The *municipal road special revenue fund* accounts for the municipal share of gas tax proceeds restricted for street-related expenditures.

The *capital projects fund* accounts for the acquisition and construction of major capital facilities other than those projects financed by proprietary funds.

The government reports the following major proprietary funds:

The *joint utility fund* accounts for the activities of the City's utility.

The *solid waste fund* accounts for the activities of the City's solid waste services.

The *irrigation assessment fund* accounts for the activities of the City's irrigation assessment activities.

Additionally, the City reports the following agency fund type:

The *employee association trust fund* is an agency fund that accounts for employee contributions to a fund used for special occasions such as sending flowers, etc.

The *motor vehicle division fund* is an agency fund that accounts for funds received on behalf of the State of New Mexico motor vehicle division and forwards them to the State.

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The utilities also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, liabilities and net assets or equity

1. Deposits and investments

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

State statutes authorize the City to invest in obligations of the U.S. Treasury, repurchase agreements, Certificates of Deposits, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations and is not SEC registered. The reported value of the pool is the same as the fair value of the pool shares. Generally, investment income earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on the average daily balance of cash and investments of each fund. All investment in such pool is voluntary.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

The joint utility enterprise fund is responsible for billing and collecting electric, water, and wastewater charges using a cycle billing system. No billing cycles are billed in advance of services. Metered accounts are billed in arrears and have been accrued. The only unearned revenue is customer payments for prepaid electric distribution construction. Customers are required to pay 100% of the estimate prepared by the electric director. When the job is complete the actual costs of the job are prepared and the customer is either refunded the overpayment or billed for the shortage. These payments for construction are then closed to contributed capital at the end of the fiscal year. All trade receivables are shown net of an allowance for uncollectible accounts. The City is required to provide service and grant credit to a diverse customer base within its service territory. The City may require security deposits prior to providing service to customers depending upon an assessment of credit worthiness. The City reviews customer accounts receivable on a regular basis and has an accounts receivable collection policy.

The City has reviewed its customer base for concentrations of credit risk and has determined that no individual customer or group of customers engaged in similar activities represent a material concentration of credit risk to the City.

Property taxes are levied and collected by San Juan County. The County remits to the City amounts collected for the applicable portion of the property taxes in the month following the date of receipt. The City recognizes property taxes as revenue on the modified accrual basis. Oil and gas taxes received from the County are recognized as revenue when received by the City.

Property taxes are levied as of January 1st on property values assessed on the same date. The tax levy is payable in two installments, November 10th and May 10th. The property taxes are considered delinquent and subject to lien, penalty, and interest, 30 days after the date on which they are due.

3. Inventories and prepaid items

Inventories are only held by the joint utility fund and are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are considered immaterial and recorded as expenditures when purchased.

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

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Computer software costs, whether externally purchased or developed in-house, shall be capitalized if the total cost of the software equals or exceeds \$5,000 and has a life of at least two years. Library books are not capitalized.

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

Buildings and structures	10 - 45 years
Improvements other than buildings	10 - 50 years
Infrastructure	5 - 50 years
Machinery and equipment	5 - 30 years
Furniture and fixtures	5 - 30 years

5. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. A compensated absence is expensed in the related fund of the employee that earned the compensated absences.

6. *Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Bond premium and discounts are reported as other financing uses. Issuance costs, even if withheld from actual net proceeds received, are reported as debt service expenditures.

7. *Fund equity*

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

8. *Net Assets*

In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the City's net assets are restricted as a result of enabling legislation adopted by the City. Invested in capital assets, net of related debt, represents the City's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

9. Use of Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted for all funds. All budgets are consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year end. Carryover funds must be appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended by City Commission resolution with approval by the State Department of Finance and Administration. City department heads may make transfers of appropriations within a fund. The legal level of budgetary control is the fund level. Increases or decreases of appropriations between funds require the approval of the governing Commission.

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Manager submits to the City Commission a proposed preliminary operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. The budget is prepared by fund, department, and function.
2. In late July, after there has been an opportunity for public comment, the City Commission adopts the budget as finalized.
3. Prior to September 1, the budget is legally enacted through passage of a resolution and the Local Government Division of the State Department of Finance and Administration approves the final budget.
4. After the budget is adopted any supplemental appropriations must be approved by the City Commission.

The budgetary basis and GAAP basis are the same for all governmental fund types. Budgets for proprietary enterprise funds are adopted on a non-GAAP basis, using the spending measurement focus as in governmental fund types.

Encumbrance accounting is employed by the City. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are carried forward to the new fiscal year and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. The fund balances are reserved for outstanding encumbrances because the resources are not available for new spending. The City had the following encumbrances outstanding at June 30, 2007:

General fund	\$	117,853
Municipal Road Fund		850,048
Economic Development Fund		4,305
Airport Fund		9,422
Capital Projects		203,868
Joint Utility Fund		306,668
		<hr/>
Total	\$	<u>1,492,164</u>

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2007 expenditures exceeded appropriations in none of the funds.

C. Deficit Fund Equity

As of June 30, 2007, there were no funds reported with a deficit fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

As of June 30, 2007, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 2,750,000	1.53
State Treasurer's Local Government Investment Pool	<u>7,800,000</u>	<u>0.08</u>
Total Fair Value	<u>\$ 10,550,000</u>	
Portfolio weighted average maturity		<u>1.39</u>

Interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits no more than 40% of City funds invested for a period greater than two years and no funds shall be invested for a period greater than three years. The City's policy is to invest in securities with an average maturity of less than 182 days (0.5 yearly average term).

Credit risk. As directed by State Statute 6-10-36, E. and F., excess funds may be invested in securities backed by the full faith and credit of the United States Government, such as treasury notes, bills and bonds; in securities of Agencies that are guaranteed by the United States Government; bonds or negotiable securities of the State of New Mexico or of any county, municipality or school district in the State of New Mexico which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statute requires that the bank deposits be 50% collateralized and repurchase agreements be 102% collateralized. As of June 30, 2007, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2007 was \$5,516,604 and the bank balance was \$5,592,765. Of the bank balance, \$400,000 was covered by federal depository insurance, \$5,083,759 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and \$109,006 was uncollateralized, and subject to custodial credit risk.

Collateral. Only securities backed by the full faith and credit of the United States Government will be accepted as collateral. The City may make an exception and accept as collateral securities from a governmental entity within the State of New Mexico as described by State Statute 6-10-16, B.

All securities pledged as collateral shall be held by a third-party financial institution approved by the City Manager or his/her designee. Any change in the institution holding the collateral must have prior approval of the City Manager or his/her designee.

The City has investments in the State Treasurer external investment pool (the Local Government Investment Pool). The investments are valued at fair value based on quoted market prices as of June 30, 2007. The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary. The LGIP has been rated by Standard & Poor's and has received an AAAM rating.

B. Receivables

Receivables as of June 30, 2007 are as follows:

	<u>General</u>	<u>Municipal Road</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Receivable, net					
Intergovernmental	\$ 1,725,374	\$ 1,183,076	\$ 478,720	\$ 22,769	\$ 3,409,939
Other receivables	69,410	-	-	5,135	74,545
Total	<u>\$ 1,794,784</u>	<u>\$ 1,183,076</u>	<u>\$ 478,720</u>	<u>\$ 27,904</u>	<u>\$ 3,484,484</u>
		<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Irrigation Assessment</u>	<u>Total Enterprise Funds</u>
Receivable, net					
Accounts receivable		\$ 787,399	\$ 61,877	\$ 7,244	\$ 856,520
Unbilled receivable		415,922	-	-	415,922
Less allowance for doubtful accounts		(228,199)	-	(6,635)	(234,834)
Accounts receivable, net		975,122	61,877	609	1,037,608
Interest receivable		108,147	-	-	108,147
Intergovernmental		67,687	-	-	67,687
Total		<u>\$ 1,150,956</u>	<u>\$ 61,877</u>	<u>\$ 609</u>	<u>\$ 1,213,442</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavallable</u>	<u>Unearned</u>
Property taxes	\$ 435,145	\$ -
Grant proceeds not yet earned	-	2,822
Total deferred revenue for governmental funds	<u>\$ 435,145</u>	<u>\$ 2,822</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

<u>Governmental activities</u>	<u>July 1, 2006</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>
Non-Depreciable Assets:					
Land	\$ 581,348	\$ -	\$ 28,000	\$ -	\$ 609,348
Construction in progress	1,386,466	(896,993)	152,398	-	641,871
Total non-depreciable assets	<u>1,967,814</u>	<u>(896,993)</u>	<u>180,398</u>	<u>-</u>	<u>1,251,219</u>
Depreciable Assets					
Buildings	6,026,412	7,922	291,930	-	6,326,264
Improvements other than buildings	543,021	35,849	576,435	-	1,155,305
Machinery and equipment	3,871,601	5,814	236,825	(53,232)	4,061,008
Infrastructure	7,379,223	861,617	607,074	-	8,847,914
Total depreciable assets	<u>17,820,257</u>	<u>911,202</u>	<u>1,712,264</u>	<u>(53,232)</u>	<u>20,390,491</u>
Accumulated Depreciation					
Buildings	(1,359,963)	6,596	(172,905)	-	(1,526,272)
Improvements other than buildings	(163,726)	(25,468)	(42,332)	-	(231,526)
Equipment	(2,594,575)	(14,690)	(329,820)	53,232	(2,885,853)
Infrastructure	(3,611,745)	19,353	(367,751)	-	(3,960,143)
Total accumulated depreciation	<u>(7,730,009)</u>	<u>(14,209)</u>	<u>(912,808)</u>	<u>53,232</u>	<u>(8,603,794)</u>
Total capital assets being depreciated, net	<u>10,090,248</u>	<u>896,993</u>	<u>799,456</u>	<u>-</u>	<u>11,786,697</u>
Governmental activities capital assets, net	<u>\$ 12,058,062</u>	<u>\$ -</u>	<u>\$ 979,854</u>	<u>\$ -</u>	<u>\$ 13,037,916</u>
<u>Business-type activities</u>					
Non-Depreciable Assets:					
Land	\$ 694,402	\$ -	\$ -	\$ -	\$ 694,402
Construction in progress	774,344	(551,586)	617,611	-	840,369
Total non-depreciable assets	<u>1,468,746</u>	<u>(551,586)</u>	<u>-</u>	<u>-</u>	<u>1,534,771</u>
Depreciable Assets					
Building and systems	20,694,576	375,973	654,661	-	21,725,210
Equipment	2,307,178	175,613	79,606	(60,738)	2,501,659
Total depreciable assets	<u>23,001,754</u>	<u>551,586</u>	<u>734,267</u>	<u>(60,738)</u>	<u>24,226,869</u>
Accumulated Depreciation					
Buildings and systems	(6,949,212)	(51,560)	(683,910)	-	(7,684,682)
Equipment	(1,385,640)	51,560	(214,275)	59,993	(1,488,362)
Total accumulated depreciation	<u>(8,334,852)</u>	<u>-</u>	<u>(898,185)</u>	<u>59,993</u>	<u>(9,173,044)</u>
Total capital assets being depreciated, net	<u>14,666,902</u>	<u>551,586</u>	<u>(163,918)</u>	<u>(745)</u>	<u>15,053,825</u>
Business-type activities capital assets, net	<u>\$ 16,135,648</u>	<u>\$ -</u>	<u>\$ (163,918)</u>	<u>\$ (745)</u>	<u>\$ 16,588,596</u>

Depreciation expense was charged to functions / programs of the government as follows:

Governmental activities:	
General government	\$ 64,819
Public safety	233,712
Public works	428,911
Culture and recreation	<u>185,367</u>
Total depreciation expense - governmental activities	<u>\$ 912,809</u>
 Business-type activities:	
Joint utility	\$ 888,225
Solid waste	5,629
Irrigation assessment	<u>4,331</u>
Total depreciation expense - business-type activities	<u>\$ 898,185</u>

Construction commitments

The City has active construction projects as of June 30, 2007. At June 30, 2007, the City's commitments with contractors were as follows:

	<u>Expended to-date</u>	<u>Remaining Commitment</u>
Main Street (Chaco to Zia Street)	\$ 676,351	\$ 872,917
Ford, Zia and Pollard water line	<u>270,444</u>	<u>48,706</u>
Total	<u>\$ 946,795</u>	<u>\$ 921,623</u>

D. Interfund receivables, payables and transfers

Interfund transfers consisted of the following as of June 30, 2007:

Transfers		In	Out
Governmental Funds			
General fund - operating transfers		\$ 77,591	\$ 1,028,962
Municipal Road - operating transfers		994,155	-
Local Government Correction - operating		52,991	-
Infrastructure Gross Receipts - operating		-	354,155
Economic Development - operating transfer		50,000	-
Development Fees - operating transfer		-	44,694
Recreation - operating transfers		5,000	-
Capital Equipment Replacement - operating		363,778	123,326
Capital Projects - operating transfers		12,973	-
Total governmental funds transfers		<u>\$ 1,556,488</u>	<u>\$ 1,551,137</u>
Net governmental funds transfers			<u>\$ (5,351)</u>
 Business-type funds			
Joint Utility Fund - operating transfer		\$ 1,230,404	\$ 1,235,755
Total business-type funds transfers		<u>\$ 1,230,404</u>	<u>\$ 1,235,755</u>
Net business-type transfers		<u>\$ (5,351)</u>	

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

E. Long-term debt

General Obligation Bonds

The City has the capacity to issue general obligation bonds to provide funds for the acquisition and/or construction of major capital projects, but as of June 30, 2007 no general obligation bonds had been issued.

Revenue Bonds

The City has the capacity to issue bonds where the City pledges gross receipts tax revenue and revenues derived from the acquired or constructed assets to pay debt service, but as of June 30, 2007 no revenue bonds had been issued.

Contracts and Loans Payable

The City entered into a long-term contract payable agreement with an individual to purchase 65 acre feet of water rights costing \$18,154, payable in annual instalments of \$2,000, including interest at 10%, through 2009, and secured by water rights. The Joint Utility Enterprise Fund reports the outstanding principal as of June 30, 2007 of \$3,470, with a current portion of \$1,653.

The City entered into a long-term loan agreement with the State of New Mexico (RIP 91-11) for construction projects totalling \$149,555, payable in annual instalments of \$14,063, including interest at 3%, through 2015. The Joint Utility Enterprise Fund reports the outstanding principal due as of June 30, 2007 of \$99,697, with a current portion of \$11,101.

The City entered into a long-term loan agreement with the State of New Mexico Finance Authority for construction and acquisition of improvements to the City's water and wastewater treatment facilities totalling \$1,919,192. The loan is payable in semi-annual instalments. Annual repayments range between \$155,000 and \$160,000 per year, including interest at 5.32%, through May 2017. The Joint Utilities Enterprise Fund reports the outstanding principal due as of June 30, 2007 of \$1,182,569, with a current portion of \$93,405.

The City has entered into a long-term loan agreement with the New Mexico Environmental Department (RIP 2002-07) in the original amount of \$500,000 dated June 2002. The loan is payable in annual payments of \$33,608, including interest at 3%, through May 2024. The Joint Utilities Enterprise Fund reports the outstanding principal as of June 30, 2007 of \$442,485, with a current portion of \$20,333.

The City has entered into a long-term loan agreement with the New Mexico Environmental Department (RIP 2003-02) in the original amount of \$500,000 dated March 2003. The loan is payable in annual payments of \$33,608, including interest at 3%, through May 2024. The Joint Utilities Enterprise Fund reports the outstanding principal as of June 30, 2007 of \$442,485, with a current portion of \$20,333.

The City has entered into a long-term loan agreement with the New Mexico Retiree Health Care Authority (NMRHCA) for the City's "surplus contribution" requirement to participate in the NMRHCA plan totalling \$166,367. The loan is payable in semi-annual payments of \$18,735, including interest at 7.5%, through January 2010. The Joint Utilities Enterprise Fund reports a portion of the outstanding principal due as of June 30, 2007 of \$30,696, with a current portion of \$9,488. The General Governmental Fund on the government-wide statement of net assets reports the remaining portion of the outstanding principal due as of June 30, 2007 of \$68,323, with a current portion of \$21,119.

The City has entered into a long-term loan agreement with the State of New Mexico Finance Authority to construct, purchase, furnish and equip a public library totalling \$1,679,942 dated September 2004. The loan is payable in semi-annual payments averaging \$146,461 per year, including interest at 3.966%, through May 2020. The General Governmental Fund on the government-wide statement of net assets reports the outstanding principal due as of June 30, 2007 of \$1,454,625, with a current portion of \$90,058.

Long-term debt service requirements to maturity are as follows:

Governmental activities

Fiscal year ended:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2008	\$ 111,177	\$ 61,092	\$ 172,269
June 30, 2009	115,301	56,975	172,276
June 30, 2010	119,897	52,387	172,284
June 30, 2011	98,583	47,853	146,436
June 30, 2012	102,043	44,402	146,445
June 30, 2013-2017	572,296	160,085	732,381
June 30, 2018-2020	403,650	35,929	439,579
Debt service requirements	<u>1,522,947</u>	<u>\$ 458,723</u>	<u>\$ 1,981,670</u>
Less current portion	(111,177)		
Long-term debt, net of current portion	<u>\$ 1,411,770</u>		

Business-type activities

Fiscal year ended:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2008	\$ 156,314	\$ 96,636	\$ 252,950
June 30, 2009	163,360	89,379	252,739
June 30, 2010	168,845	81,674	250,519
June 30, 2011	164,767	73,905	238,672
June 30, 2012	172,104	66,324	238,428
June 30, 2013-2017	957,239	202,611	1,159,850
June 30, 2018-2022	290,158	45,921	336,079
June 30, 2023-2024	128,615	5,816	134,431
Debt service requirements	<u>2,201,402</u>	<u>\$ 662,266</u>	<u>\$ 2,863,668</u>
Less current portion	(156,314)		
Long-term debt, net of current portion	<u>\$ 2,045,088</u>		

Changes in Long-term Liabilities

During the year ended June 30, 2007, the following changes occurred in long-term liabilities:

<u>Governmental activities</u>	Balance			Balance June 30, 2007	Due Within One Year
	June 30, 2006	Additions	Reductions		
Contracts and loans payable:					
NM Finance Authority	\$ 1,542,576	\$ -	\$ (87,951)	\$ 1,454,625	\$ 90,058
NM Retiree Health Care	87,942	-	(19,619)	68,323	21,119
Total contracts and loans payable	1,630,518	-	(107,570)	1,522,948	111,177
Compensated absences	227,133	248,748	(227,133)	248,748	248,748
Total Governmental Activities	<u>\$ 1,857,651</u>	<u>\$ 248,748</u>	<u>\$ (334,703)</u>	<u>\$ 1,771,696</u>	<u>\$ 359,925</u>
<u>Business-type Activities</u>					
Contracts and loans payable:					
Hartman contract	\$ 4,973	\$ -	\$ (1,503)	\$ 3,470	\$ 1,653
State Rural Infrastructure	110,475	-	(10,778)	99,697	11,101
State Rural Infrastructure	462,226	-	(19,741)	442,485	20,333
State Rural Infrastructure	462,226	-	(19,741)	442,485	20,333
NM Finance Authority	1,271,665	-	(89,096)	1,182,569	93,405
NM Retiree Health Care	39,511	-	(8,815)	30,696	9,488
Total contracts and loans payable	2,351,076	-	(149,674)	2,201,402	156,313
Compensated absences	107,233	104,881	(107,233)	104,881	104,881
Total Business-type Activities	<u>\$ 2,458,309</u>	<u>\$ 104,881</u>	<u>\$ (256,907)</u>	<u>\$ 2,306,283</u>	<u>\$ 261,194</u>

F. Reserved fund balances

Fund equity was reserved for the following purposes:

Subsequent years expenditures: The New Mexico Department of Finance and Administration (DFA) requires that 1/12th of the general fund budgeted expenditures (\$697,196) be reserved as subsequent year expenditures to maintain an adequate cash flow until the next significant property tax collection.

Encumbrances: These amounts represent expenditures that were budgeted for the current fiscal year and were "encumbered" for spending in the next fiscal year.

Debt service: These amounts represent cash reserves required by loan agreements.

V. OTHER INFORMATION

A. Risk management

The City is also exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. In addition, the City is party to numerous pending or threatened lawsuits, under which it may be required to pay certain amounts upon final disposition of these matters. The City has historically retained these risks, except where it has determined that commercial insurance is more cost beneficial or legally required. The City has covered all claim settlements and judgments out of its General Fund resources, except where specifically identifiable to an enterprise fund. The City currently reports substantially all of its risk management activities, except worker's compensation, in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Current liabilities are reported when the liability has matured. These losses include an estimate of claims that have been incurred but not reported.

B. Contingent liabilities

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

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

C. Jointly governed organizations

Joint Powers Agreement for Consolidated Communications Authority. The City is a participant with San Juan County, the City of Farmington and the City of Bloomfield in a joint powers agreement to build, maintain, and operate a centralized communications system for dispatch and emergency response. The City was obligated to contribute \$7,500 per year until the Capital Equipment Fund reached a balance of \$250,000. Thereafter, the City is obligated to contribute 6% of an amount necessary to maintain that balance. During the year ended June 30, 2007, the City contributed \$4,145 to the Authority. Complete financial statements for the Consolidated Communications Authority can be obtained from San Juan County, New Mexico.

Joint Powers Agreement for the San Juan Water Commission. The City is a participant with the cities of Farmington and Bloomfield, the County of San Juan, and the San Juan Rural Waters Users Association in a joint powers agreement to create a countywide entity responsible for water planning and use. Much of the impetus to form the Commission came from the Animas La Plata water project and the subsequent need to develop methods to equitably share the related costs and benefits. In addition to this specific project the Commission is also authorized to acquire additional water rights and provide for the equitable distribution of such water. The Commission is financed by a San Juan County mill levy on real and personal property of approximately 3 mills. During the year ended June 30, 2007 the City did not make any financial contribution to the Commission. Complete financial statements may be obtained by contacting the San Juan Water Commission.

D. Employee Retirement Systems and Plans

Public Employees Retirement Association (PERA)

Plan Description. Substantially all of the City's full time employees participate in a defined benefit contributory retirement plan through the Public Employees' Retirement Association (PERA) of the State of New Mexico authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). PERA is the administrator of the plan which is a cost-sharing, multiple-employer public employee retirement plan. Actual pension data for the State of New Mexico, as employer, is provided at the state-wide level in a separately issued financial report of the PERA. A copy of the PERA financial report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504.

Retirement Eligibility. Eligibility for receiving the monthly benefits equal to the number of years of credited service times 2.5% of their final average monthly salary for the thirty-six consecutive months of credited service producing the largest average is as follows:

Any age with 25 or more years of credited service; or age 60 or older with 20 or more years of credited service; or
 Age 61 or older with 17 or more years of credited service; or
 Age 62 or older with 14 or more years of credited service; or
 Age 63 or older with 11 or more years of credited service; or
 Age 64 or older with 8 or more years of credited service; or
 Age 65 or older with 5 or more years of credited service.

Police officers and fire fighters are eligible for retirement at any age after 20 years of service. Benefits vest after 5 years of credited service.

Contribution Requirements. Contributions to the pension plan as of June 30, 2007 are equal to percentages of annual salaries as follows:

	City	Employee	
	<u>Contribution</u>	<u>Contribution</u>	<u>Total</u>
Police	18.50%	16.30%	34.80%
General	9.15%	9.15%	18.30%

The contribution requirements of plan members and the City are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The actuarially determined contribution requirements and actual contributions made for the year ended June 30, 2007 were \$712,270, (which consisted of \$372,717 from the City and \$339,553 from employees; representing 10.9% and 10.2% of covered payroll, respectively). The payroll for employees covered by PERA for the year ended June 30, 2007 was \$3,384,359; the total payroll for all employees of the City was \$3,684,070. Contributions for the past three years are as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contribution</u>	<u>Net Benefit Obligation</u>
2005	\$594,421	100%	\$ -
2006	653,412	100%	-
2007	712,270	100%	-

If member's employment is terminated before the member is eligible for any other benefits under PERA, the member may receive a refund of the member's contribution and interest accrued based on rates established biannually by the retirement board.

Trend Information. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and non-vested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due is not available by individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the state-wide level in a separately-issued financial report of the PERA.

E. Other Post Employment Benefits

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

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

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

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

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

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

For the years ended June 30, 2007 and 2006, the City remitted \$41,788 and \$39,938 in employer contributions and \$20,806 and \$19,423 in employee contributions, respectively, to the Retiree Health Care Authority. The City recorded the expense in the related fund where the payroll was charged.

The City's participation in the plan became effective January 1, 2005 and the City was required to pay a surplus contribution of \$166,367. The NMRHCA financed this buy-in contribution with a five year note with 7.5% interest rate.

Combining and Individual Fund Statements and Schedules

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MAJOR GOVERNMENTAL FUNDS

Capital Projects Fund

Capital Projects Fund - This fund was created by City management to account for the acquisition and construction of major capital facilities other than those projects financed by proprietary funds.

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CITY OF AZTEC, NEW MEXICO
Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ 495,000	\$ 495,000	\$ 575,116	\$ 80,116
Intergovernmental	2,013,700	2,013,700	375,137	(1,638,563)
Investment earnings	24,000	24,000	44,507	20,507
Total Revenues	2,532,700	2,532,700	994,760	(1,537,940)
EXPENDITURES:				
Current:				
General government	251,500	236,500	15,286	221,214
Public works	-	-	-	-
Capital outlay	4,363,900	4,321,112	95,525	4,225,587
Debt service:				
Principal payments	147,951	147,951	87,951	60,000
Interest payments	92,000	92,000	58,459	33,541
Total Expenditures	4,855,351	4,797,563	257,221	4,540,342
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,322,651)	(2,264,863)	737,539	3,002,402
OTHER FINANCING SOURCES (USES):				
Transfers in	172,873	115,085	12,973	(102,112)
Bonds issued	1,500,000	1,500,000	-	(1,500,000)
Total other financing sources (uses)	1,672,873	1,615,085	12,973	(1,602,112)
Net change in fund balances	(649,778)	(649,778)	750,512	1,400,290
Fund balances - beginning	706,455	706,455	706,455	-
Fund balances - ending	\$ 56,677	\$ 56,677	\$ 1,456,967	\$ 1,400,290

The notes to the financial statements are an integral part of this statement.

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Law Enforcement Protection Fund - This fund was established by City management to account for law enforcement protection monies received from the State to be disbursed for law enforcement related expenditures pursuant to NMSA 29-13-7.

Local Government Correction Fund - City management established this fund to account for correction fees assessed to City trustees sentenced to serve time in the County detention center and subsequently paid to the County, pursuant to NMSA 33-3-25.

Infrastructure Gross Receipts Fund - This fund was established pursuant to NMSA 3-34-1 and requires this fund to account for the one-half percent gross receipts tax restricted for sanitary sewer lines, storm sewers and other drainage improvements, streets and alleys, or acquisition of right-of-ways as authorized by City ordinances 92-143 and 92-144.

Economic Development Fund – This fund was established pursuant to NMSA 1978 Sec 5-10-1, as adopted by City Ordinance 99-235, to allow public support of economic development to foster, promote, and enhance local economic development efforts while continuing to protect against the unauthorized use of public money and other public resources. The statute also allows the City to enter into joint power agreements to plan and support regional economic development projects.

Development Fees Fund – This fund was established by the City management to account for impact fees collected as provided by NMSA 5-8-1 through 5-8-42 and City Ordinance 2004-310. Impact fees may be used for a variety of expenditures except maintenance or operation costs.

Lodgers Tax Fund – This fund was established pursuant to NMSA 3-38-15 to account for the City's occupancy tax imposed on lodging establishments and restricted to tourism and promotion uses.

State Fire Fund - City management established this fund to account for state grants restricted for the purchase of fire fighting equipment and other approved fire department needs pursuant to NMSA 59A-53-8.

Recreation Fund – NMSA 7-12-15.B authorizes the establishment of the fund to account for the City's share of a state cigarette tax legally restricted for the operation of recreation facilities.

Emergency Medical Services Fund - City management established this fund to account for State grants restricted to expenditures for the purchase of emergency medical equipment as provided by NMSA 24-10A-7.

Airport fund – City management established this fund to account for the activities of the City's airport operations and account for operating and capital grants.

Capital Projects Funds

Capital Equipment Replacement Fund - City management established this fund to accumulate funding of future capital equipment purchases.

Community Development Block Grant Fund – City management established this fund to account for federal grant monies received for water, sewer, and street capital expenditures.

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

	Special Revenue Funds				
	Law Enforcement Protection	Local Government Correction	Infrastructure Gross Receipts	Economic Development	Development Fees
ASSETS:					
Cash and cash equivalents	\$ 920	\$ 11,060	\$ -	\$ 104,221	\$ 115,985
Intergovernmental receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Prepaid and other assets	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total Assets	\$ 920	\$ 11,060	\$ -	\$ 104,221	\$ 115,985
LIABILITIES:					
Accounts payable	-	9,142	-	-	-
Other current liabilities	9	-	-	-	2,400
Unearned revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
	9	9,142	-	-	2,400
FUND BALANCES:					
Reserved for encumbrances	-	-	-	-	-
Unreserved, undesignated	911	1,918	-	104,221	113,585
	911	1,918	-	104,221	113,585
Total Liabilities and Fund Balances	\$ 920	\$ 11,060	\$ -	\$ 104,221	\$ 115,985

The notes to the financial statements are an integral part of this statement.

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

	Special Revenue Funds						
	Lodgers Tax	State Fire	Recreation	Emergency Medical Services	Airport		Total Special Revenue
ASSETS:							
Cash and cash equivalents	\$ 10,190	\$ 326,331	\$ 21,139	\$ 8,943	\$ 41,392	\$	640,181
Intergovernmental receivable	-	-	1,252	-	21,517	-	22,769
Other receivables	3,778	-	-	-	1,357	-	5,135
Prepaid and other assets	-	-	-	-	1,282	-	1,282
Due from other funds	-	47	-	-	-	-	47
Total Assets	\$ 13,968	\$ 326,378	\$ 22,391	\$ 8,943	\$ 65,548	\$	669,414
LIABILITIES:							
Accounts payable	\$ -	\$ 70	\$ -	\$ 2,421	\$ -	\$	11,633
Other current liabilities	-	-	-	210	500	-	3,119
Unearned revenue	-	-	-	-	1,282	-	1,282
Due to other funds	-	-	-	-	-	-	-
	-	70	-	2,631	1,782	-	16,034
FUND BALANCES:							
Reserved for encumbrances	-	-	-	-	-	-	-
Unreserved, undesignated	13,968	326,308	22,391	6,312	63,766	-	653,380
	13,968	326,308	22,391	6,312	63,766	-	653,380
Total Liabilities and Fund Balances	\$ 13,968	\$ 326,378	\$ 22,391	\$ 8,943	\$ 65,548	\$	669,414

The notes to the financial statements are an integral part of this statement.

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

	Capital Projects Funds			Total
	Capital	Community	Total	Nonmajor
	Equipment	Development	Capital	Governmental
	Replacement	Block Grant	Projects	Funds
ASSETS:				
Cash and cash equivalents	\$ 1,002,974	\$ 4,961	\$ 1,007,935	\$ 1,648,116
Intergovernmental receivable	-	-	-	22,769
Other receivables	-	-	-	5,135
Prepaid and other assets	-	-	-	1,282
Due from other funds	146	-	146	193
Total Assets	\$ 1,003,120	\$ 4,961	\$ 1,008,081	\$ 1,677,495
 LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 11,633
Other current liabilities	-	-	-	3,119
Unearned revenue	-	-	-	1,282
Due to other funds	-	-	-	-
	-	-	-	16,034
 FUND BALANCES:				
Reserved for encumbrances	-	-	-	-
Unreserved, undesignated	1,003,120	4,961	1,008,081	1,661,461
	1,003,120	4,961	1,008,081	1,661,461
Total Liabilities and Fund Balances	\$ 1,003,120	\$ 4,961	\$ 1,008,081	\$ 1,677,495

The notes to the financial statements are an integral part of this statement.

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

	Special Revenue Funds				
	Law Enforcement Protection	Local Government Correction	Infrastructure Gross Receipts	Economic Development	Development Fees
REVENUES:					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	55,607
Intergovernmental	27,200	-	-	-	-
Charges for services	-	77,218	-	-	-
Investment earnings	856	-	-	4,024	6,358
Miscellaneous	-	-	-	-	-
Total Revenues	28,056	77,218	-	4,024	61,965
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	15,165	128,640	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	12,335	-	-	-	-
Debt service:					
Principal payments	-	-	-	-	-
Interest payments	-	-	-	-	-
Total Expenditures	27,500	128,640	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	556	(51,422)	-	4,024	61,965
OTHER FINANCING SOURCES (USES)					
Transfers in	-	52,991	-	50,000	-
Transfers out	-	-	(354,155)	-	(44,694)
Total other financing sources (uses)	-	52,991	(354,155)	50,000	(44,694)
Net change in fund balances	556	1,569	(354,155)	54,024	17,271
Fund balances - beginning	355	349	354,155	50,197	96,314
Fund balances - ending	\$ 911	\$ 1,918	\$ -	\$ 104,221	\$ 113,585

The notes to the financial statements are an integral part of this statement.

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

	Special Revenue Funds					Total Special Revenue
	Lodgers Tax	State Fire	Recreation	Emergency Medical Services	Airport	
REVENUES:						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	17,088	-	12,704	-	-	29,792
Licenses and permits	-	-	-	-	-	55,607
Intergovernmental	-	196,916	-	6,484	21,517	252,117
Charges for services	-	-	-	-	-	77,218
Investment earnings	525	16,502	1,591	417	2,707	32,980
Miscellaneous	-	7,824	-	96	2,685	10,605
Total Revenues	17,613	221,242	14,295	6,997	26,909	458,319
EXPENDITURES:						
Current:						
General government	-	-	-	-	26,325	26,325
Public safety	-	11,315	-	3,850	-	158,970
Public works	-	-	-	-	-	-
Culture and recreation	12,050	-	-	-	-	12,050
Capital outlay	-	-	21,093	-	-	33,428
Debt service:						
Principal payments	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-
Total Expenditures	12,050	11,315	21,093	3,850	26,325	230,773
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,563	209,927	(6,798)	3,147	584	227,546
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	5,000	-	-	107,991
Transfers out	-	-	-	-	-	(398,849)
Total other financing sources (uses)	-	-	5,000	-	-	(290,858)
Net change in fund balances	5,563	209,927	(1,798)	3,147	584	(63,312)
Fund balances - beginning	8,405	116,381	24,189	3,165	63,182	716,692
Fund balances - ending	\$ 13,968	\$ 326,308	\$ 22,391	\$ 6,312	\$ 63,766	\$ 653,380

The notes to the financial statements are an integral part of this statement.

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

	<u>Capital Projects Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Capital Equipment Replacement</u>	<u>Community Development Block Grant</u>	<u>Total Capital Projects</u>	
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	29,792
Licenses and permits	-	-	-	55,607
Intergovernmental	-	-	-	252,117
Charges for services	-	-	-	77,218
Investment earnings	45,426	-	45,426	78,406
Miscellaneous	-	-	-	10,605
Total Revenues	<u>45,426</u>	<u>-</u>	<u>45,426</u>	<u>503,745</u>
EXPENDITURES:				
Current:				
General government	-	-	-	26,325
Public safety	-	-	-	158,970
Public works	-	-	-	-
Culture and recreation	-	-	-	12,050
Capital outlay	-	-	-	33,428
Debt service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,773</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>45,426</u>	<u>-</u>	<u>45,426</u>	<u>272,972</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	363,778	-	363,778	471,769
Transfers out	(123,326)	-	(123,326)	(522,175)
Total other financing sources (uses)	<u>240,452</u>	<u>-</u>	<u>240,452</u>	<u>(50,406)</u>
Net change in fund balances	285,878	-	285,878	222,566
Fund balances - beginning	717,242	4,961	722,203	1,438,895
Fund balances - ending	<u>\$ 1,003,120</u>	<u>\$ 4,961</u>	<u>\$ 1,008,081</u>	<u>\$ 1,661,461</u>

The notes to the financial statements are an integral part of this statement.

Governmental Funds

**Statement of Revenues, Expenditure and Changes in
Fund Balances – Budget and Actual**

CITY OF AZTEC, NEW MEXICO
Law Enforcement Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	27,200	27,200	27,200	-
Investment earnings	300	300	856	556
Total Revenues	<u>27,500</u>	<u>27,500</u>	<u>28,056</u>	<u>556</u>
EXPENDITURES:				
Current:				
Public safety	20,000	15,165	15,165	-
Capital outlay	7,500	12,335	12,335	-
Total Expenditures	<u>27,500</u>	<u>27,500</u>	<u>27,500</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	556	556
Fund balances - beginning	355	355	355	-
Fund balances - ending	<u>\$ 355</u>	<u>\$ 355</u>	<u>\$ 911</u>	<u>\$ 556</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Local Government Correction Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Charges for services	80,000	80,000	77,218	(2,782)
Total Revenues	<u>80,000</u>	<u>80,000</u>	<u>77,218</u>	<u>(2,782)</u>
EXPENDITURES:				
Current:				
Public safety	180,000	180,000	128,640	51,360
Capital outlay	-	-	-	-
Total Expenditures	<u>180,000</u>	<u>180,000</u>	<u>128,640</u>	<u>51,360</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(51,422)</u>	<u>48,578</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	52,991	(47,009)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>52,991</u>	<u>(47,009)</u>
Net change in fund balances	-	-	1,569	1,569
Fund balances - beginning	349	349	349	-
Fund balances - ending	<u>\$ 349</u>	<u>\$ 349</u>	<u>\$ 1,918</u>	<u>\$ 1,569</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Infrastructure Gross Receipts Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers out	(345,450)	(354,155)	(354,155)	-
Net change in fund balances	(345,450)	(354,155)	(354,155)	-
Fund balances - beginning	354,155	354,155	354,155	-
Fund balances - ending	\$ 8,705	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Economic Development Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	4,024	4,024
Total Revenues	-	-	4,024	4,024
EXPENDITURES:				
Current:				
General government	50,000	50,000	-	50,000
Capital outlay	-	-	-	-
Total Expenditures	50,000	50,000	-	50,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,000)	(50,000)	4,024	54,024
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	50,000	50,000	-
Net change in fund balances	-	-	54,024	54,024
Fund balances - beginning	50,197	50,197	50,197	-
Fund balances - ending	\$ 50,197	\$ 50,197	\$ 104,221	\$ 54,024

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Development Fees Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Licenses and permits	46,000	51,315	55,607	4,292
Investment earnings	960	960	6,358	5,398
Total Revenues	<u>46,960</u>	<u>52,275</u>	<u>61,965</u>	<u>9,690</u>
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	46,960	52,275	61,965	9,690
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(39,020)</u>	<u>(44,694)</u>	<u>(44,694)</u>	<u>-</u>
Net change in fund balances	7,940	7,581	17,271	9,690
Fund balances - beginning	96,314	96,314	96,314	-
Fund balances - ending	<u>\$ 104,254</u>	<u>\$ 103,895</u>	<u>\$ 113,585</u>	<u>\$ 9,690</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Lodgers Tax Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Other taxes	18,000	18,000	17,088	(912)
Investment earnings	175	175	525	350
Total Revenues	18,175	18,175	17,613	(562)
EXPENDITURES:				
Current:				
Culture and recreation	18,000	18,000	12,050	5,950
Capital outlay	-	-	-	-
Total Expenditures	18,000	18,000	12,050	5,950
 Net change in fund balances	 175	 175	 5,563	 5,388
Fund balances - beginning	8,405	8,405	8,405	-
Fund balances - ending	\$ 8,580	\$ 8,580	\$ 13,968	\$ 5,388

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
State Fire Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	152,355	152,355	196,916	44,561
Investment earnings	5,000	5,000	16,502	11,502
Miscellaneous	-	-	7,824	7,824
Total Revenues	157,355	157,355	221,242	63,887
EXPENDITURES:				
Current:				
Public safety	52,250	52,250	11,315	40,935
Capital outlay	107,105	107,105	-	107,105
Debt service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total Expenditures	159,355	159,355	11,315	148,040
Net change in fund balances	(2,000)	(2,000)	209,927	211,927
Fund balances - beginning	116,381	116,381	116,381	-
Fund balances - ending	\$ 114,381	\$ 114,381	\$ 326,308	\$ 211,927

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Recreation Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Other taxes	8,700	8,700	12,704	4,004
Investment earnings	1,000	1,000	1,591	591
Total Revenues	9,700	9,700	14,295	4,595
EXPENDITURES:				
Current:				
Culture and recreation	5,000	5,000	-	5,000
Capital outlay	25,000	25,000	21,093	3,907
Total Expenditures	30,000	30,000	21,093	8,907
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,300)	(20,300)	(6,798)	13,502
OTHER FINANCING SOURCES (USES):				
Transfers in	5,000	5,000	5,000	-
Net change in fund balances	(15,300)	(15,300)	(1,798)	13,502
Fund balances - beginning	24,189	24,189	24,189	-
Fund balances - ending	\$ 8,889	\$ 8,889	\$ 22,391	\$ 13,502

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Emergency Medical Services Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	7,565	7,565	6,484	(1,081)
Investment earnings	100	100	417	317
Miscellaneous	-	-	96	96
Total Revenues	<u>7,665</u>	<u>7,665</u>	<u>6,997</u>	<u>(668)</u>
EXPENDITURES:				
Current:				
Public safety	7,712	7,712	3,850	3,862
Capital outlay	-	-	-	-
Total Expenditures	<u>7,712</u>	<u>7,712</u>	<u>3,850</u>	<u>3,862</u>
 Net change in fund balances	 (47)	 (47)	 3,147	 3,194
Fund balances - beginning	3,165	3,165	3,165	-
Fund balances - ending	<u>\$ 3,118</u>	<u>\$ 3,118</u>	<u>\$ 6,312</u>	<u>\$ 3,194</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Airport Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	30,789	30,789	21,517	(9,272)
Investment earnings	1,150	1,150	2,707	1,557
Miscellaneous	2,600	2,600	2,685	85
Total Revenues	34,539	34,539	26,909	(7,630)
EXPENDITURES:				
Current:				
General government	49,702	49,709	26,325	23,384
Capital outlay	10,000	10,000	-	10,000
Total Expenditures	59,702	59,709	26,325	33,384
Net change in fund balances	(25,163)	(25,170)	584	25,754
Fund balances - beginning	63,182	63,182	63,182	-
Fund balances - ending	\$ 38,019	\$ 38,012	\$ 63,766	\$ 25,754

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Capital Equipment Replacement Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Investment earnings	22,000	22,000	45,426	23,426
Total Revenues	<u>22,000</u>	<u>22,000</u>	<u>45,426</u>	<u>23,426</u>
EXPENDITURES:				
Capital outlay	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,000</u>	<u>22,000</u>	<u>45,426</u>	<u>23,426</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	363,778	363,778	363,778	-
Transfers out	(369,200)	(383,048)	(123,326)	259,722
Total other financing sources (uses)	<u>(5,422)</u>	<u>(19,270)</u>	<u>240,452</u>	<u>259,722</u>
Net change in fund balances	16,578	2,730	285,878	283,148
Fund balances - beginning	717,242	717,242	717,242	-
Fund balances - ending	<u>\$ 733,820</u>	<u>\$ 719,972</u>	<u>\$ 1,003,120</u>	<u>\$ 283,148</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Community Development Block Grant Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Capital outlay	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	4,961	4,961	4,961	-
Fund balances - ending	<u>\$ 4,961</u>	<u>\$ 4,961</u>	<u>\$ 4,961</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

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Enterprise Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets Budget and Actual (Non-GAAP Budgetary Basis)

Joint Utility Fund - The following funds are used to account for the activities of the City's electric, water and wastewater utility operations.

Solid Waste Fund - This fund is used to account for the City's solid waste services. The operation of the service is performed under a contract with the City by a private enterprise.

Irrigation Assessment Fund - This fund is used to account for the activities of the City's irrigation assessment activities.

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CITY OF AZTEC, NEW MEXICO
Statement of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual (Non-GAAP Budgetary Basis)
Joint Utility Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for Sales and Services:				
Joint utility	\$ 6,921,324	\$ 7,322,324	\$ 8,622,621	\$ 1,300,297
Other revenues	9,200	9,200	72,934	63,734
Total Operating Revenues	6,930,524	7,331,524	8,695,555	1,364,031
Operating expenses:				
Salaries and fringe benefits	1,527,210	1,516,549	1,313,103	203,446
Purchased power	3,518,640	3,593,640	3,476,487	117,153
Other operating expenses	2,677,510	3,640,986	1,647,321	1,993,665
Payments in lieu of taxes	346,000	416,000	415,676	324
Capital outlay	8,359,200	7,675,224	1,281,020	6,394,204
Total Operating Expenses	16,428,560	16,842,399	8,133,607	8,708,792
Operating income	(9,498,036)	(9,510,875)	561,948	10,072,823
Nonoperating revenues (expenses):				
Intergovernmental	1,514,194	1,514,194	-	(1,514,194)
Investment earnings	124,700	124,700	338,103	213,403
Gross receipts tax	80,000	80,000	96,021	16,021
Loan proceeds	4,000,000	4,000,000	-	(4,000,000)
Principal payments	(274,674)	(249,674)	(149,674)	100,000
Interest expense	(201,798)	(181,698)	(100,266)	81,432
Total Nonoperating Revenues (Expenses)	5,242,422	5,287,522	184,184	(5,103,338)
Income (Loss) Before Other Sources (Uses)	(4,255,614)	(4,223,353)	746,132	4,969,485
Contributed capital	725,000	725,000	224,236	(500,764)
Operating transfers, in	1,696,247	1,836,421	1,230,404	(606,017)
Operating transfers, out	(1,497,233)	(1,628,233)	(1,235,755)	392,478
Change in net assets	(3,331,600)	(3,290,165)	965,017	4,255,182
Total net assets - beginning	20,537,226	20,537,226	20,537,226	-
Total net assets - ending	\$ 17,205,626	\$ 17,247,061	21,502,243	\$ 4,255,182
RECONCILIATION TO GAAP BASIS:				
Add back capital expenditures			1,281,020	
Less depreciation expense			(888,225)	
Add back principal payments			149,674	
			\$ 22,044,712	

The notes to the financial statements are an integral part of this statement.

CITY OF AZTEC, NEW MEXICO
Statement of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual (Non-GAAP Budgetary Basis)
Solid Waste Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for Sales and Services:				
Solid waste	\$ 580,400	\$ 602,400	\$ 577,709	\$ (24,691)
Other revenues	-	-	1,442	1,442
Total Operating Revenues	580,400	602,400	579,151	(23,249)
Operating expenses:				
Salaries and fringe benefits	19,085	19,255	16,830	2,425
Purchased power, fuel and chemicals	-	-	-	-
Other operating expenses	578,575	603,405	566,074	37,331
Capital outlay	3,000	-	-	-
Total Operating Expenses	600,660	622,660	582,904	39,756
Operating income	(20,260)	(20,260)	(3,753)	16,507
Nonoperating revenues (expenses):				
Investment earnings	3,800	3,800	9,513	5,713
Interest expense	-	-	-	-
Other fiscal charges	-	-	-	-
Total Nonoperating Revenues (Expenses)	3,800	3,800	9,513	5,713
Income (Loss) Before Operating Transfers	(16,460)	(16,460)	5,760	22,220
Capital contributions	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Operating transfers, out	-	-	-	-
Change in net assets	(16,460)	(16,460)	5,760	22,220
Total net assets - beginning	220,036	220,036	220,036	-
Total net assets - ending	\$ 203,576	\$ 203,576	225,796	\$ 22,220
RECONCILIATION TO GAAP BASIS:				
Add back capital expenditures			-	
Less depreciation expense			(5,629)	
			\$ 220,167	

CITY OF AZTEC, NEW MEXICO
Statement of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual (Non-GAAP Budgetary Basis)
Irrigation Assessment Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for Sales and Services:				
Irrigation	\$ 13,159	\$ 13,159	\$ 13,159	\$ -
Other revenues	-	-	-	-
Total Operating Revenues	13,159	13,159	13,159	-
Operating expenses:				
Salaries and fringe benefits	-	-	-	-
Other operating expenses	10,200	10,200	2,481	7,719
Capital outlay	5,000	5,000	-	5,000
Total Operating Expenses	15,200	15,200	2,481	12,719
Operating income (loss)	(2,041)	(2,041)	10,678	12,719
Nonoperating revenues (expenses):				
Investment earnings	1,600	1,600	4,368	2,768
Interest expense	-	-	-	-
Other fiscal charges	-	-	-	-
Total Nonoperating Revenues (Expenses)	1,600	1,600	4,368	2,768
Income (Loss) Before Operating Transfers	(441)	(441)	15,046	15,487
Capital contributions	-	-	-	-
Operating transfers, in	-	-	-	-
Change in net assets	(441)	(441)	15,046	15,487
Total net assets - beginning	153,841	153,841	153,841	-
Total net assets - ending	\$ 153,400	\$ 153,400	168,887	\$ 15,487
RECONCILIATION TO GAAP BASIS:				
Add back capital expenditures			-	
Less depreciation expense			(4,331)	
			\$ 164,556	

The notes to the financial statements are an integral part of this statement.

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**Fiduciary Funds
Agency Funds**

**Statement of Changes in Fiduciary Net Assets
Agency Funds**

Employee Association Trust Fund – Agency fund that accounts for employee contributions that are used for special occasions such as sending flowers, etc.

Motor Vehicle Division Fund – Agency fund that accounts for funds received on behalf of the State of New Mexico motor vehicle division and forwards the funds to the State.

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CITY OF AZTEC, NEW MEXICO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
AGENCY FUNDS
Year Ended June 30, 2007

	<u>Balance</u> June 30, <u>2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> June 30, <u>2007</u>
<u>ASSETS</u>				
<u>Cash:</u>				
Employee Association Trust Fund	\$ 3,018	\$ 5,199	\$ 3,833	\$ 4,384
Motor Vehicle Division Fund	-	2,024,756	2,024,167	589
Due from other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,018</u>	<u>\$ 2,029,955</u>	<u>\$ 2,028,000</u>	<u>\$ 4,973</u>
<u>LIABILITIES</u>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deposits held for others	<u>3,018</u>	<u>2,029,955</u>	<u>2,028,000</u>	<u>4,973</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 3,018</u>	<u>\$ 2,029,955</u>	<u>\$ 2,028,000</u>	<u>\$ 4,973</u>

The notes to the financial statements are an integral part of this statement.

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**Capital Assets Used in the Operation of
Governmental Funds**

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CITY OF AZTEC, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
June 30, 2007

	2007
Governmental Funds Capital Assets:	
Land	\$ 609,348
Buildings & Structures	6,326,264
Improvements Other than Buildings	1,155,305
Equipment & Machinery	4,061,008
Infrastructure	8,847,914
Construction (Projects) in Process	641,871
Total Governmental Funds Capital Assets	\$ 21,641,710
 Investment in Governmental Funds Capital Assets by Source:	
General Fund	\$ 7,219,275
Special revenue funds	4,276,801
Capital projects funds	9,194,140
Donations	951,494
Total Governmental Funds Capital Assets	\$ 21,641,710

CITY OF AZTEC, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
For the Year Ended June 30, 2007

FUNCTION AND ACTIVITY	Land	Buildings & Improvements	Improvements Other than Buildings	Furniture & Fixtures	Equipment & Machinery	Vehicles & Heavy Equip	Infrastructure	Construction In Progress	Total
General Government:									
Legislative	\$ -	\$ 19,751	\$ 1,865	\$ 2,018	\$ 7,995	\$ -	\$ -	\$ -	\$ 31,629
Judicial	-	-	-	-	47,200	-	-	-	47,200
Executive	34,500	149,933	1,605	2,813	18,113	75,564	-	397,011	679,539
Finance Administration	-	89,032	-	-	130,589	-	-	23,053	242,674
Motor Vehicle	-	448,102	-	-	14,538	-	-	-	462,640
Planning & Zoning	-	-	7,317	-	7,865	15,173	-	-	30,355
Information Systems	-	2,412	-	-	191,291	18,984	-	-	212,687
Municipal Building Maint	-	187,585	20,880	-	16,494	11,095	5,225	-	241,279
Fleet Maintenance	22,100	77,148	-	-	17,398	53,690	-	-	170,336
Total General Government	56,600	973,963	31,667	4,831	451,483	174,506	5,225	420,064	2,118,339
Public Safety:									
Police	-	568,383	2,500	7,589	348,180	593,470	-	-	1,520,122
Fire	35,051	411,471	31,523	-	208,067	1,139,971	-	-	1,826,083
Animal Control	-	166,640	30,520	-	6,515	47,705	-	-	251,380
Total Public Safety	35,051	1,146,494	64,543	7,589	562,762	1,781,146	-	-	3,597,585
Public Works:									
Streets	81,053	-	25,848	-	387,531	93,639	8,418,750	76,075	9,082,896
Total Public Works	81,053	-	25,848	-	387,531	93,639	8,418,750	76,075	9,082,896
Culture and Recreation:									
Parks & Recreation	426,644	226,269	1,004,147	-	323,927	161,652	125,452	145,732	2,413,823
Library	-	1,997,687	-	37,156	34,988	-	-	-	2,069,831
Airport	10,000	42,008	9,040	-	1,840	9,836	298,487	-	371,211
Total Culture and Recreation	436,644	2,265,964	1,013,187	37,156	360,755	171,488	423,939	145,732	4,854,865
Health and Welfare:									
Community Center	-	204,544	20,060	2,135	24,971	-	-	-	251,710
NESJC Family Center	-	1,735,299	-	-	1,016	-	-	-	1,736,315
Total Health and Welfare	-	1,939,843	20,060	2,135	25,987	-	-	-	1,988,025
Total Capital Assets	\$ 609,348	\$ 6,326,264	\$ 1,155,305	\$ 51,711	\$ 1,788,518	\$ 2,220,779	\$ 8,847,914	\$ 641,871	\$ 21,641,710

CITY OF AZTEC, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended June 30, 2007

FUNCTION AND ACTIVITY	<u>Capital Assets June 30, 2006</u>	<u>Additions</u>	<u>Deductions/ Reclassifications</u>	<u>Capital Assets June 30, 2007</u>
GENERAL GOVERNMENT:				
Legislative	\$ 31,628	\$ -	\$ 1	\$ 31,629
Judicial	53,649	7,155	(13,604)	47,200
Executive	571,377	123,525	(15,363)	679,539
Finance Administration	178,803	25,052	38,819	242,674
Motor Vehicle	170,839	281,517	10,284	462,640
Planning & Zoning	34,168	-	(3,813)	30,355
Information Systems	156,105	62,088	(5,506)	212,687
Municipal Building Maint	244,533	-	(3,254)	241,279
Fleet Maintenance	<u>170,339</u>	<u>-</u>	<u>(3)</u>	<u>170,336</u>
Total General Government	<u>1,611,441</u>	<u>499,337</u>	<u>7,561</u>	<u>2,118,339</u>
PUBLIC SAFETY:				
Police	1,446,324	89,204	(15,406)	1,520,122
Fire	1,825,067	-	1,016	1,826,083
Animal Control	<u>237,289</u>	<u>24,696</u>	<u>(10,605)</u>	<u>251,380</u>
Total Public Safety	<u>3,508,680</u>	<u>113,900</u>	<u>(24,995)</u>	<u>3,597,585</u>
PUBLIC WORKS:				
Streets	<u>8,095,258</u>	<u>1,094,778</u>	<u>(107,140)</u>	<u>9,082,896</u>
Total Public Works	<u>8,095,258</u>	<u>1,094,778</u>	<u>(107,140)</u>	<u>9,082,896</u>
CULTURE AND RECREATION:				
Parks & Recreation	2,085,302	310,262	18,259	2,413,823
Airport	380,011	-	(8,800)	371,211
Library	<u>2,119,990</u>	<u>-</u>	<u>(50,159)</u>	<u>2,069,831</u>
Total Culture and Recreation	<u>4,585,303</u>	<u>310,262</u>	<u>(40,700)</u>	<u>4,854,865</u>
HEALTH AND WELFARE:				
Community Center	252,090	-	(380)	251,710
NESJC Family Center	<u>1,735,299</u>	<u>-</u>	<u>1,016</u>	<u>1,736,315</u>
Total Health and Welfare	<u>1,987,389</u>	<u>-</u>	<u>636</u>	<u>1,988,025</u>
Total Capital Assets	<u><u>\$ 19,788,071</u></u>	<u><u>\$ 2,018,277</u></u>	<u><u>\$ (164,638)</u></u>	<u><u>\$ 21,641,710</u></u>

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**Additional Disclosures Required by the
New Mexico State Auditor**

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CITY OF AZTEC, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2007

	<u>Wells</u> <u>Fargo Bank</u>	<u>Citizens</u> <u>Bank</u>	<u>Four Corners</u> <u>Community</u> <u>Bank</u>	<u>Total</u>
Checking account	\$ 1,087,545	\$ 1,755,220	\$ -	\$ 2,842,765
Certificates of deposit	1,000,000	-	1,750,000	2,750,000
Deposits, at June 30, 2007	<u>2,087,545</u>	<u>1,755,220</u>	<u>1,750,000</u>	<u>5,592,765</u>
FDIC Insurance	200,000	100,000	100,000	400,000
Uninsured amount	<u>1,887,545</u>	<u>1,655,220</u>	<u>1,650,000</u>	<u>5,192,765</u>
Less 50 percent	943,773	827,610	825,000	2,596,383
Amount requiring pledged collateral	<u>943,773</u>	<u>827,610</u>	<u>825,000</u>	<u>2,596,383</u>
Pledged collateral at June 30, 2007	<u>3,465,973</u>	<u>1,956,880</u>	<u>1,540,994</u>	<u>6,963,847</u>
Excess (deficiency) of pledged collateral	<u>\$ 2,522,201</u>	<u>\$ 1,129,270</u>	<u>\$ 715,994</u>	<u>\$ 4,367,465</u>
 Pledged collateral (market value) located at:				
	<u>Minneapolis, MN</u>	<u>Dallas, TX</u>	<u>Dallas, TX</u>	
FNMA; #313610E29; 03/01/2017	\$ 9,407	\$ -	\$ -	\$ 9,407
FNCL; #31408DZD9; 12/01/2035	2,763,219	-	-	2,763,219
FNCL; #31410MRW2; 06/01/2036	160,771	-	-	160,771
GNSF; #36225BM39; 04/15/2031	231,819	-	-	231,819
GNSF; #36225BM54; 04/15/2031	300,757	-	-	300,757
FHLB; #3133X3HJ5; 02/03/2009	-	1,956,880	-	1,956,880
FHLB; #3133X04H9; 06/15/2015	-	-	1,540,994	1,540,994
Totals	<u>\$ 3,465,973</u>	<u>\$ 1,956,880</u>	<u>\$ 1,540,994</u>	<u>\$ 6,963,847</u>
 Reconciliation to Financial Statements:				
Total per banks	\$ 2,087,545	\$ 1,755,220	\$ 1,750,000	\$ 5,592,765
Reconciling items:				
Deposits in transit	10,207	92,130	-	102,337
Outstanding checks	(62,948)	(115,719)	-	(178,667)
Total per books	<u>\$ 2,034,804</u>	<u>\$ 1,731,631</u>	<u>\$ 1,750,000</u>	<u>5,516,435</u>
Local short-term investment fund				7,800,000
Cash with fiscal agent				210,543
Cash on hand				<u>2,150</u>
Total per financial statements				<u>\$ 13,529,128</u>
 Financial Statements:				
Cash and cash equivalents				
Governmental activities				\$ 6,534,325
Business-type activities				6,989,830
Fiduciary activities				<u>4,973</u>
Total per financial statements				<u>\$ 13,529,128</u>

**CITY OF AZTEC, NEW MEXICO
SCHEDULE OF JOINT POWER AGREEMENTS
FOR THE YEAR ENDING JUNE 30, 2007**

Participants (including City of Aztec)	Responsible Party	Description	Dates of Agreement	Total Project	City Share	FY07 Amount	Audit Responsibility
City of Bloomfield	City of Aztec	Operation of Aztec Animal Shelter	b. 5/15/02 t. none	variable	1/4 of salary cost of animal control officer 1/4 of salary cost of vet tech/director 1/3 operation costs	\$60,361 r'cd	City of Aztec
San Juan County	City of Aztec	Operation of Aztec Animal Shelter	b. 5/15/02 t. none	variable	1/4 of salary cost of animal control officer 1/4 of salary cost of vet tech/director 1/3 operation costs	\$106,336 r'cd	City of Aztec
San Juan County	San Juan County	County jail operations	b. 10/05/04 t. none	variable	\$46.50/day/prisoner through 6/30/07; rate recalculated July 1 in subsequent years	\$128,641 pd	San Juan County
Cities of Bloomfield & Farmington; San Juan County; rural water associations	San Juan Water Commission	Water rights protection/acquisition/distribution	b. 3/28/86 t. none	variable	.5% of mill levy assessed on property taxes	\$41,433 est assessment	San Juan Water Commission
Cities of Bloomfield & Farmington; San Juan County	San Juan County Communications Authority	Unified dispatch service	b. 5/24/92 t. none	variable	Once maximum Capital Equipment Replacement Fund balance reached, pro-rata share will be assessed to maintain CERF balance; Aztec share 6%	\$4,145 pd	San Juan County Communications Authority
Cities of Bloomfield & Farmington; San Juan County	City of Farmington	Operation of regional intermediate processing center and drop off system	b. 7/04 t. 6/06 continuing @ 2 yr terms	variable	4.668% of operation costs	\$2,993 pd	City of Farmington
City Farmington	City of Farmington	Operation of regional mass transit	b. 10/05 9/07	t variable	agreement specific to amount obligated	\$8,104 pd	City of Farmington
Cities of Bloomfield & Farmington and San Juan County	San Juan County	Emergency Management Services	b. 7/04 t. none	variable	\$5,000 annually	\$5,000 pd	San Juan County

STATISTICAL SECTION

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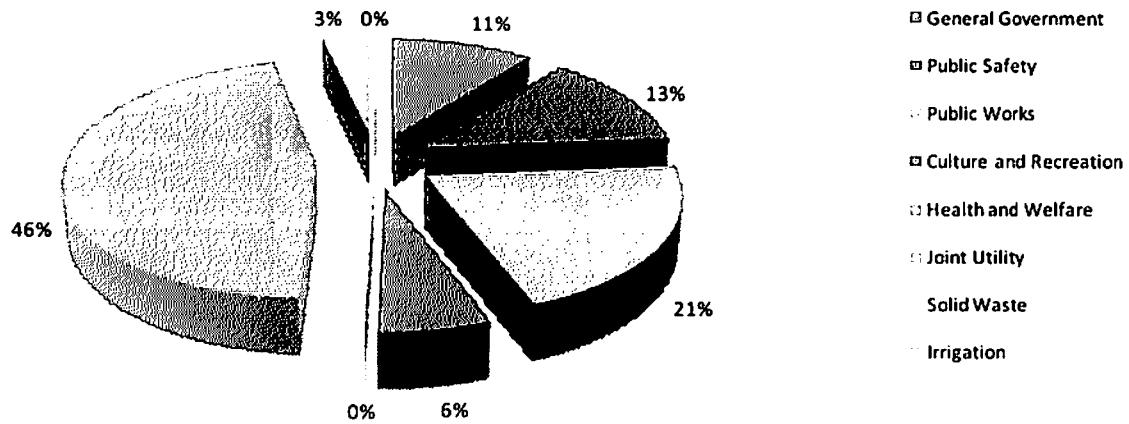
**CITY OF AZTEC, NEW MEXICO
GOVERNMENT-WIDE EXPENSES BY FUNCTION**

Table 1

FISCAL YEARS 2003-2007

Fiscal Year	General Government	Public Safety	Public Works	Culture and Recreation	Health and Welfare	Joint Utility	Solid Waste	Irrigation	Total
2003	\$689,296	\$1,523,840	\$908,832	\$657,178	\$83,627	\$4,961,298	\$485,906	\$28,963	\$9,338,940
2004	\$894,271	\$1,297,823	\$654,237	\$840,454	\$0	\$5,395,009	\$506,412	\$28,467	\$9,616,673
2005	\$1,274,513	\$1,905,168	\$990,905	\$668,126	\$154,996	\$5,743,024	\$533,877	\$24,550	\$11,295,159
2006	\$1,381,532	\$2,135,358	\$1,853,128	\$1,012,513	\$0	\$5,972,592	\$566,775	\$25,108	\$12,947,006
2007	\$1,815,671	\$2,229,695	\$3,532,321	\$1,055,677	\$0	\$7,866,973	\$588,533	\$6,812	\$17,095,682

**GOVERNMENT-WIDE EXPENSES BY FUNCTION -
6/30/07**



* FY2003 is the first year government-wide information is presented

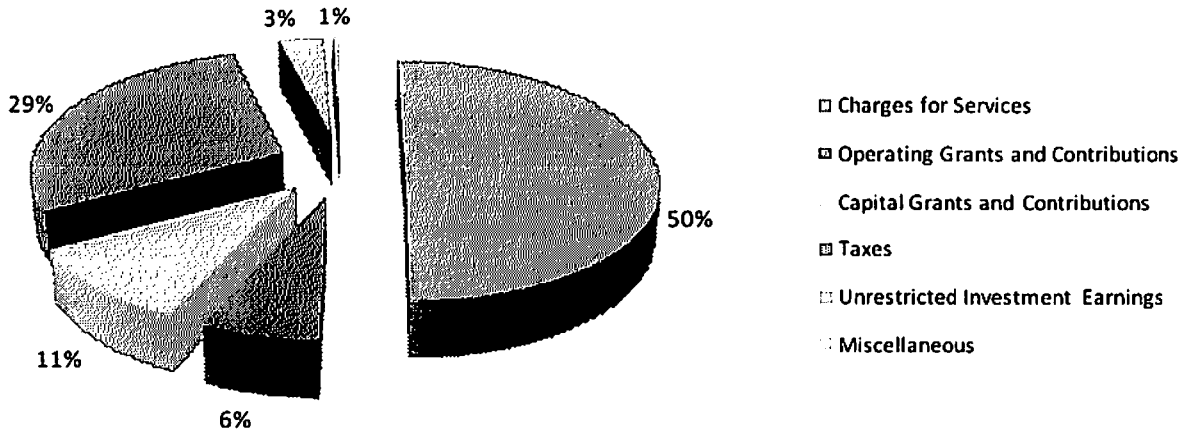
CITY OF AZTEC, NEW MEXICO
GOVERNMENT-WIDE REVENUES

Table 2

FISCAL YEARS 2003-2007

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	Total
2003	\$ 6,424,542	\$ 1,105,994	\$ 1,055,236	\$ 3,100,672	\$ 252,496	\$ 18,701	\$ 11,957,641
2004	\$ 6,611,231	\$ 1,979,897	\$ 82,379	\$ 3,544,746	\$ 185,475	\$ 284,536	\$ 12,688,264
2005	\$ 7,653,908	\$ 388,499	\$ 480,962	\$ 4,869,374	\$ 282,097	\$ 137,725	\$ 13,812,565
2006	\$ 9,018,379	\$ 1,035,880	\$ 803,768	\$ 5,196,920	\$ 487,632	\$ 123,171	\$ 16,665,750
2007	\$ 10,210,039	\$ 1,296,919	\$ 2,117,376	\$ 5,862,344	\$ 695,269	\$ 116,688	\$ 20,298,635

GOVERNMENT-WIDE REVENUES 06/30/07



* FY2003 is the first year government-wide information is presented

**CITY OF AZTEC, NEW MEXICO
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**

Table 3

LAST TEN FISCAL YEARS

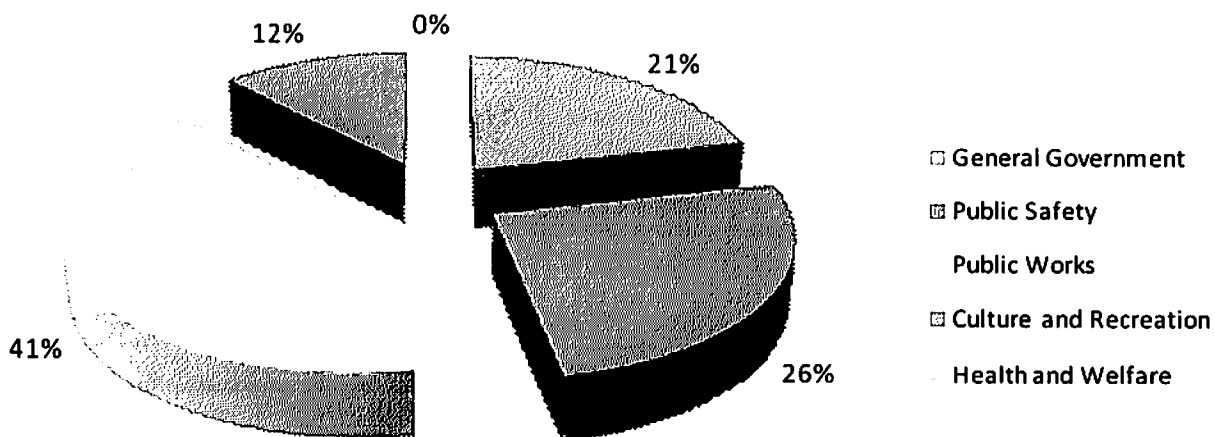
<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Health and Welfare</u>	<u>Total</u>
1998	487,408	1,018,757	417,493	437,651	41,762	2,403,071
1999	558,462	1,083,665	504,900	471,470	130,928	2,749,425
2000	587,628	1,133,154	550,098	459,091	-	2,729,971
2001	655,360	1,169,421	505,153	525,834	-	2,855,768
2002	721,507	1,224,225	444,515	498,457	51,612	2,940,316
2003	670,845	1,424,983	526,260	529,051	83,627	3,234,766
2004	732,116	1,672,449	556,468	714,856	-	3,675,889
2005	1,169,293	1,693,441	542,743	566,252	153,691	4,125,420
2006	1,169,572	1,908,208	1,499,247	887,098	-	5,464,125
2007	1,632,016	1,967,451	3,123,766	910,885	-	7,634,118

(1) Includes general, special revenue and debt service funds.

(2) Excludes capital outlay and debt service expenditures.

Source: City of Aztec, New Mexico, Comprehensive Annual Financial Reports

**GOVERNMENTAL
FUND EXPENDITURES - 06/30/07**



CITY OF AZTEC, NEW MEXICO
 GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

Table 4

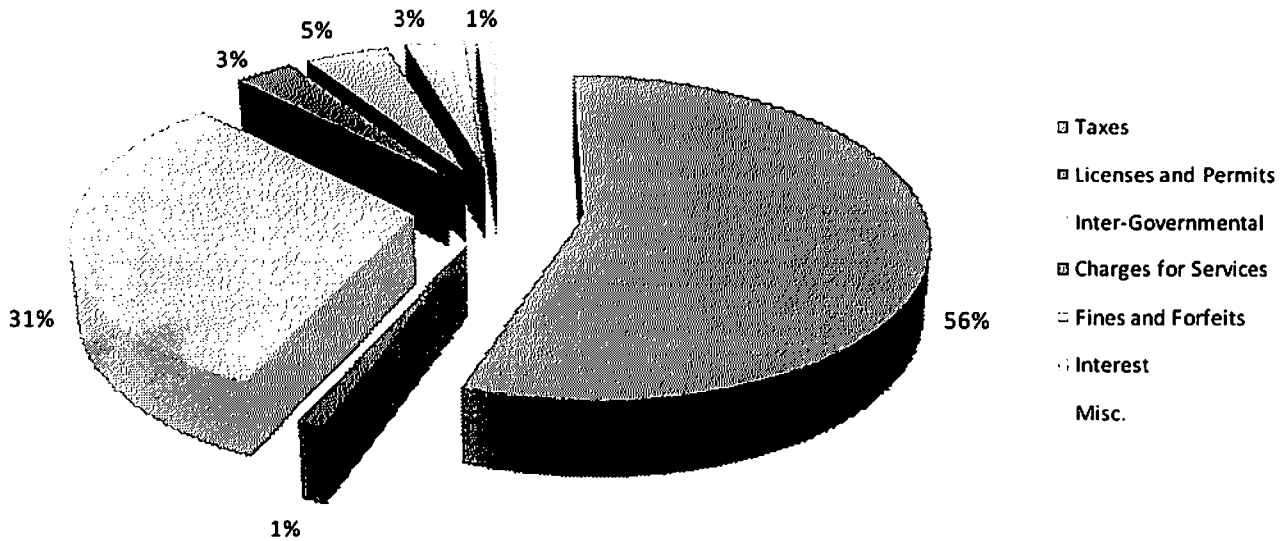
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeits</u>	<u>Interest</u>	<u>Misc.</u>	<u>Total</u>
1998	2,477,702	38,678	585,483	129,967	225,488	115,228	69,674	3,642,220
1999	2,591,270	38,541	690,042	152,249	219,792	122,321	109,679	3,923,894
2000	2,684,548	38,540	755,948	159,012	214,250	145,431	47,062	4,044,791
2001	2,876,912	43,216	635,913	156,425	282,744	173,226	72,274	4,240,710
2002	2,957,743	47,126	625,123	200,881	399,395	122,285	63,345	4,415,898
2003	3,100,672	49,882	1,157,418	216,645	429,043	101,470	64,626	5,119,756
2004	3,528,837	51,725	1,329,107	260,505	406,335	104,229	60,051	5,740,789
2005	4,432,986	57,564	904,050	300,250	523,400	168,847	76,636	6,463,733
2006	5,073,253	143,461	1,696,330	331,608	492,108	277,530	123,171	8,137,461
2007	5,726,747	109,720	3,190,059	336,988	475,466	343,285	116,688	10,298,953

(1) Includes general, special revenue and debt service funds.

Source: City of Aztec, New Mexico, Comprehensive Annual Financial Reports

GOVERNMENTAL FUND REVENUES - 06/30/07



COMPLIANCE SECTION

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**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***

City of Aztec
Aztec, New Mexico
Honorable Mayor and City Commission, and
Hector H. Balderas, New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the combining and individual funds and all the budgetary comparisons presented as supplemental information of the City of Aztec, New Mexico (City) as of and for the year ended June 30, 2007, and have issued our report thereon dated April 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 that are required to be reported under *Government Auditing Standards*.

We noted one instance of noncompliance that are required to be reported under Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 2004-1.

This report is intended solely for the information and use of the City Commission, City management, the Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Farmington, New Mexico
April 22, 2010

**CITY OF AZTEC
SCHEDULE OF FINDINGS AND
RESPONSES
Year Ended June 30, 2007**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Aztec.
2. No material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Aztec were disclosed during the audit.
4. A single audit was not required for the year ended June 30, 2007.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Prior Year Findings		Status
2004-1	Failure to File Audit Report by Due Date	Repeated

Current Year Findings

2004-1 Failure to File Audit Report by Due Date

Condition

The New Mexico State Auditor requires the audit to be completed and submitted by December 1st following the entity's June 30th year end. The audited financial statements have been submitted late for the years ended June 30, 2004, 2005, 2006 and 2007. The June 30, 2004, 2005 and 2006 audits have been approved by the State Auditor and the June 30, 2007 audited financial statements have been submitted for approved in May 2010.

Criteria

According to the State of New Mexico, Office of the State Auditor publication 2 NMAC 2.2 – Requirements for Contracting and Conducting Audits of Agencies, Section 9.1, the filing date of the audit reports for cities and villages is December 1st following the end of the fiscal year.

Cause

The prior years audit reports (years ended June 30, 2004, 2005 and 2006) have been submitted to the Office of the State Auditor late.

Effect

According to the state source referred to above, "Failure to file the audit report by the due date set in Section 9.1 is considered non-compliance with 2 NMAC 2.2 and shall be a current year finding." Each entity shall submit a statement to the State Auditor's Office providing an explanation for the delay in submission.

Recommendation

The audit should be completed by the required due date of the State Auditor.

Management Response

The City terminated the three year contract with the FY04 auditing firm when it became apparent that services would not be completed in accordance with the contract. A contract was negotiated with another firm for the FY05 audit. However, due to unforeseen circumstances, they will not be able to continue providing services. The City solicited RFPs for audit services beginning with the FY06 fiscal year and has contracted with a local firm. The FY07 audited financial statements are being submitted late due to the FY04, FY05 and FY06 audited financial statements late submission. The City is in the process of providing information to the auditing firm for the FY08 and FY09 audits and expects to be current for the FY10 audit.

Financial Statement Presentation

The City's financial statements were prepared by David Berry, CPA, PC. Management has reviewed and approved these financial statements. Management is responsible for ensuring that the books and records from which the financial statements were prepared adequately support the financial assertions contained therein, in conformity with generally accepted accounting principles and that the records are current and in balance.

**CITY OF AZTEC
EXIT CONFERENCE
Year Ended June 30, 2007**

An exit conference was held on May 6, 2010. In attendance were:

For the City of Aztec:

Sally Burbridge	City Commissioner
Joshua Ray	City Manager
Kathy Lamb	Finance Director

For David Berry, CPA, PC (auditors):

David Berry, CPA

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