

**CITY OF AZTEC
STATE OF NEW MEXICO
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Year Ended June 30, 2008**

INTRODUCTORY SECTION

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CITY OF AZTEC, NEW MEXICO

ORGANIZATIONAL CHART

June 30, 2008

Municipal Judge

B. Aldaz

Citizens Of Aztec

City Commission

S. Burbridge, J. Crowley, L. Marcum, D. Mesch, S. Sipe

City Attorney

L. Thrower

Fire Department

B. Bennett

**Advisory
Boards**

City Manager

D. Velasquez

Animal Control: T. Roper

Animal Shelter

City Clerk: R. Howard

Employee Benefits
Personnel

City Planning: L. Krueger

Planning
Zoning
Code Enforcement

Community Center: P. Davis

Community Events
Senior Programs

Electric Utility: K. George

Electric Distribution
Electric Construction
Meter Reading
Fiber Optics

Finance Department: J. Gallegos

Accounting and Finance Operations
Motor Vehicle
Utility Billing and Collections
Business Registrations
Insurances

General Services: D. Greenwood

Parks
Building Maintenance
Recycling

Information Systems: W. Begay

Tele Communications
Networking
PC Maintenance
Fiber Optics

Library: L. Hathcock

Police Department: M. Heal

Public Safety
Communications
School Resource Officer
K-9 Unit

Public Works: S. Christensen

Streets
Water Distribution
Wastewater Collection
Irrigation
Vehicle Maintenance
Project Inspection

**Water and Wastewater Treatment:
R. Montoya**

Water Treatment
Wastewater Treatment

CITY OF AZTEC, NEW MEXICO
List of Principal Officials

<u>Title</u>	<u>Name</u>
Mayor.....	Sally Burbridge
Mayor Pro-Tem.....	Jim Crowley
City Commissioner.....	Larry Marcum
City Commissioner.....	Diana C. Mesch
City Commissioner.....	Sherri A. Sipe
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, 2008, 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, 2008, 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, 2008, 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, 2008, 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 July 15, 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 "David Berry, CPA, PC". The signature is written in a cursive, flowing style.

Farmington, New Mexico
July 15, 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, 2008.

Financial Highlights

- The assets of the City of Aztec exceeded its liabilities at the close of the most recent fiscal year by \$46,845,083 (*net assets*). Of this amount, \$19,413,882 (*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 \$10,755,750 an increase of \$2,087,950 in comparison with the prior year. A total of \$9,848,373 (*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 \$4,612,717 or 70.7 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 31-42).

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 55-59 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 \$46,845,083 at the close of the most recent fiscal year.

The largest portion of the City of Aztec's net assets (56.5 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 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Current and other assets	12,124,714	10,025,143	11,202,676	9,270,054	23,327,390	19,295,197
Capital assets	12,882,319	13,037,916	17,135,904	16,588,596	30,018,223	29,626,512
Total assets	<u>\$25,007,033</u>	<u>\$23,063,059</u>	<u>\$28,338,580</u>	<u>\$25,858,650</u>	<u>\$53,345,613</u>	<u>\$48,921,709</u>
Long-term liabilities outstanding	1,712,542	1,771,696	2,301,796	2,306,283	4,014,338	4,077,979
Other liabilities	897,978	931,591	1,588,214	1,122,932	2,486,192	2,054,523
Total liabilities	<u>\$2,610,520</u>	<u>\$2,703,287</u>	<u>\$3,890,010</u>	<u>\$3,429,215</u>	<u>\$6,500,530</u>	<u>\$6,132,502</u>
Net assets						
Invested in capital assets, net of related debt	11,517,852	11,583,291	14,951,711	14,387,194	26,469,563	25,970,485
Restricted	907,377	857,582	54,261	50,157	961,638	907,739
Unrestricted	9,971,284	7,918,899	9,442,598	7,992,084	19,413,882	15,910,983
Total net assets	<u>\$22,396,513</u>	<u>\$20,359,772</u>	<u>\$24,448,570</u>	<u>\$22,429,435</u>	<u>\$46,845,083</u>	<u>\$42,789,207</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* (\$19,413,882) 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.

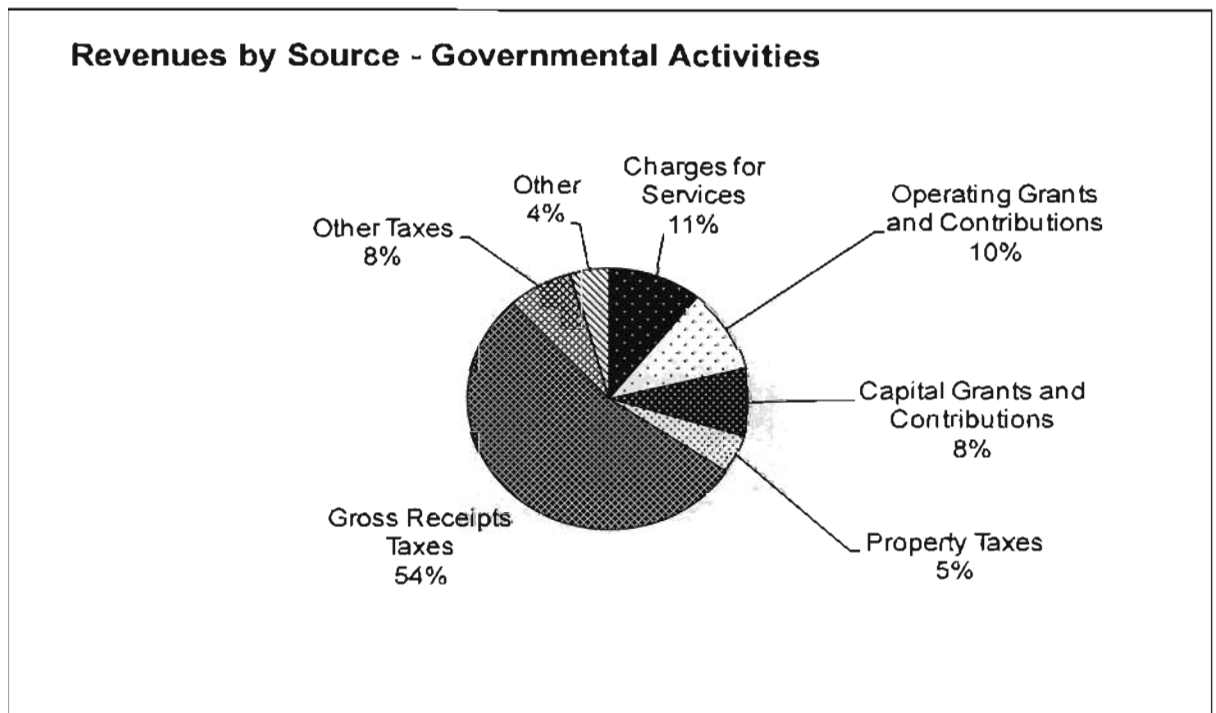
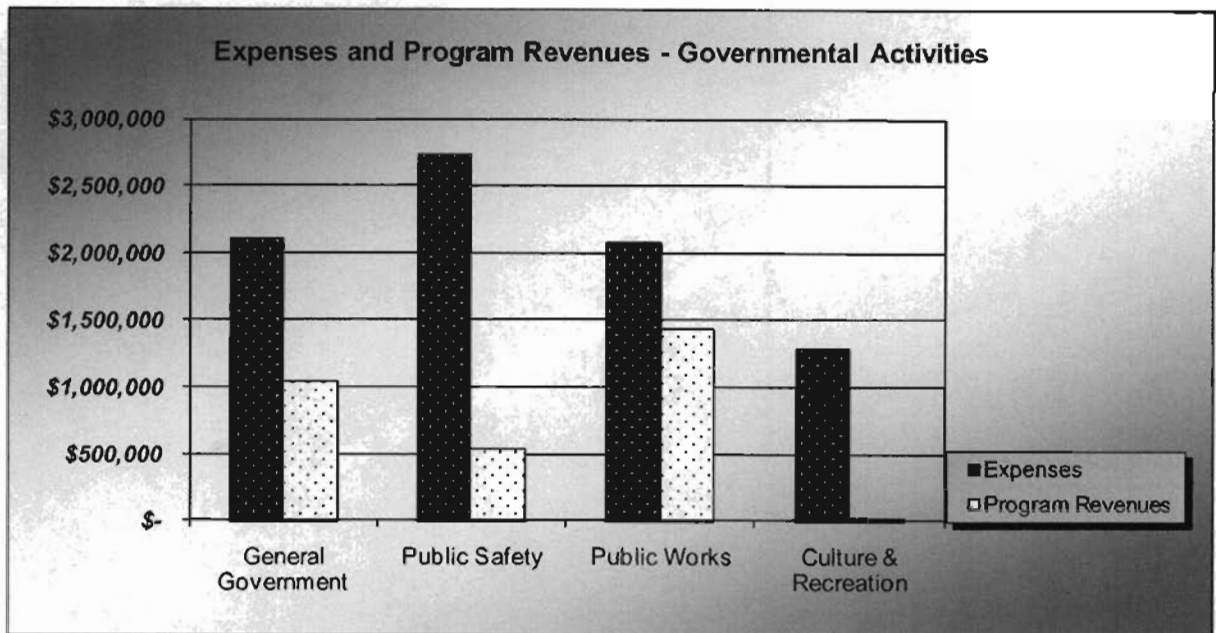
The City of Aztec's net assets increased by \$4,055,876 during the current fiscal year. This increase represents the continuing commitment of the Aztec City Commission and administration to build the financial stability of the City of Aztec.

Governmental activities. Governmental activities increased the City of Aztec's net assets by \$2,036,741. Key elements of the change in net assets are as follows:

City of Aztec's Changes in Net Assets

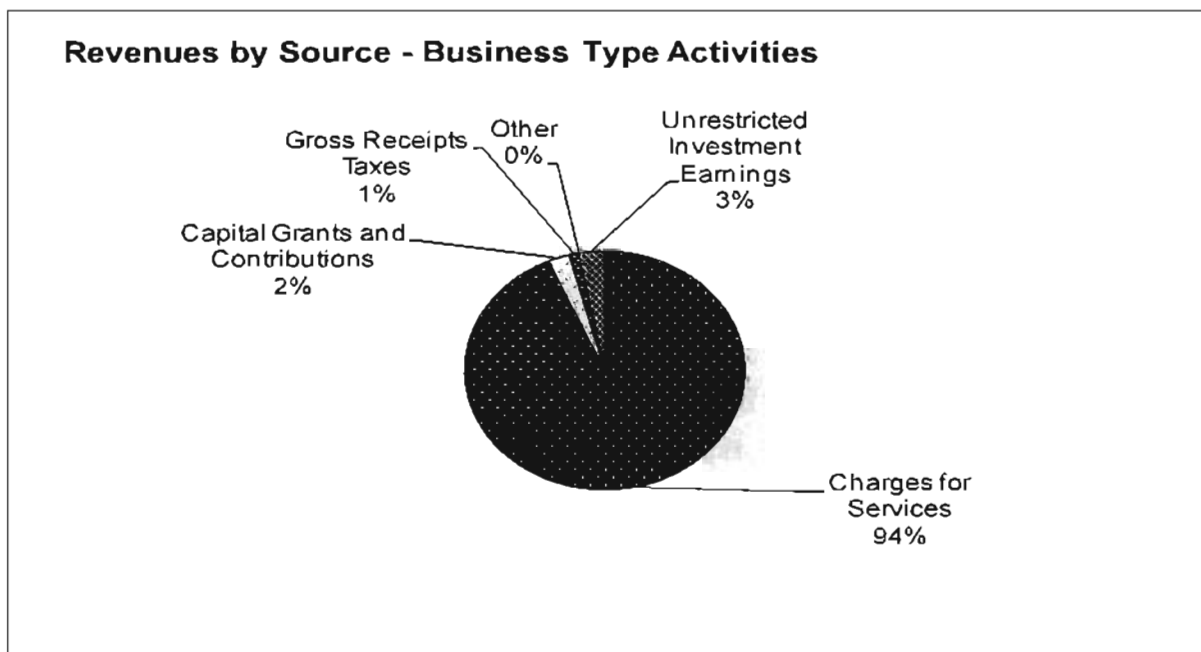
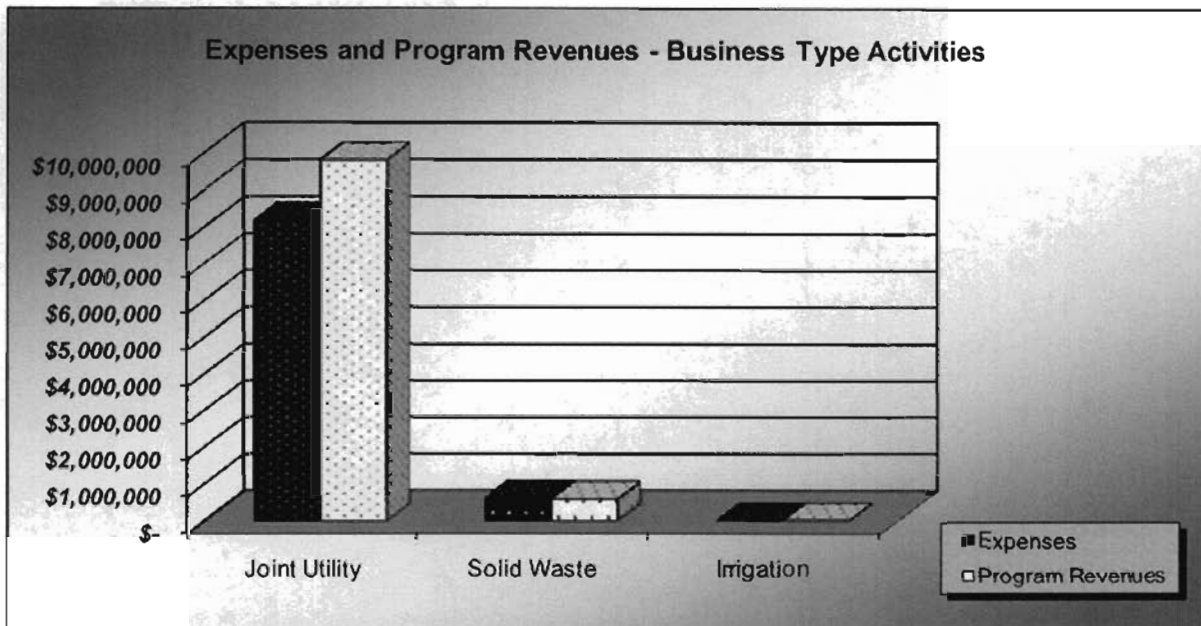
	Governmental Activities		Business-Type Activities		Total	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Revenues:						
Program Revenues:						
Charges for Services	\$1,094,023	\$ 922,174	\$10,155,431	\$9,287,865	\$11,249,454	\$10,210,039
Operating Grants and contributions	1,063,924	1,296,919			1,063,924	1,296,919
Capital Grants and contributions	865,010	1,893,140	266,056	224,236	1,131,066	2,117,376
General Revenues:						
Property Taxes	479,294	424,940			479,294	424,940
GRT Taxes	5,478,504	4,582,503	114,872	96,021	5,593,376	4,678,524
Other Taxes	777,417	758,880			777,417	758,880
Other	440,792	459,973	329,826	351,984	770,618	811,957
	10,198,964	10,338,529	10,866,185	9,960,106	21,065,149	20,298,635
Expenses:						
General Government	2,110,680	1,815,671			2,110,680	1,815,671
Public Safety	2,733,897	2,229,695			2,733,897	2,229,695
Public Works	2,084,200	3,532,321			2,084,200	3,532,321
Culture & Recreation	1,285,597	1,055,677			1,285,597	1,055,677
Joint Utility			8,177,753	7,841,078	8,177,753	7,841,078
Solid Waste			610,138	588,533	610,138	588,533
Irrigation			7,008	6,812	7,008	6,812
	8,214,374	8,633,364	8,794,899	8,436,423	17,009,273	17,069,787
Increase in net assets before transfers	1,984,590	1,705,165	2,071,286	1,523,683	4,055,876	3,228,848
Transfers	52,151	5,351	(52,151)	(5,351)	0	0
Restatement						
Increase in net assets	2,036,741	1,710,516	2,019,135	1,518,332	4,055,876	3,228,848
Net assets – 6/30/07	20,359,772	18,649,256	22,429,435	20,911,103	42,789,207	39,560,359
Net assets – 6/30/08	22,396,513	20,359,772	24,448,570	22,429,435	46,845,083	42,789,207

- Property taxes increased by \$54,354 (12.8 percent) during the year attributable to new construction within the incorporated municipal boundary;
- Gross Receipts Tax revenues increased by \$914,852 (19.6%) during the year and is attributable to growth within the City and surrounding areas.
- The decrease in capital grant revenues and public works expenditures is the result of completion transportation improvements to Main Avenue (US550) in FY2007.



Business-type activities. Business-type activities increased the City of Aztec's net assets by \$2,019,135, accounting for 49.7 percent of the total growth in the government's net assets. Key financial elements of the past year are as follows:

- Operating expenses are 84.4 percent of revenues, resulting in \$1,626,588 in operating income.
- Total joint utility fund operating revenues increased by \$867,566 or 9.3%. The increases are the result of annual reviews in the electric utility rate structures and modest increases in the number of customer services.



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, 2008, the City of Aztec's governmental funds reported combined ending fund balances of \$10,755,750, an increase of \$2,087,950 in comparison with the prior year. Approximately 90.0 percent of this total amount or \$9,848,373 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 (\$907,377).

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 \$5,353,898. 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 82 percent of total general fund expenditures.

The fund balance of the City of Aztec's general fund increased by \$905,466 during the current fiscal year. The primary factor in this increase is an increase in revenues (primarily gross receipts tax) and a reduction to transfers out from the general fund to governmental funds (municipal road fund for improvements to Main Avenue).

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 \$9,163,078, for solid waste \$175,988, and irrigation \$103,532. The total growth in net assets for the joint utility fund was \$2,024,028 and irrigation \$10,184. The solid waste fund had a decrease of \$15,077, the result of the decision not to increase utility rates as a result of a service provider increase.

Government Wide Budgetary Highlights

Differences between the original budget and the final amended budget were \$339,647 which represents less than a 1 percent increase in appropriations and can be briefly summarized as follows:

- Major adjustments included:
 - General Fund, total increase of \$139,250; \$81,000 or 58% to provide additional funding for preliminary design of the East Aztec Arterial; the balance, \$58,250, was the result of increased expenditures resulting from grants awarded to the city which were unanticipated when the FY2008 budget was adopted;
 - Special Revenue Funds, total decrease of \$14,696, the result of final grant revenue availability to the municipal road fund for road projects;
 - Proprietary Funds, total increase of \$215,093 in the Joint Utility Fund; 93% was to provide funds for the extension of water and wastewater utilities in partnership with private industrial park development.

The increases were primarily funded from the City's cash balances.

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 \$1,285,360 and actual expenditures were under budget by \$1,758,117 or 21.2%.

The joint utility fund actual revenue exceeded budgeted revenues by \$129,520 or 1.3% and actual operating expenses were under budget by \$10,005,999 or 53.7%. \$6,500,000 (65%) of the unexpended operating expenses is the result of a delay in the wastewater plant improvement project (bid summer 2008).

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, 2008, amounts to \$30,018,223 (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 \$17,135,904 or 57 percent of the total City of Aztec capital assets. Business-type investment in capital assets for the current fiscal year increased by \$547,308 or 3.2%.

The governmental activities investment in capital assets accounted for \$12,882,319 or 43 percent of all capital assets owned by the City. The total decrease in governmental activities investment in capital assets for the current year was \$155,597 or 1.1% percent. The city expended \$397,011 for the design and

permitting of a new raw water reservoir. During FY2008, a determination was made that increased estimated construction costs to meet permit requirements at the current site were no longer in citizens' best interests. As a result, construction in progress was reduced and amounts expended over previous years were a loss. Subsequently, a new location has been identified for the raw water reservoir with additional recreational benefits for citizens.

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

- Remodel of former public library building for the use of finance and human resources;
- Construction of new electric utility warehouse began in FY2008;
- Extension of water and wastewater infrastructure to provide utility availability to commercial and residential development occurring in south area of the city;
- Completion of 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);
- 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	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
Land	638,435	609,348	694,402	694,402	1,332,837	1,303,750
Buildings & System	4,915,033	4,799,992	14,549,682	14,040,528	19,464,715	18,840,520
Improvements	1,221,644	923,779	0	0	1,221,644	923,779
Machinery & Equipment	1,195,721	1,175,155	860,062	1,013,297	2,055,783	2,188,453
Infrastructure	4,650,407	4,887,771	0	0	4,650,407	4,887,771
Construction in Progress	261,079	641,871	1,031,758	840,369	1,292,837	1,482,240
Total	\$12,882,319	\$13,037,916	\$17,135,904	\$16,588,596	\$30,018,223	\$29,626,513

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 (at new location) 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 2009, 2010 and 2011. 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, 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.

The city purchased the water distribution system from East Aztec Water Users Association taking over the debt for the system through New Mexico Finance Authority. The debt is secured by fees collected through monthly utility bills through this specific group of utility customers. The debt, \$170,976, is projected to be paid in full in FY2010.

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, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 10,031,078	\$ 8,692,674	\$ 18,723,752
Receivables (net, where applicable, of allowances for uncollectibles)	-	1,217,954	1,217,954
Interest receivable	-	101,603	101,603
Intergovernmental receivable	1,988,634	70,778	2,059,412
Other receivables	101,389	-	101,389
Inventories	-	1,119,530	1,119,530
Prepays	3,613	137	3,750
Capital assets:			
Non-depreciable assets	899,514	1,726,160	2,625,674
Depreciable assets, net	11,982,805	15,409,744	27,392,549
Total assets	25,007,033	28,338,580	53,345,613
LIABILITIES:			
Accounts payable	598,665	912,809	1,511,474
Accrued payroll, taxes and benefits	286,075	193,448	479,523
Accrued interest payable	8,976	17,964	26,940
Unearned revenue	4,262	233,933	238,195
Customer deposits	-	230,060	230,060
Non-current liabilities:			
Due within one year	416,072	271,083	687,155
Due in more than one year	1,296,470	2,030,713	3,327,183
Total liabilities	2,610,520	3,890,010	6,500,530
NET ASSETS:			
Invested in capital assets, net of related debt	11,517,852	14,951,711	26,469,563
Restricted for:			
Subsequent year's statutory reserve	741,181	-	741,181
Debt service	166,196	54,261	220,457
Unrestricted	9,971,284	9,442,598	19,413,882
Total net assets	\$ 22,396,513	\$ 24,448,570	\$ 46,845,083

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, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,110,680	\$ 887,570	\$ 99,078	\$ 51,901	\$ (1,072,131)	\$ -	\$ (1,072,131)
Public safety	2,733,897	85,907	179,401	268,153	(2,200,436)	-	(2,200,436)
Public works	2,084,200	101,274	785,445	544,956	(652,525)	-	(652,525)
Culture and recreation	1,285,597	19,272	-	-	(1,266,325)	-	(1,266,325)
Total governmental activities	8,214,374	1,094,023	1,063,924	865,010	(5,191,417)	-	(5,191,417)
Business-type activities:							
Joint utility	8,177,753	9,549,963	-	266,056	-	1,638,266	1,638,266
Solid waste	610,138	592,309	-	-	-	(17,829)	(17,829)
Irrigation	7,008	13,159	-	-	-	6,151	6,151
Total business-type activities	8,794,899	10,155,431	-	266,056	-	1,626,588	1,626,588
Total government	17,009,273	11,249,454	1,063,924	1,131,066	(5,191,417)	1,626,588	(3,564,829)
General revenues:							
Property taxes					479,294	-	479,294
Gross receipts tax					5,478,504	114,872	5,593,376
Franchise taxes					523,744	-	523,744
Other taxes					253,673	-	253,673
Miscellaneous					107,739	-	107,739
Unrestricted investment earnings					333,053	329,826	662,879
Transfers					52,151	(52,151)	-
Total general revenues and transfers					7,228,158	392,547	7,620,705
Change in net assets					2,036,741	2,019,135	4,055,876
Net assets - beginning					20,359,772	22,429,435	42,789,207
Net assets - ending					\$ 22,396,513	\$ 24,448,570	\$ 46,845,083

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

CITY OF AZTEC, NEW MEXICO
Balance Sheet
Governmental Funds
June 30, 2008

	General	Municipal Road	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,797,443	\$ 1,588,082	\$ 1,617,737	\$ 2,027,816	\$ 10,031,078
Intergovernmental receivable	1,782,605	73,039	122,783	10,207	1,988,634
Other receivables	95,875	-	-	5,514	101,389
Prepaid items	2,043	-	-	1,570	3,613
Total Assets	<u>\$ 6,677,966</u>	<u>\$ 1,661,121</u>	<u>\$ 1,740,520</u>	<u>\$ 2,045,107</u>	<u>\$ 12,124,714</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 558,370	\$ 11,566	\$ 771	\$ 27,958	\$ 598,665
Accrued payroll, taxes and benefits	282,759	2,597	-	719	286,075
Unearned revenue	2,977	-	-	1,285	4,262
Deferred revenue	479,962	-	-	-	479,962
Total Liabilities	<u>1,324,068</u>	<u>14,163</u>	<u>771</u>	<u>29,962</u>	<u>1,368,964</u>
Fund Balances:					
Reserved for:					
Subsequent year's statutory reserve	741,181	-	-	-	741,181
Debt service	-	-	166,196	-	166,196
Unreserved, reported in:					
General fund - undesignated	4,612,717	-	-	-	4,612,717
Special revenue funds	-	1,646,958	-	931,569	2,578,527
Capital project funds	-	-	1,573,553	1,083,576	2,657,129
Total Fund Balances	<u>5,353,898</u>	<u>1,646,958</u>	<u>1,739,749</u>	<u>2,015,145</u>	<u>10,755,750</u>
Total Liabilities and Fund Balances	<u>\$ 6,677,966</u>	<u>\$ 1,661,121</u>	<u>\$ 1,740,520</u>	<u>\$ 2,045,107</u>	

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.	12,882,319
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	479,962
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	(1,411,771)
Accrued compensated absences	(300,771)
Accrued interest payable	(8,976)
Net assets of governmental activities	<u>\$ 22,396,513</u>

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, 2008

	General	Municipal Road	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 434,477	\$ -	\$ -	\$ -	\$ 434,477
Gross Receipts	4,560,155	229,711	688,638	-	5,478,504
Franchise	523,744	-	-	-	523,744
Other	23,641	198,843	-	31,189	253,673
Licenses and permits	52,401	-	-	110,174	162,575
Intergovernmental	810,744	900,565	-	217,625	1,928,934
Charges for services	281,951	-	-	98,775	380,726
Fines	550,722	-	-	-	550,722
Investment earnings	163,658	36,235	51,486	81,674	333,053
Miscellaneous	103,564	-	-	4,175	107,739
Total Revenues	<u>7,505,057</u>	<u>1,365,354</u>	<u>740,124</u>	<u>543,612</u>	<u>10,154,147</u>
EXPENDITURES:					
Current:					
General government	1,610,681	-	38,720	15,956	1,665,357
Public safety	2,154,461	-	-	266,673	2,421,134
Public works	1,073,936	577,099	-	-	1,651,035
Culture and recreation	1,052,800	-	-	15,247	1,068,047
Capital outlay	608,196	242,237	283,207	6,866	1,140,506
Debt service:					
Principal	21,119	-	90,058	-	111,177
Interest	4,735	-	56,357	-	61,092
Total Expenditures	<u>6,525,928</u>	<u>819,336</u>	<u>468,342</u>	<u>304,742</u>	<u>8,118,348</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>979,129</u>	<u>546,018</u>	<u>271,782</u>	<u>238,870</u>	<u>2,035,799</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers, in	253,796	-	11,000	454,917	719,713
Operating transfers, out	(327,459)	-	-	(340,103)	(667,562)
Total other financing sources and uses	<u>(73,663)</u>	<u>-</u>	<u>11,000</u>	<u>114,814</u>	<u>52,151</u>
Net change in fund balances	905,466	546,018	282,782	353,684	2,087,950
Fund balances - beginning	4,448,432	1,100,940	1,456,967	1,661,461	8,667,800
Fund balances - ending	<u>\$ 5,353,898</u>	<u>\$ 1,646,958</u>	<u>\$ 1,739,749</u>	<u>\$ 2,015,145</u>	<u>\$ 10,755,750</u>

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, 2008

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

Net change in fund balances-total governmental funds	<u>\$ 2,087,950</u>
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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:

Capital outlay	865,010
Depreciation expense	<u>(1,020,607)</u>
Total	<u>(155,597)</u>

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.

	<u>44,817</u>
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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:

Principal repayments	111,177
Accrued interest payable	417
Compensated absences	<u>(52,023)</u>
Total	<u>59,571</u>

Change in net assets of governmental activities	<u><u>\$ 2,036,741</u></u>
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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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property taxes	\$ 400,000	\$ 392,463	\$ 434,477	\$ 42,014
Gross receipts tax	3,300,000	3,300,000	4,560,155	1,260,155
Franchise taxes	516,500	516,500	523,744	7,244
Other taxes	21,000	21,000	23,641	2,641
Licenses and permits	49,050	49,050	52,401	3,351
Intergovernmental	985,736	1,031,986	810,744	(221,242)
Charges for services	238,698	238,698	281,951	43,253
Fines	459,000	459,000	550,722	91,722
Investment earnings	150,000	150,000	163,658	13,658
Miscellaneous	61,000	61,000	103,564	42,564
Total Revenues	6,180,984	6,219,697	7,505,057	1,285,360
EXPENDITURES:				
Current:				
General government:				
Legislative	149,718	146,718	122,697	24,021
Economic Development	41,160	65,160	65,155	5
Judicial	162,126	167,326	150,285	17,041
City Manager	357,488	379,177	338,275	40,902
Finance	577,929	478,555	380,109	98,446
Legal	48,704	48,704	49,834	(1,130)
Motor vehicle	228,362	228,592	202,772	25,820
Planning	220,295	220,995	176,704	44,291
Information systems	154,294	161,994	150,704	11,290
Total general government	1,940,076	1,897,221	1,636,535	260,686
Public safety:				
Police	1,875,874	1,878,274	1,663,970	214,304
Fire	127,027	138,527	80,560	57,967
Animal control	415,856	425,656	404,534	21,122
Vector control	13,000	13,000	5,397	7,603
Total public safety	2,431,757	2,455,457	2,154,461	300,996
Public works:				
City buildings	429,107	332,170	285,090	47,080
Streets	850,299	1,030,631	744,874	285,757
Shop	40,938	43,238	43,972	(734)
Total public works	1,320,344	1,406,039	1,073,936	332,103
Culture and recreation:				
Recreation	123,050	130,847	64,523	66,324
Parks	479,004	475,299	438,681	36,618
Library	396,856	427,366	355,527	71,839
Community center	153,904	159,248	131,878	27,370
Community support	133,740	147,792	62,191	85,601
Total culture and recreation	1,286,554	1,340,552	1,052,800	287,752
Capital outlay	1,166,064	1,184,776	608,196	576,580
Total expenditures	8,144,795	8,284,045	6,525,928	1,758,117
Excess of revenues over expenditures	(1,963,811)	(2,064,348)	979,129	3,043,477
OTHER FINANCING SOURCES (USES):				
Transfers in	839,000	439,000	253,796	(185,204)
Transfers out	(749,185)	(349,185)	(327,459)	21,726
Total Other Financing Sources and Uses	89,815	89,815	(73,663)	(163,478)
Net change in fund balances	(1,873,996)	(1,974,533)	905,466	2,879,999
Fund balances - beginning	4,448,432	4,448,432	4,448,432	-
Fund balances - ending	\$ 2,574,436	\$ 2,473,899	\$ 5,353,898	\$ 2,879,999

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ 170,000	\$ 170,000	\$ 229,711	\$ 59,711
Other taxes	166,800	166,800	198,843	32,043
Intergovernmental	1,593,170	1,529,134	900,565	(628,569)
Investment earnings	10,000	10,000	36,235	26,235
Miscellaneous	-	-	-	-
Total Revenues	1,939,970	1,875,934	1,365,354	(510,580)
EXPENDITURES:				
Current:				
Public works	436,610	571,726	577,099	(5,373)
Capital outlay	1,971,158	1,772,006	242,237	1,529,769
Total Expenditures	2,407,768	2,343,732	819,336	1,524,396
Excess (Deficiency) of Revenues Over (Under) Expenditures	(467,798)	(467,798)	546,018	1,013,816
OTHER FINANCING SOURCES (USES):				
Transfers in	400,000	-	-	-
Transfers out	(400,000)	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(467,798)	(467,798)	546,018	1,013,816
Fund balances - beginning	1,100,940	1,100,940	1,100,940	-
Fund balances - ending	\$ 633,142	\$ 633,142	\$ 1,646,958	\$ 1,013,816

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, 2008

	Business-type Activities-Enterprise Funds			
	Joint Utility	Solid Waste	Irrigation Assessment	Totals
ASSETS				
Current assets:				
Pooled cash and investments	\$ 8,429,381	\$ 158,130	\$ 105,163	\$ 8,692,674
Accounts receivable (net of allowance for doubtful accounts)	1,146,763	71,062	129	1,217,954
Interest receivable	101,603	-	-	101,603
Intergovernmental receivable	70,778	-	-	70,778
Inventories	1,119,530	-	-	1,119,530
Prepaid items	137	-	-	137
Due from other funds	-	-	-	-
Total Current Assets	10,868,192	229,192	105,292	11,202,676
Noncurrent assets:				
Capital assets:				
Land and land rights	694,402	-	-	694,402
Building and system	22,834,889	-	122,550	22,957,439
Machinery and equipment	2,477,534	52,752	-	2,530,286
Construction in progress	1,031,758	-	-	1,031,758
Less accumulated depreciation	(10,002,989)	(23,650)	(51,342)	(10,077,981)
Total noncurrent assets	17,035,594	29,102	71,208	17,135,904
Total Assets	27,903,786	258,294	176,500	28,338,580
LIABILITIES				
Current liabilities:				
Accounts payable	861,403	49,646	1,760	912,809
Accrued payroll, taxes and benefits	190,018	3,430	-	193,448
Accrued interest payable	17,964	-	-	17,964
Unearned revenue	233,933	-	-	233,933
Customer deposits	230,060	-	-	230,060
Compensated absences	96,267	128	-	96,395
Due to other funds	-	-	-	-
Bonds, notes and loans payable - current portion	174,688	-	-	174,688
Total Current Liabilities	1,804,333	53,204	1,760	1,859,297
Noncurrent liabilities:				
Bonds, notes and loans payable, net	2,030,713	-	-	2,030,713
Total liabilities	3,835,046	53,204	1,760	3,890,010
NET ASSETS				
Invested in capital assets, net of related debt	14,851,401	29,102	71,208	14,951,711
Restricted for debt service	54,261	-	-	54,261
Unrestricted	9,163,078	175,988	103,532	9,442,598
Total net assets	\$ 24,068,740	\$ 205,090	\$ 174,740	\$ 24,448,570

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, 2008

	Business-type Activities-Enterprise Funds			
	Joint Utility	Solid Waste	Irrigation Assessment	Totals
Operating revenues:				
Charges for services	\$ 9,523,654	\$ 590,884	\$ 13,159	\$ 10,127,697
Miscellaneous	26,309	1,425	-	27,734
Total Operating Revenues	<u>9,549,963</u>	<u>592,309</u>	<u>13,159</u>	<u>10,155,431</u>
Operating expenses:				
Salaries and fringe benefits	1,345,117	18,142	-	1,363,259
Purchased power, fuel and chemicals	3,449,948	-	-	3,449,948
Other operating expenses	1,962,791	586,367	2,677	2,551,835
Payments in lieu of taxes	396,300	-	-	396,300
Depreciation and amortization	919,807	5,629	4,331	929,767
Total Operating Expenses	<u>8,073,963</u>	<u>610,138</u>	<u>7,008</u>	<u>8,691,109</u>
Operating income (loss)	<u>1,476,000</u>	<u>(17,829)</u>	<u>6,151</u>	<u>1,464,322</u>
Nonoperating revenues (expenses):				
Investment earnings	319,041	6,752	4,033	329,826
Gross receipts tax	114,872	-	-	114,872
Interest expense	(103,790)	-	-	(103,790)
Total Nonoperating Revenues (Expenses)	<u>330,123</u>	<u>6,752</u>	<u>4,033</u>	<u>340,908</u>
Income (Loss) Before Operating Transfers	1,806,123	(11,077)	10,184	1,805,230
Capital contributions	266,056	-	-	266,056
Operating transfers, in	2,021,377	-	-	2,021,377
Operating transfers, out	(2,069,528)	(4,000)	-	(2,073,528)
Change in net assets	2,024,028	(15,077)	10,184	2,019,135
Total net assets - beginning	22,044,712	220,167	164,556	22,429,435
Total net assets - ending	<u>\$ 24,068,740</u>	<u>\$ 205,090</u>	<u>\$ 174,740</u>	<u>\$ 24,448,570</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, 2008

	Business-type Activities-Enterprise Funds			
	Joint Utility	Solid Waste	Irrigation Assessment	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers/users	\$ 9,378,322	\$ 583,124	\$ 13,639	\$ 9,975,085
Payments to suppliers	(5,405,440)	(586,842)	(917)	(5,993,199)
Payments to employees	(1,341,079)	(18,153)	-	(1,359,232)
Net cash provided by operating activities	<u>2,631,803</u>	<u>(21,871)</u>	<u>12,722</u>	<u>2,622,654</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to other funds	(2,069,528)	(4,000)	-	(2,073,528)
Transfer from other funds	2,021,377	-	-	2,021,377
Advances from / to other funds	1,483	22	(3,052)	(1,547)
Net cash provided (used) by noncapital financing activities	<u>(46,668)</u>	<u>(3,978)</u>	<u>(3,052)</u>	<u>(53,698)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	266,056	-	-	266,056
Gross receipts tax	114,872	-	-	114,872
Purchases of capital assets	(1,477,075)	-	-	(1,477,075)
Debt issued or assumed	170,976	-	-	170,976
Principal paid on capital debt	(166,977)	-	-	(166,977)
Interest paid on capital debt	(103,790)	-	-	(103,790)
Net cash provided (used) by capital and related financing activities	<u>(1,195,938)</u>	<u>-</u>	<u>-</u>	<u>(1,195,938)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	319,041	6,752	4,033	329,826
Net increase in cash and cash equivalents	1,708,238	(19,097)	13,703	1,702,844
Cash and cash equivalents, July 1, 2007	6,721,143	177,227	91,460	6,989,830
Cash and cash equivalents, June 30, 2008	<u>\$ 8,429,381</u>	<u>\$ 158,130</u>	<u>\$ 105,163</u>	<u>\$ 8,692,674</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, 2008

	<u>Business-type Activities-Enterprise Funds</u>			
	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Irrigation Assessment</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	1,476,000	(17,829)	6,151	1,464,322
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	919,807	5,629	4,331	929,767
(Increase) decrease in:				
Accounts receivable	(171,641)	(9,185)	480	(180,346)
Interest receivable	6,544	-	-	6,544
Intergovernmental receivable	(3,091)	-	-	(3,091)
Inventories	(51,762)	-	-	(51,762)
Prepaid items	417	7	-	424
Increase (decrease) in:				
Accounts payable	288,417	(482)	1,760	289,695
Accrued payroll, taxes and benefits	12,338	175	-	12,513
Accrued interest payable	1,653	-	-	1,653
Unearned revenue	158,602	-	-	158,602
Customer deposits	2,819	-	-	2,819
Compensated absences	(8,300)	(186)	-	(8,486)
Total adjustments	1,155,803	(4,042)	6,571	1,158,332
Net cash provided by operating activities	2,631,803	(21,871)	12,722	2,622,654

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, 2008

	<u>Employee Association</u>
ASSETS:	
Cash and cash equivalents	\$ 4,119
Total assets	<u>\$ 4,119</u>
LIABILITIES:	
Deposits held for others	\$ 4,119
Total liabilities	<u>\$ 4,119</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, 2008

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, 2008.

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, 2008:

General fund	\$	394,751
Municipal Road Fund		44,409
Economic Development Fund		4,305
State Fire Fund		321,233
Community Development Block Grant Fund		62,953
Joint Utility Fund		543,696
Solid Waste Fund		3,002
Water Rights Acquisition		68,950
		<hr/>
Total	\$	<u>1,443,299</u>

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2008 expenditures exceeded appropriations in none of the funds.

C. Deficit Fund Equity

As of June 30, 2008, there were no funds reported with a deficit fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 5,254,433	1.53
State Treasurer's Local Government Investment Pool	<u>8,800,000</u>	<u>0.08</u>
Total Fair Value	<u><u>\$ 14,054,433</u></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, 2008, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2008 was \$9,673,701 and the bank balance was \$9,728,861. Of the bank balance, \$500,000 was covered by federal depository insurance, \$5,768,726 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and \$3,460,135 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, 2008. 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, 2008 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	\$ 1,782,605	\$ 73,039	\$ 122,783	\$ 10,207	\$ 1,988,634
Other receivables	95,875	-	-	5,514	101,389
Total	<u>\$ 1,878,480</u>	<u>\$ 73,039</u>	<u>\$ 122,783</u>	<u>\$ 15,721</u>	<u>\$ 2,090,023</u>
		<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Irrigation Assessment</u>	<u>Total Enterprise Funds</u>
Receivable, net					
Accounts receivable		\$ 966,705	\$ 71,062	\$ 6,764	\$ 1,044,531
Unbilled receivable		420,514	-	-	420,514
Less allowance for doubtful accounts		(240,456)	-	(6,635)	(247,091)
Accounts receivable, net		1,146,763	71,062	129	1,217,954
Interest receivable		101,603	-	-	101,603
Intergovernmental		70,778	-	-	70,778
Total		<u>\$ 1,319,144</u>	<u>\$ 71,062</u>	<u>\$ 129</u>	<u>\$ 1,390,335</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>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ 479,962	\$ -
Grant proceeds not yet earned	-	2,977
Total deferred revenue for governmental funds	<u>\$ 479,962</u>	<u>\$ 2,977</u>

C. Capital assets

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

<u>Governmental activities</u>	Balance <u>July 1, 2007</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Non-Depreciable Assets:					
Land	\$ 609,348	\$ -	\$ 29,087	\$ -	\$ 638,435
Construction in progress	641,871	(380,792)	-	-	261,079
Total non-depreciable assets	<u>1,251,219</u>	<u>(380,792)</u>	<u>29,087</u>	<u>-</u>	<u>899,514</u>
Depreciable Assets					
Buildings	6,326,264	-	313,086	(180,997)	6,458,353
Improvements other than buildings	1,155,305	137,321	231,974	-	1,524,600
Machinery and equipment	4,061,008	141,326	295,055	(240,491)	4,256,898
Infrastructure	8,847,914	14,325	123,685	-	8,985,924
Total depreciable assets	<u>20,390,491</u>	<u>292,972</u>	<u>963,800</u>	<u>(421,488)</u>	<u>21,225,775</u>
Accumulated Depreciation					
Buildings	(1,526,272)	-	(164,296)	147,248	(1,543,320)
Improvements other than buildings	(231,526)	-	(71,430)	-	(302,956)
Equipment	(2,885,853)	-	(409,507)	234,183	(3,061,177)
Infrastructure	(3,960,143)	-	(375,374)	-	(4,335,517)
Total accumulated depreciation	<u>(8,603,794)</u>	<u>-</u>	<u>(1,020,607)</u>	<u>381,431</u>	<u>(9,242,970)</u>
Total capital assets being depreciated, net	<u>11,786,697</u>	<u>292,972</u>	<u>(56,807)</u>	<u>(40,057)</u>	<u>11,982,805</u>
Governmental activities capital assets, net	<u>\$ 13,037,916</u>	<u>\$ (87,820)</u>	<u>\$ (27,720)</u>	<u>\$ (40,057)</u>	<u>\$ 12,882,319</u>
<u>Business-type activities</u>	<u>July 1, 2007</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Non-Depreciable Assets:					
Land	\$ 694,402	\$ -	\$ -	\$ -	\$ 694,402
Construction in progress	840,369	(553,591)	744,980	-	1,031,758
Total non-depreciable assets	<u>1,534,771</u>	<u>(553,591)</u>	<u>-</u>	<u>-</u>	<u>1,726,160</u>
Depreciable Assets					
Building and systems	21,725,210	553,591	678,638	-	22,957,439
Equipment	2,501,659	-	54,583	(25,956)	2,530,286
Total depreciable assets	<u>24,226,869</u>	<u>553,591</u>	<u>733,221</u>	<u>(25,956)</u>	<u>25,487,725</u>
Accumulated Depreciation					
Buildings and systems	(7,684,682)	-	(723,075)	-	(8,407,757)
Equipment	(1,488,362)	-	(206,692)	24,830	(1,670,224)
Total accumulated depreciation	<u>(9,173,044)</u>	<u>-</u>	<u>(929,767)</u>	<u>24,830</u>	<u>(10,077,981)</u>
Total capital assets being depreciated, net	<u>15,053,825</u>	<u>553,591</u>	<u>(196,546)</u>	<u>(1,126)</u>	<u>15,409,744</u>
Business-type activities capital assets, net	<u>\$ 16,588,596</u>	<u>\$ -</u>	<u>\$ (196,546)</u>	<u>\$ (1,126)</u>	<u>\$ 17,135,904</u>

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

Governmental activities:

General government	\$ 57,129
Public safety	312,763
Public works	433,165
Culture and recreation	217,550
	<hr/>
Total depreciation expense - governmental activities	<u>\$ 1,020,607</u>

Business-type activities:

Joint utility	\$ 919,807
Solid waste	5,629
Irrigation assessment	4,331
	<hr/>
Total depreciation expense - business-type activities	<u>\$ 929,767</u>

Construction commitments

The City has active construction projects as of June 30, 2008. At June 30, 2008, the City's commitments with contractors were as follows:

	<u>Expended to-date</u>	<u>Remaining Commitment</u>
Animal Shelter Expansion	\$ 47,791	\$ 77,874
Electric Warehouse	493,339	283,050
	<hr/>	<hr/>
Total	<u>\$ 541,130</u>	<u>\$ 360,924</u>

D. Interfund receivables, payables and transfers

Interfund transfers consisted of the following as of June 30, 2008:

Transfers		
Governmental Funds	<u>In</u>	<u>Out</u>
General fund - operating transfers	\$ 253,796	\$ 327,459
Local Government Correction - operating	123,274	-
Development Fees - operating transfer	-	40,300
Capital Equipment Replacement - operating	331,643	299,803
Capital Projects - operating transfers	11,000	-
Total governmental funds transfers	<u>\$ 719,713</u>	<u>\$ 667,562</u>
Net governmental funds transfers		<u>\$ (52,151)</u>
Business-type funds		
Joint Utility Fund - operating transfer	\$ 2,021,377	\$ 2,069,528
Solid Waste Fund - operating transfer	-	4,000
Total business-type funds transfers	<u>\$ 2,021,377</u>	<u>\$ 2,073,528</u>
Net business-type transfers	<u>\$ (52,151)</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, 2008 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, 2008 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, 2008 of \$1,817, with a current portion of \$1,817.

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, 2008 of \$88,596, with a current portion of \$11,434.

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, 2008 of \$1,089,164, with a current portion of \$98,008.

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, 2008 of \$422,152, with a current portion of \$20,943.

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, 2008 of \$422,152, with a current portion of \$20,943.

The City purchased the assets of East Aztec Water Users Association (a water distribution system) and assumed the related debt that was held through the State of New Mexico Finance Authority. The balance of the debt is \$170,976 and is payable in semi-annual instalments. Annual repayments range between \$19,000 and \$23,000 per year, including interest at 6.53%, through May 2017. The Joint Utilities Enterprise Fund reports the outstanding principal due as of June 30, 2008 of \$160,312, with a current portion of \$11,329.

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, 2008 of \$21,207, with a current portion of \$10,213. 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, 2008 of \$47,203, with a current portion of \$22,733.

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, 2008 of \$1,364,567, with a current portion of \$92,568.

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, 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	105,797	40,657	146,454
June 30, 2014-2018	595,403	137,035	732,438
June 30, 2019-2020	274,747	18,321	293,068
Debt service requirements	1,411,771	<u>\$ 397,630</u>	<u>\$ 1,809,401</u>
Less current portion	(115,301)		
Long-term debt, net of current portion	<u>\$ 1,296,470</u>		

Business-type activities

Fiscal year ended:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2009	\$ 174,689	\$ 99,299	\$ 273,988
June 30, 2010	180,214	90,934	271,148
June 30, 2011	176,177	82,495	258,672
June 30, 2012	183,556	74,236	257,792
June 30, 2013	196,339	65,552	261,891
June 30, 2014-2018	919,245	178,379	1,097,624
June 30, 2019-2023	308,314	37,826	346,140
June 30, 2024	66,867	1,958	68,825
Debt service requirements	2,205,401	<u>\$ 630,679</u>	<u>\$ 2,836,080</u>
Less current portion	(174,688)		
Long-term debt, net of current portion	<u>\$ 2,030,713</u>		

Changes in Long-term Liabilities

During the year ended June 30, 2008, the following changes occurred in long-term liabilities:

<u>Governmental activities</u>	<u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>	<u>One Year</u>
Contracts and loans payable:					
NM Finance Authority	\$ 1,454,625	\$ -	\$ (90,058)	\$ 1,364,567	\$ 92,568
NM Retiree Health Care	68,323	-	(21,119)	47,204	22,733
Total contracts and loans payable	1,522,948	-	(111,177)	1,411,771	115,301
Compensated absences	248,748	281,134	(229,111)	300,771	300,771
Total Governmental Activities	<u>\$ 1,771,696</u>	<u>\$ 281,134</u>	<u>\$ (340,288)</u>	<u>\$ 1,712,542</u>	<u>\$ 416,072</u>

Business-type Activities

Contracts and loans payable:					
Hartman contract	\$ 3,470	\$ -	\$ (1,653)	\$ 1,817	\$ 1,817
State Rural Infrastructure	99,697	-	(11,101)	88,596	11,434
State Rural Infrastructure	442,485	-	(20,333)	422,152	20,943
State Rural Infrastructure	442,485	-	(20,333)	422,152	20,943
NM Finance Authority	1,182,569	-	(93,405)	1,089,164	98,008
NM Finance Authority	-	170,976	(10,664)	160,312	11,329
NM Retiree Health Care	30,696	-	(9,488)	21,208	10,214
Total contracts and loans payable	2,201,402	170,976	(166,977)	2,205,401	174,688
Compensated absences	104,881	96,267	(104,881)	96,267	96,267
Total Business-type Activities	<u>\$ 2,306,283</u>	<u>\$ 267,243</u>	<u>\$ (271,858)</u>	<u>\$ 2,301,668</u>	<u>\$ 270,955</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 (\$741,181) 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

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, 2008, the City contributed \$0 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, 2008 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

Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute from 9.15% to 16.30%, depending upon the plan (i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute from 9.15% to 21.25% (depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2008, 2007, and 2006 were \$406,664, \$372,717, and \$332,026, respectively, which equal the amount of the required contributions for each fiscal year.

E. Post-Employment Benefits – State Retiree Health Care Plan

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the 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; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The City's contributions to the RCHA for the years ended June 30, 2008, 2007 and 2006 were \$46,018, \$41,788, and \$39,938, respectively, which equal the required employer contributions for each year.

F. Subsequent Events

In September 2008, the State Treasurer Local Government Investment Pool (LGIP) portfolio, like many investment funds throughout the country, experienced significant market volatility. One of the LGIP investments, the Reserve Primary money market fund was downgraded from “AAA” to “D” on September 16, 2008. The LGIP shares in the Reserve Primary Fund were initially frozen until the fund’s liquidation process could begin. In order to maintain the LGIP’s “AAA” rating, the LGIP temporarily sold this security to the State’s General Fund investment pool at par under a put agreement. By June 30, 2010, 96% of the LGIP Reserve Primary Fund holding had been recovered.

The State Treasurer is participating in a lawsuit against the Reserve on behalf of the State Treasurer’s portfolios and LGIP participants. Additionally, the Securities and Exchange Commission (SEC) filed a civil lawsuit in federal court against the operators of the Reserve seeking to expedite the distribution of the Reserve’s remaining assets to investors. For more information on the Reserve Contingency fund see the State Treasurer’s website at http://www.stonm.org/files_uploads/1835.pdf.

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ 510,000	\$ 510,000	\$ 688,638	\$ 178,638
Intergovernmental	2,652,500	2,652,500	-	(2,652,500)
Investment earnings	35,000	35,000	51,486	16,486
Total Revenues	3,197,500	3,197,500	740,124	(2,457,376)
EXPENDITURES:				
Current:				
General government	18,000	18,000	38,720	(20,720)
Public works	-	-	-	-
Capital outlay	5,844,825	5,856,825	283,207	5,573,618
Debt service:				
Principal payments	90,058	90,058	90,058	-
Interest payments	86,657	74,657	56,357	18,300
Total Expenditures	6,039,540	6,039,540	468,342	5,571,198
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,842,040)	(2,842,040)	271,782	3,113,822
OTHER FINANCING SOURCES (USES):				
Transfers in	11,000	11,000	11,000	-
Bonds issued	3,030,000	3,030,000	-	(3,030,000)
Total other financing sources (uses)	3,041,000	3,041,000	11,000	(3,030,000)
Net change in fund balances	198,960	198,960	282,782	83,822
Fund balances - beginning	1,456,967	1,456,967	1,456,967	-
Fund balances - ending	\$ 1,655,927	\$ 1,655,927	\$ 1,739,749	\$ 83,822

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.

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, 2008

	Special Revenue Funds						
	Law Enforcement Protection	Local Government Correction	Economic Development	Development Fees	Lodgers Tax	State Fire	Recreation
ASSETS:							
Cash and cash equivalents	\$ 6,082	\$ 15,827	\$ 108,618	\$ 190,065	\$ 16,362	\$ 508,017	\$ 34,701
Intergovernmental receivable	-	-	-	-	-	-	935
Other receivables	138	1,870	-	-	2,149	-	-
Prepaid and other assets	-	-	-	-	288	-	-
Due from other funds	-	-	-	-	-	-	-
Total Assets	\$ 6,220	\$ 17,697	\$ 108,618	\$ 190,065	\$ 18,799	\$ 508,017	\$ 35,636
LIABILITIES:							
Accounts payable	\$ 5,961	\$ 15,949	\$ -	\$ -	\$ -	\$ 819	\$ -
Other current liabilities	9	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
FUND BALANCES:							
Reserved for encumbrances	-	-	-	-	-	-	-
Unreserved, undesignated	250	1,748	108,618	190,065	18,799	507,198	35,636
	250	1,748	108,618	190,065	18,799	507,198	35,636
Total Liabilities and Fund Balances	\$ 6,220	\$ 17,697	\$ 108,618	\$ 190,065	\$ 18,799	\$ 508,017	\$ 35,636

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, 2008

	<u>Emergency Medical Services</u>			<u>Airport</u>			<u>Total Special Revenue</u>			<u>Capital Projects Funds</u>				<u>Total Nonmajor Governmental Funds</u>			
										<u>Capital Equipment Replacement</u>	<u>Community Development</u>	<u>Block Grant</u>	<u>Total Capital Projects</u>				
ASSETS:																	
Cash and cash equivalents	\$	10,661	\$	53,291	\$	943,624				\$	1,079,231	\$	4,961	\$	1,084,192	\$	2,027,816
Intergovernmental receivable	-			9,272		10,207				-							10,207
Other receivables	-			1,357		5,514				-							5,514
Prepaid and other assets	-			1,282		1,570				-							1,570
Due from other funds	-			-		-				-							-
Total Assets	\$	10,661	\$	65,202	\$	960,915				\$	1,079,231	\$	4,961	\$	1,084,192	\$	2,045,107
LIABILITIES:																	
Accounts payable	\$	4,613	\$	-	\$	27,342				\$	-	\$	616	\$	616	\$	27,958
Other current liabilities	210			500		719				-							719
Unearned revenue	-			1,285		1,285				-							1,285
Due to other funds	-			-		-				-							-
FUND BALANCES:																	
Reserved for encumbrances	-			-		-				-							-
Unreserved, undesignated	5,838			63,417		931,569				1,079,231		4,345			1,083,576		2,015,145
Total Liabilities and Fund Balances	5,838			63,417		931,569				1,079,231		4,345			1,083,576		2,015,145
Total Liabilities and Fund Balances	\$	10,661	\$	65,202	\$	960,915				\$	1,079,231	\$	4,961	\$	1,084,192	\$	2,045,107

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, 2008

	Special Revenue Funds						
	<u>Law Enforcement Protection</u>	<u>Local Government Correction</u>	<u>Economic Development</u>	<u>Development Fees</u>	<u>Lodgers Tax</u>	<u>State Fire</u>	<u>Recreation</u>
REVENUES:							
Taxes:							
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	19,325	-	11,864
Licenses and permits	-	-	-	110,174	-	-	-
Intergovernmental	27,800	-	-	-	-	172,207	-
Charges for services	-	98,775	-	-	-	-	-
Investment earnings	699	-	4,397	6,606	639	20,857	1,148
Miscellaneous	-	-	-	-	-	-	347
Total Revenues	28,499	98,775	4,397	116,780	19,964	193,064	13,359
EXPENDITURES:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	22,910	222,219	-	-	-	12,174	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	15,133	-	114
Capital outlay	6,250	-	-	-	-	-	-
Debt service:							
Principal payments	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	-
Total Expenditures	29,160	222,219	-	-	15,133	12,174	114
Excess (Deficiency) of Revenues Over (Under) Expenditures	(661)	(123,444)	4,397	116,780	4,831	180,890	13,245
OTHER FINANCING SOURCES (USES)							
Transfers in	-	123,274	-	-	-	-	-
Transfers out	-	-	-	(40,300)	-	-	-
Total other financing sources (uses)	-	123,274	-	(40,300)	-	-	-
Net change in fund balances	(661)	(170)	4,397	76,480	4,831	180,890	13,245
Fund balances - beginning	911	1,918	104,221	113,585	13,968	326,308	22,391
Fund balances - ending	\$ 250	\$ 1,748	\$ 108,618	\$ 190,065	\$ 18,799	\$ 507,198	\$ 35,636

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, 2008

	Emergency Medical Services		Airport	Total Special Revenue		Capital Projects Funds				Total Nonmajor Governmental Funds
		\$			\$	Capital Equipment Replacement	Community Development Block Grant	Total Capital Projects	Capital Projects	
REVENUES:										
Taxes:										
Gross receipts tax	\$ -	\$ -								\$ -
Other taxes	-	-		31,189	-	-	-	-	-	31,189
Licenses and permits	-	-		110,174	-	-	-	-	-	110,174
Intergovernmental	8,346	9,272		217,625	-	-	-	-	-	217,625
Charges for services	-	-		98,775	-	-	-	-	-	98,775
Investment earnings	550	2,507		37,403	44,271	-	-	44,271	-	81,674
Miscellaneous	-	3,828		4,175	-	-	-	-	-	4,175
Total Revenues	8,896	15,607		499,341	44,271	-	-	44,271	-	543,612
EXPENDITURES:										
Current:										
General government	-	15,956		15,956	-	-	-	-	-	15,956
Public safety	9,370	-		266,673	-	-	-	-	-	266,673
Public works	-	-		-	-	-	-	-	-	-
Culture and recreation	-	-		15,247	-	-	-	-	-	15,247
Capital outlay	-	-		6,250	-	616	-	616	-	6,866
Debt service:										
Principal payments	-	-		-	-	-	-	-	-	-
Interest payments	-	-		-	-	-	-	-	-	-
Total Expenditures	9,370	15,956		304,126	44,271	616	(616)	43,655	-	304,742
Excess (Deficiency) of Revenues Over (Under) Expenditures	(474)	(349)		195,215					43,655	238,870
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-		123,274	331,643	-	-	331,643	-	454,917
Transfers out	-	-		(40,300)	(299,803)	-	-	(299,803)	-	(340,103)
Total other financing sources (uses)	-	-		82,974	31,840	-	-	31,840	-	114,814
Net change in fund balances	(474)	(349)		278,189	76,111	(616)	(616)	75,495		353,684
Fund balances - beginning	6,312	63,766		653,380	1,003,120	4,961	4,961	1,008,081		1,661,461
Fund balances - ending	\$ 5,838	\$ 63,417		\$ 931,569	\$ 1,079,231	\$ 4,345	\$ 4,345	\$ 1,083,576		\$ 2,015,145

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	27,200	27,800	27,800	-
Investment earnings	300	673	699	26
Total Revenues	27,500	28,473	28,499	26
EXPENDITURES:				
Current:				
Public safety	20,300	18,794	22,910	(4,116)
Capital outlay	7,500	10,590	6,250	4,340
Total Expenditures	27,800	29,384	29,160	224
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300)	(911)	(661)	250
Fund balances - beginning	911	911	911	-
Fund balances - ending	\$ 611	\$ -	\$ 250	\$ 250

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Charges for services	80,000	98,795	98,775	(20)
Total Revenues	80,000	98,795	98,775	(20)
EXPENDITURES:				
Current:				
Public safety	225,000	243,795	222,219	21,576
Capital outlay	-	-	-	-
Total Expenditures	225,000	243,795	222,219	21,576
Excess (Deficiency) of Revenues Over (Under) Expenditures	(145,000)	(145,000)	(123,444)	21,556
OTHER FINANCING SOURCES (USES):				
Transfers in	145,000	145,000	123,274	(21,726)
Transfers out	-	-	-	-
Total other financing sources (uses)	145,000	145,000	123,274	(21,726)
Net change in fund balances	-	-	(170)	(170)
Fund balances - beginning	1,918	1,918	1,918	-
Fund balances - ending	\$ 1,918	\$ 1,918	\$ 1,748	\$ (170)

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Investment earnings	2,000	2,000	4,397	2,397
Total Revenues	2,000	2,000	4,397	2,397
EXPENDITURES:				
Current:				
General government	100,000	100,000	-	100,000
Capital outlay	-	-	-	-
Total Expenditures	100,000	100,000	-	100,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(98,000)	(98,000)	4,397	102,397
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Net change in fund balances	(98,000)	(98,000)	4,397	102,397
Fund balances - beginning	104,221	104,221	104,221	-
Fund balances - ending	\$ 6,221	\$ 6,221	\$ 108,618	\$ 102,397

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Licenses and permits	48,000	48,000	110,174	62,174
Investment earnings	2,850	2,850	6,606	3,756
Total Revenues	50,850	50,850	116,780	65,930
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,850	50,850	116,780	65,930
OTHER FINANCING SOURCES (USES):				
Transfers out	(21,000)	(40,300)	(40,300)	-
Net change in fund balances	29,850	10,550	76,480	65,930
Fund balances - beginning	113,585	113,585	113,585	-
Fund balances - ending	\$ 143,435	\$ 124,135	\$ 190,065	\$ 65,930

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Other taxes	18,000	18,000	19,325	1,325
Investment earnings	250	250	639	389
Total Revenues	18,250	18,250	19,964	1,714
EXPENDITURES:				
Current:				
Culture and recreation	18,339	18,339	15,133	3,206
Capital outlay	-	-	-	-
Total Expenditures	18,339	18,339	15,133	3,206
Net change in fund balances	(89)	(89)	4,831	4,920
Fund balances - beginning	13,968	13,968	13,968	-
Fund balances - ending	\$ 13,879	\$ 13,879	\$ 18,799	\$ 4,920

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	172,207	172,207	172,207	-
Investment earnings	10,000	10,000	20,857	10,857
Miscellaneous	-	-	-	-
Total Revenues	182,207	182,207	193,064	10,857
EXPENDITURES:				
Current:				
Public safety	56,250	64,074	12,174	51,900
Capital outlay	300,000	319,270	-	319,270
Debt service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total Expenditures	356,250	383,344	12,174	371,170
Excess (Deficiency) of Revenues Over (Under) Expenditures	(174,043)	(201,137)	180,890	382,027
OTHER FINANCING SOURCES (USES):				
Transfers in	175,000	175,000	-	(175,000)
Net change in fund balances	957	(26,137)	180,890	207,027
Fund balances - beginning	326,308	326,308	326,308	-
Fund balances - ending	\$ 327,265	\$ 300,171	\$ 507,198	\$ 207,027

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Other taxes	10,200	10,200	11,864	1,664
Investment earnings	900	900	1,148	248
Miscellaneous	-	-	347	347
Total Revenues	11,100	11,100	13,359	2,259
EXPENDITURES:				
Current:				
Culture and recreation	8,907	8,907	114	8,793
Capital outlay	-	-	-	-
Total Expenditures	8,907	8,907	114	8,793
Net change in fund balances	2,193	2,193	13,245	11,052
Fund balances - beginning	22,391	22,391	22,391	-
Fund balances - ending	\$ 24,584	\$ 24,584	\$ 35,636	\$ 11,052

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	8,415	8,415	8,346	(69)
Investment earnings	250	250	550	300
Total Revenues	8,665	8,665	8,896	231
EXPENDITURES:				
Current:				
Public safety	7,712	9,579	9,370	209
Capital outlay	-	-	-	-
Total Expenditures	7,712	9,579	9,370	209
Net change in fund balances	953	(914)	(474)	440
Fund balances - beginning	6,312	6,312	6,312	-
Fund balances - ending	\$ 7,265	\$ 5,398	\$ 5,838	\$ 440

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	9,272	9,272	9,272	-
Investment earnings	1,500	1,500	2,507	1,007
Miscellaneous	2,600	2,600	3,828	1,228
Total Revenues	13,372	13,372	15,607	2,235
EXPENDITURES:				
Current:				
General government	26,285	26,285	15,956	10,329
Capital outlay	5,000	5,000	-	5,000
Total Expenditures	31,285	31,285	15,956	15,329
Net change in fund balances	(17,913)	(17,913)	(349)	17,564
Fund balances - beginning	63,766	63,766	63,766	-
Fund balances - ending	\$ 45,853	\$ 45,853	\$ 63,417	\$ 17,564

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Investment earnings	15,000	15,000	44,271	29,271
Total Revenues	15,000	15,000	44,271	29,271
EXPENDITURES:				
Capital outlay	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,000	15,000	44,271	29,271
OTHER FINANCING SOURCES (USES):				
Transfers in	331,643	331,643	331,643	-
Transfers out	(991,000)	(903,000)	(299,803)	603,197
Total other financing sources (uses)	(659,357)	(571,357)	31,840	603,197
Net change in fund balances	(644,357)	(556,357)	76,111	632,468
Fund balances - beginning	1,003,120	1,003,120	1,003,120	-
Fund balances - ending	\$ 358,763	\$ 446,763	\$ 1,079,231	\$ 632,468

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	500,000	500,000	-	(500,000)
Total Revenues	500,000	500,000	-	(500,000)
EXPENDITURES:				
Capital outlay	500,000	500,000	616	499,384
Net change in fund balances	-	-	(616)	(616)
Fund balances - beginning	4,961	4,961	4,961	-
Fund balances - ending	\$ 4,961	\$ 4,961	\$ 4,345	\$ (616)

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

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for Sales and Services:				
Joint utility	\$ 8,219,500	\$ 9,419,843	\$ 9,523,654	\$ 103,811
Other revenues	600	600	26,309	25,709
Total Operating Revenues	8,220,100	9,420,443	9,549,963	129,520
Operating expenses:				
Salaries and fringe benefits	1,756,315	1,747,315	1,345,117	402,198
Purchased power	3,634,900	3,634,900	3,449,948	184,952
Other operating expenses	3,074,749	2,984,202	1,962,791	1,021,411
Payments in lieu of taxes	396,300	396,300	396,300	-
Capital outlay	9,538,332	9,852,972	1,455,534	8,397,438
Total Operating Expenses	18,400,596	18,615,689	8,609,690	10,005,999
Operating income	(10,180,496)	(9,195,246)	940,273	10,135,519
Nonoperating revenues (expenses):				
Intergovernmental	681,387	681,387	-	(681,387)
Investment earnings	212,000	212,000	319,041	107,041
Gross receipts tax	85,000	85,000	114,872	29,872
Loan proceeds	5,832,807	5,832,807	-	(5,832,807)
Principal payments	(180,212)	(181,317)	(166,978)	14,339
Interest expense	(280,934)	(283,039)	(103,790)	179,249
Total Nonoperating Revenues (Expenses)	6,350,048	6,346,838	163,145	(6,183,693)
Income (Loss) Before Other Sources (Uses)	(3,830,448)	(2,848,408)	1,103,418	3,951,826
Contributed capital	850,000	960,000	266,056	(693,944)
Operating transfers, in	2,380,366	2,517,662	2,021,377	(496,285)
Operating transfers, out	(2,116,824)	(2,322,820)	(2,069,528)	253,292
Change in net assets	(2,716,906)	(1,693,566)	1,321,323	3,014,889
Total net assets - beginning	22,044,712	22,044,712	22,044,712	-
Total net assets - ending	\$ 19,327,806	\$ 20,351,146	23,366,035	\$ 3,014,889
RECONCILIATION TO GAAP BASIS:				
Add back capital expenditures			1,455,534	
Less depreciation expense			(919,807)	
Add back principal payments			166,978	
			\$ 24,068,740	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for Sales and Services:				
Solid waste	\$ 592,500	\$ 592,500	\$ 590,884	\$ (1,616)
Other revenues	-	-	1,425	1,425
Total Operating Revenues	592,500	592,500	592,309	(191)
Operating expenses:				
Salaries and fringe benefits	20,307	20,307	18,142	2,165
Purchased power, fuel and chemicals	-	-	-	-
Other operating expenses	607,325	607,325	586,367	20,958
Capital outlay	-	-	-	-
Total Operating Expenses	627,632	627,632	604,509	23,123
Operating income	(35,132)	(35,132)	(12,200)	22,932
Nonoperating revenues (expenses):				
Investment earnings	5,500	5,500	6,752	1,252
Interest expense	-	-	-	-
Other fiscal charges	-	-	-	-
Total Nonoperating Revenues (Expenses)	5,500	5,500	6,752	1,252
Income (Loss) Before Operating Transfers	(29,632)	(29,632)	(5,448)	24,184
Capital contributions	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Operating transfers, out	(4,000)	(4,000)	(4,000)	-
Change in net assets	(33,632)	(33,632)	(9,448)	24,184
Total net assets - beginning	220,167	220,167	220,167	-
Total net assets - ending	\$ 186,535	\$ 186,535	210,719	\$ 24,184
RECONCILIATION TO GAAP BASIS:				
Add back capital expenditures			-	
Less depreciation expense			(5,629)	
			\$ 205,090	

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, 2008

	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	2,677	7,523
Capital outlay	5,000	5,000	-	5,000
Total Operating Expenses	15,200	15,200	2,677	12,523
Operating income (loss)	(2,041)	(2,041)	10,482	12,523
Nonoperating revenues (expenses):				
Investment earnings	2,000	2,000	4,033	2,033
Interest expense	-	-	-	-
Other fiscal charges	-	-	-	-
Total Nonoperating Revenues (Expenses)	2,000	2,000	4,033	2,033
Income (Loss) Before Operating Transfers	(41)	(41)	14,515	14,556
Capital contributions	-	-	-	-
Operating transfers, in	-	-	-	-
Change in net assets	(41)	(41)	14,515	14,556
Total net assets - beginning	164,556	164,556	164,556	-
Total net assets - ending	\$ 164,515	\$ 164,515	179,071	\$ 14,556
RECONCILIATION TO GAAP BASIS:				
Add back capital expenditures			-	
Less depreciation expense			(4,331)	
			\$ 174,740	

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, 2008

	Balance June 30, <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2008</u>
<u>ASSETS</u>				
<u>Cash:</u>				
Employee Association Trust Fund	\$ 4,384	\$ 4,384	\$ 4,649	\$ 4,119
Motor Vehicle Division Fund	<u>589</u>	<u>-</u>	<u>589</u>	<u>-</u>
Total assets	<u>\$ 4,973</u>	<u>\$ 4,384</u>	<u>\$ 5,238</u>	<u>\$ 4,119</u>
<u>LIABILITIES</u>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deposits held for others	<u>4,973</u>	<u>4,384</u>	<u>5,238</u>	<u>4,119</u>
Total liabilities	<u>\$ 4,973</u>	<u>\$ 4,384</u>	<u>\$ 5,238</u>	<u>\$ 4,119</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, 2008

	2008
Governmental Funds Capital Assets:	
Land	\$ 638,435
Buildings & Structures	6,458,353
Improvements Other than Buildings	1,524,600
Equipment & Machinery	4,256,898
Infrastructure	8,985,924
Construction (Projects) in Process	261,079
Total Governmental Funds Capital Assets	\$ 22,125,289
 Investment in Governmental Funds Capital Assets by Source:	
General Fund	\$ 7,501,085
Special revenue funds	4,828,118
Capital projects funds	8,809,081
Donations	987,005
Total Governmental Funds Capital Assets	\$ 22,125,289

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, 2008

FUNCTION AND ACTIVITY	Land	Buildings & Improvements	Improvements				Vehicles & Heavy Equip	Infrastructure	Construction In Progress	Total
			Other than Buildings	Furniture & Fixtures	Equipment & Machinery					
General Government:										
Legislative	\$ -	\$ 19,751	\$ 1,865	\$ 2,018	\$ 7,995	\$ -	\$ -	\$ -	\$ 31,629	
Judicial	-	-	-	-	47,200	-	-	-	47,200	
Executive	63,587	149,933	1,605	2,813	18,113	75,564	-	-	311,615	
Finance Administration	-	402,118	-	-	125,431	-	-	-	527,549	
Motor Vehicle	-	448,102	-	-	21,524	-	-	-	469,626	
Planning & Zoning	-	-	7,317	-	7,865	15,173	-	-	30,355	
Information Systems	-	2,412	-	-	149,422	18,984	-	-	170,818	
Municipal Building Maint	-	56,339	20,880	-	16,494	11,095	5,225	-	110,033	
Fleet Maintenance	22,100	77,146	7,049	-	17,399	35,941	-	-	159,637	
Total General Government	85,687	1,155,803	38,716	4,831	411,443	156,757	5,225	-	1,858,462	
Public Safety:										
Police	-	568,383	8,750	7,589	375,289	577,650	-	-	1,537,661	
Fire	35,051	411,471	31,523	-	306,679	1,139,971	-	-	1,924,695	
Animal Control	-	166,640	32,656	-	5,314	78,950	-	-	283,560	
Total Public Safety	35,051	1,146,494	72,929	7,589	687,282	1,796,571	-	-	3,745,916	
Public Works:										
Streets	81,053	-	18,632	-	554,501	53,838	8,554,174	251,276	9,513,474	
Total Public Works	81,053	-	18,632	-	554,501	53,838	8,554,174	251,276	9,513,474	
Culture and Recreation:										
Parks & Recreation	426,644	226,269	1,365,223	-	307,028	159,700	128,038	9,803	2,622,705	
Library	-	1,947,936	-	37,156	40,404	-	-	-	2,025,496	
Airport	10,000	42,008	9,040	-	11,676	-	298,487	-	371,211	
Total Culture and Recreation	436,644	2,216,213	1,374,263	37,156	359,108	159,700	426,525	9,803	5,019,412	
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	\$ 638,435	\$ 6,458,353	\$ 1,524,600	\$ 51,711	\$ 2,038,321	\$ 2,166,866	\$ 8,985,924	\$ 261,079	\$ 22,125,289	

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, 2008

FUNCTION AND ACTIVITY	<u>Capital Assets June 30, 2007</u>	<u>Additions/ Reclassifications</u>	<u>Deductions/ Reclassifications</u>	<u>Capital Assets June 30, 2008</u>
GENERAL GOVERNMENT:				
Legislative	\$ 31,629	\$ -	\$ -	\$ 31,629
Judicial	47,200	-	-	47,200
Executive	679,539	29,087	(397,011)	311,615
Finance Administration	242,674	290,033	(5,158)	527,549
Motor Vehicle	462,640	9,442	(2,456)	469,626
Planning & Zoning	30,355	-	-	30,355
Information Systems	212,687	-	(41,869)	170,818
Municipal Building Maint	241,279	-	(131,246)	110,033
Fleet Maintenance	<u>170,336</u>	<u>7,050</u>	<u>(17,749)</u>	<u>159,637</u>
Total General Government	<u>2,118,339</u>	<u>335,612</u>	<u>(595,489)</u>	<u>1,858,462</u>
PUBLIC SAFETY:				
Police	1,520,122	107,776	(90,237)	1,537,661
Fire	1,826,083	99,628	(1,016)	1,924,695
Animal Control	<u>251,380</u>	<u>33,380</u>	<u>(1,200)</u>	<u>283,560</u>
Total Public Safety	<u>3,597,585</u>	<u>240,784</u>	<u>(92,453)</u>	<u>3,745,916</u>
PUBLIC WORKS:				
Streets	<u>9,082,896</u>	<u>484,180</u>	<u>(53,602)</u>	<u>9,513,474</u>
Total Public Works	<u>9,082,896</u>	<u>484,180</u>	<u>(53,602)</u>	<u>9,513,474</u>
CULTURE AND RECREATION:				
Parks & Recreation	2,413,823	233,363	(24,481)	2,622,705
Airport	371,211	-	-	371,211
Library	<u>2,069,831</u>	<u>8,142</u>	<u>(52,477)</u>	<u>2,025,496</u>
Total Culture and Recreation	<u>4,854,865</u>	<u>241,505</u>	<u>(76,958)</u>	<u>5,019,412</u>
HEALTH AND WELFARE:				
Community Center	251,710	-	-	251,710
NESJC Family Center	<u>1,736,315</u>	<u>-</u>	<u>-</u>	<u>1,736,315</u>
Total Health and Welfare	<u>1,988,025</u>	<u>-</u>	<u>-</u>	<u>1,988,025</u>
Total Capital Assets	<u><u>\$ 21,641,710</u></u>	<u><u>\$ 1,302,081</u></u>	<u><u>\$ (818,502)</u></u>	<u><u>\$ 22,125,289</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, 2008

	<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	\$ 1,072,922	\$ 3,401,506	\$ -	\$ 4,474,428
Certificates of deposit	2,004,433	500,000	2,750,000	5,254,433
Deposits, at June 30, 2008	<u>3,077,355</u>	<u>3,901,506</u>	<u>2,750,000</u>	<u>9,728,861</u>
FDIC Insurance	200,000	200,000	100,000	500,000
Uninsured amount	<u>2,877,355</u>	<u>3,701,506</u>	<u>2,650,000</u>	<u>9,228,861</u>
Less 50 percent	1,438,678	1,850,753	1,325,000	4,614,431
Amount requiring pledged collateral	<u>1,438,678</u>	<u>1,850,753</u>	<u>1,325,000</u>	<u>4,614,431</u>
Pledged collateral at June 30, 2008	<u>2,421,327</u>	<u>1,967,500</u>	<u>1,379,311</u>	<u>5,768,138</u>
Excess (deficiency) of pledged collateral	<u>\$ 982,650</u>	<u>\$ 116,747</u>	<u>\$ 54,311</u>	<u>\$ 1,153,708</u>
Pledged collateral (market value) located at:	Minneapolis, MN	Dallas, TX	Dallas, TX	
FNCL; #31413SGT5; 11/01/2037	\$ 2,421,327	\$ -	\$ -	\$ 2,421,327
FHLB; #3133XNZ44; 02/03/2009	-	1,967,500	-	1,967,500
Fmgtn Mun Sch; #311441HG7; 09/01/2011	-	-	204,530	204,530
Fmgtn Mun Sch; #311441HM4; 09/01/2016	-	-	196,368	196,368
Aztec Mun Sch; #054879GD7; 10/01/2010	-	-	70,300	70,300
Fmgtn NM GRT Bonds; #311455EY1; 06/15/2013	-	-	203,868	203,868
Alamogordo NM GRT; #01145NAH6; 06/01/2010	-	-	200,798	200,798
Los Lunas NM GRT; #545559CP9; 04/01/2009	-	-	200,798	200,798
Los Lunas NM GRT; #545559CP9; 04/01/2009	-	-	302,649	302,649
Totals	<u>\$ 2,421,327</u>	<u>\$ 1,967,500</u>	<u>\$ 1,379,311</u>	<u>\$ 5,768,138</u>
Reconciliation to Financial Statements:				
Total per banks	\$ 3,077,355	\$ 3,901,506	\$ 2,750,000	\$ 9,728,861
Reconciling items:				
Deposits in transit	-	32,034	-	32,034
Outstanding checks	(102)	(87,092)	-	(87,194)
Total per books	<u>\$ 3,077,253</u>	<u>\$ 3,846,448</u>	<u>\$ 2,750,000</u>	<u>9,673,701</u>
Local short-term investment fund				8,800,000
Cash with fiscal agent				251,970
Cash on hand				<u>2,200</u>
Total per financial statements				<u>\$ 18,727,871</u>
Financial Statements:				
Cash and cash equivalents				
Governmental activities				\$ 10,031,078
Business-type activities				8,692,674
Fiduciary activities				<u>4,119</u>
Total per financial statements				<u>\$ 18,727,871</u>

CITY OF AZTEC, NEW MEXICO
 SCHEDULE OF JOINT POWER AGREEMENTS
 FOR THE YEAR ENDING JUNE 30, 2008

Participants (including City of Aztec)	Responsible Party	Description	Dates of Agreement	Total Project	City Share	FY08 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	\$ 75,574	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	\$ 132,904	City of Aztec
San Juan County	San Juan County	County jail operations	b. 3/05/04 t. none	variable	\$61.48/day/prisoner through 6/30/08, rate recalculated July 1 in subsequent years	\$ 222,219	San Juan County
Cities of Bloomfield & Farmington, San Juan County, San Juan County Crimestoppers, Inc.	San Juan County Crimestoppers, Inc	Crime prevention program	b. 9/16/96 t. None	variable	pro-rata share of costs	\$ 4,791	San Juan County Crimestoppers, Inc
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	\$4,143 est	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%	\$ -	San Juan County Communications Authority
Cities of Bloomfield & Farmington and San Juan County	City of Farmington	Municipal Planning Organization	b. 10/06 t. 5/2009	variable	pro-rata share (10%) of costs of MPO (operational and special projects)	\$ 7,844	City of Farmington
City Farmington	City of Farmington	Operation of regional mass transit	b. 10/05 t. 9/07	variable	agreement specific to amount obligated	\$ 20,260	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	San Juan County

STATISTICAL SECTION

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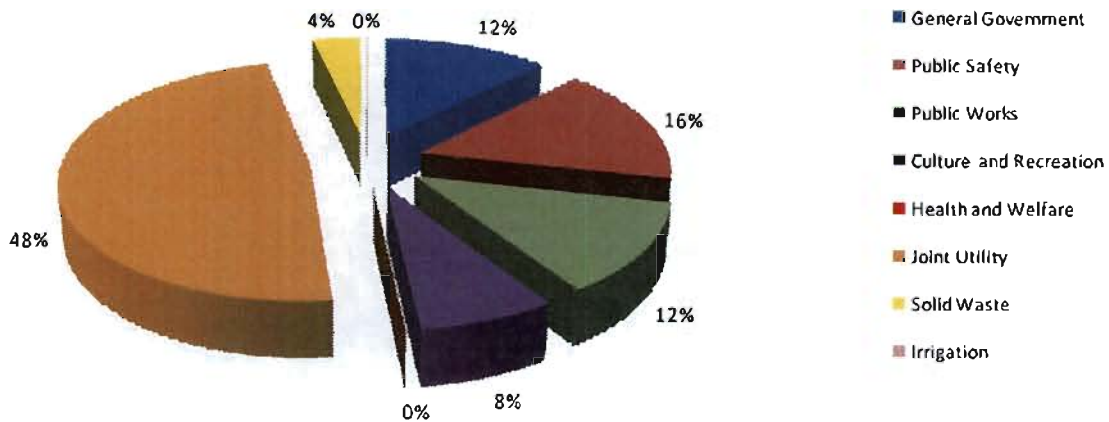
CITY OF AZTEC, NEW MEXICO
 GOVERNMENT-WIDE EXPENSES BY FUNCTION

Table 1

FISCAL YEARS 2003-2008

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
2008	\$2,110,680	\$2,733,897	\$2,084,200	\$1,285,597	\$0	\$8,177,753	\$610,138	\$7,008	\$17,009,273

**GOVERNMENT-WIDE EXPENSES BY FUNCTION -
 6/30/08**



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

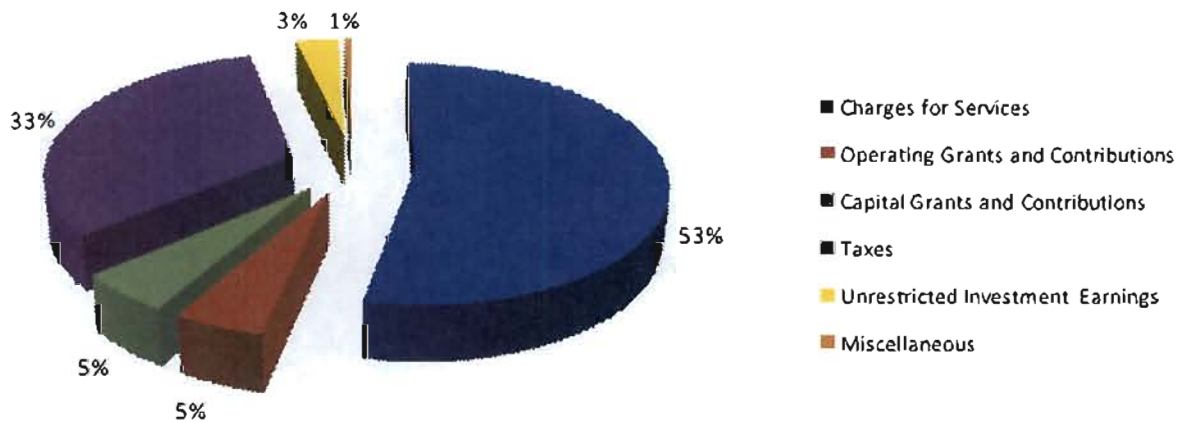
CITY OF AZTEC, NEW MEXICO
 GOVERNMENT-WIDE REVENUES

Table 2

FISCAL YEARS 2003-2008

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
2008	\$ 11,249,454	\$ 1,063,924	\$ 1,131,066	\$ 6,850,087	\$ 662,879	\$ 107,739	\$ 21,065,149

GOVERNMENT-WIDE REVENUES 06/30/08



* 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

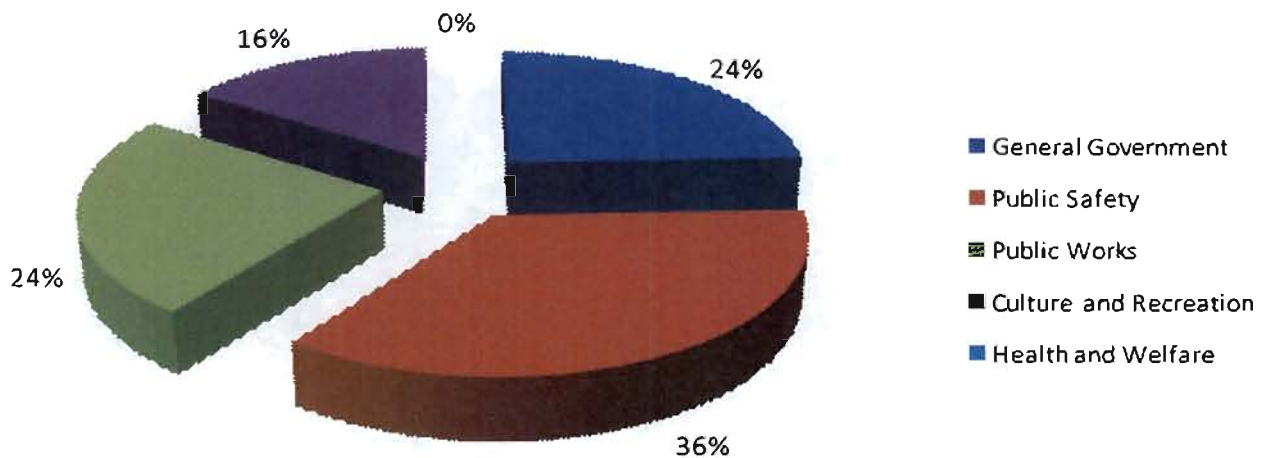
<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Health and Welfare</u>	<u>Total</u>
1999	558,462	1,083,665	504,900	471,470	130,928	2,749,425
2000	587,628	1,133,154	550,098	459,091	-	2,729,971
2001	655,360	1,169,421	505,153	525,834	-	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
2008	1,665,357	2,421,134	1,651,035	1,068,047	-	6,805,573

(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 - 06/30/08**



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

Table 4

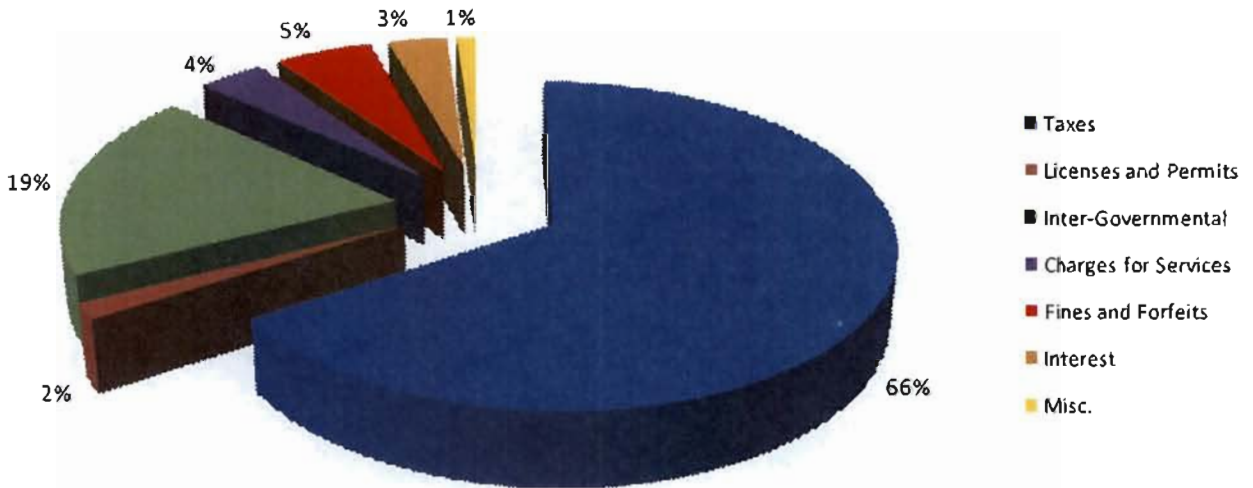
LAST TEN FISCAL YEARS

<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>
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
2008	6,690,398	162,575	1,928,934	380,726	550,722	333,053	107,739	10,154,147

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

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

GOVERNMENTAL FUND REVENUES - 06/30/08



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, 2008, and have issued our report thereon dated July 15, 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.

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

Farmington, New Mexico
July 15, 2010

**CITY OF AZTEC
SCHEDULE OF FINDINGS AND
RESPONSES
Year Ended June 30, 2008**

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, 2008.

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, 2007 and 2008. The June 30, 2004, 2005, 2006 and 2007 audits have been approved by the State Auditor and the June 30, 2008 audited financial statements have been submitted for approved in July 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 audit reports (years ended June 30, 2004, 2005, 2006 and 2007) 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 FY08 audited financial statements are being submitted late due to the FY04, FY05, FY06 and FY07 audited financial statements late submission. The City is in the process of providing information to the auditing firm for the 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, 2008**

An exit conference was held on July 23, 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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