

State of New Mexico

Town of Silver City

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORT THEREON**

For The Fiscal Year Ended June 30, 2008

Town of Silver City
TABLE OF CONTENTS
 June 30, 2007

	PAGE
INTRODUCTORY SECTION:	
Directory of officials	1
 FINANCIAL SECTION:	
INDEPENDENT AUDITORS' REPORT	2-3
 REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	4-12
 BASIC FINANCIAL STATEMENTS:	
 <i>Government-wide Financial Statements:</i>	
Statement of Net Assets	13-14
Statement of Activities	15-16
 <i>Fund Financial Statements:</i>	
Balance Sheet--Governmental Funds	17
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis) General Fund	21
Statement of Net Assets--Proprietary Funds	22-23
Statement of Revenues, Expenses and Changes in Net Assets--Proprietary Funds	24
Statement of Cash Flows--Proprietary Funds	25-26
Statement of Fiduciary Assets and Liabilities-Agency Funds	27
Notes to Basic Financial Statements	28-51

OTHER SUPPLEMENTARY INFORMATION:

Fund Descriptions	52-53
Combining Balance Sheet--Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Nonmajor Governmental Funds	55
Combining Balance Sheet--Nonmajor Special Revenue Funds	56-58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Nonmajor Special Revenue Funds	59-61
Combining Balance Sheet--Nonmajor Debt Service Funds	62-63
Combining Statement of Revenues, Expenditures and Changes in Fund Balance--Nonmajor Debt Service Funds	64-65
Combining Balance Sheet--Nonmajor Capital Projects Funds	66-67
Combining Statement of Revenues, Expenditures and Changes in Fund Balance--Nonmajor Capital Projects Funds	68-69
Statements of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis):	
Special Revenue Funds:	
Fire protection	70
Juvenile recreation	71
Lodgers tax	72
EMS	73
Correction fees	74
Golf course surcharge	75
Law enforcement protection	76
Library memorial	77
Drug task force	78
Forward estate	79
Century Cable capital	80
Debt Service funds:	
Paving 11	81
GO Bond retirement	82
2002 Retirement	83
2002 Reserve	84
Fire substation	85
Fire equipment	86
Police cars	87
Ladder fire truck	88
Class A fire pumper	89
Police vehicles #2	90
Capital Projects Funds:	
CDBG planning grant	91
CDBG Colonias	92
Highway Co-op	93
1995 B capital	94
2004 CDBG	95
Hospital Demolition	96

Enterprise Funds:	
Water and Sewer	97
Sanitation	98

OTHER SUPPLEMENTAL DATA:

Schedule of changes in assets and liabilities--Agency Funds	99
Schedule of Depository Collateral	100
Schedule of Individual Deposit Accounts and Investments	101-102
Schedule of Expenditures of Federal Awards	103
Notes to Schedule of Expenditures of Federal Awards	104

ADDITIONAL REPORTING REQUIREMENTS:

Summary Schedule of Prior Audit Findings	105
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	106-107
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	108-109
Schedule of Findings and Questioned Costs	110-111

Town of Silver City
DIRECTORY OF OFFICIALS
June 30, 2008

Elected Officials

James Marshall	Mayor
Simon Wheaton-Smith	Councilor
Steve May	Councilor
Judy Ward	Councilor
Thomas Nupp	Councilor

Administrative Staff

Alex C. Brown	City Manager/ Finance Director
Linda Flores	Deputy Finance Director
Eva J. Maldonado	Purchasing Agent

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

KELLEY WYATT, C.P.A.
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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and
Mayor and Town Council
Town of Silver City
Silver City, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Silver City as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Town's nonmajor governmental funds and enterprise funds presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Town of Silver 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Silver City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General 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 respective financial position of each nonmajor governmental fund of the Town of Silver City as of June 30, 2008, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the nonmajor special revenue funds, the debt service funds, the capital projects funds, and the enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of the Town of Silver City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Stone, McGee & Co CPAs

November 26, 2008

Stone, McGee & Co.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Silver City's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Town's financial statements, which are listed in the table of contents.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements for governmental activities tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health, or financial position. Over time, increases and decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – Most of the Town's basic services are reported here, including the police, fire, general administration, streets and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

- Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town’s water/sewer, and sanitation systems are reported here.

Reporting the Town’s Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State or Federal law or bond covenants. However, the Town establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town’s two kinds of funds - governmental and proprietary - use different accounting approaches.

- Governmental funds – Most of the Town’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the State of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the State of Activities. In fact, the Town’s enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The Town as Trustee

Reporting the Town’s Fiduciary Responsibilities

The Town is the trustee, or fiduciary, for Municipal Court Bond Fund and the Teen Court Funds. All of the Town’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Town’s other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWN AS A WHOLE

A comparison of net asset balances between 2008 and 2007 is as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Governmental Activities:			
Cash and cash equivalents	\$ 1,977,786	\$ 2,180,804	\$ (203,018)
Receivables, net	3,144,407	2,375,406	769,001
Capital assets, net of depreciation	<u>50,817,546</u>	<u>50,206,303</u>	<u>611,243</u>
Total assets	<u>\$ 55,939,739</u>	<u>\$ 54,762,513</u>	<u>\$ 1,177,226</u>
Current liabilities	\$ 862,662	\$ 856,869	\$ (5,793)
Noncurrent liabilities	<u>2,477,808</u>	<u>2,111,530</u>	<u>(366,278)</u>
Total liabilities	<u>\$ 3,340,470</u>	<u>\$ 2,968,399</u>	<u>\$ (372,071)</u>
Net assets	<u>\$ 52,599,269</u>	<u>\$ 51,794,114</u>	<u>\$ 805,155</u>

Net assets in governmental activities increased 2% in 2008, primarily due to capital asset acquisitions financed from intergovernmental grants, and decreased spending. The unrestricted portion of net assets, which is the amount available for ongoing operations, increased 39%, to \$2,595,108, primarily due to the Town's decreased operating cost.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Business-type Activities:			
Current assets	\$ 1,940,811	\$ 3,872,977	\$ (1,932,166)
Noncurrent assets	<u>11,638,176</u>	<u>10,429,713</u>	<u>1,208,463</u>
Total assets	<u>\$ 13,578,987</u>	<u>\$ 14,302,690</u>	<u>\$ (723,703)</u>
Current liabilities	\$ 2,085,553	\$ 1,651,379	\$ (434,174)
Noncurrent liabilities	<u>4,524,379</u>	<u>5,435,416</u>	<u>911,037</u>
Total liabilities	<u>\$ 6,609,932</u>	<u>\$ 7,086,795</u>	<u>\$ 476,863</u>
Net assets	<u>\$ 6,969,055</u>	<u>\$ 7,215,895</u>	<u>\$ (246,840)</u>

Net assets in business-type activities decreased 3%, primarily due to interfund transfers and depreciation. Unrestricted net assets, those available for ongoing operations, decreased 70% to \$129,838, principally because of interfund transfers.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Governmental Activities:			
Revenues:			
Charges for services	\$ 456,887	\$ 447,145	\$ 9,742
Operating grants and contributions	802,139	783,147	18,992
Capital grants and contributions	1,842,600	2,377,998	(535,398)
General revenues and transfers	<u>9,365,547</u>	<u>9,268,972</u>	<u>96,575</u>
Total revenues	<u>\$12,467,173</u>	<u>\$ 12,877,262</u>	<u>\$ (410,089)</u>
Expenses:			
General government	\$ 3,111,500	\$ 2,896,383	\$ 215,117
Public safety	5,056,594	4,546,636	509,958
Public works	975,390	827,495	147,895
Health and welfare	359,979	413,025	(53,046)
Culture-recreation	2,063,842	1,588,474	475,368
Interest expense	<u>94,713</u>	<u>106,526</u>	<u>(11,813)</u>
	<u>\$11,662,018</u>	<u>\$ 10,378,539</u>	<u>\$ 1,283,479</u>
Change in net assets	<u>\$ 805,155</u>	<u>\$ 2,498,723</u>	<u>\$ 1,693,568</u>

Total revenues decreased \$410,089 primarily due to decreased capital grants. Expenditures increased correspondingly.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Business-type activities:			
Revenues:			
Charges for services	\$ 4,751,300	\$ 4,439,369	\$ 311,931
Capital grants and contributions	643,543	225,000	418,543
General revenues and transfers	<u>909,561</u>	<u>939,989</u>	<u>(30,428)</u>
Total revenues	<u>\$ 6,304,404</u>	<u>\$ 5,604,358</u>	<u>\$ 700,046</u>
Expenses:			
Personnel	\$ 2,428,042	\$ 2,338,411	\$ 89,631
Operating	2,587,536	3,143,651	(556,115)

Depreciation	1,352,157	647,125	705,032
Interest expense	<u>183,509</u>	<u>186,256</u>	<u>(2,747)</u>
Total expenses	\$ <u>6,551,244</u>	\$ <u>6,315,443</u>	\$ <u>235,801</u>
Change in net assets	\$ <u>(246,840)</u>	\$ <u>(711,085)</u>	\$ <u>464,245</u>

The primary reason for the decrease in net assets was increased operating expenses.

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular function reported to the right. The result is a Net (Expense) Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Grants and fees that are related to a specific function are identified with that function. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

THE TOWN'S FUNDS

The Town presents its transactions by individual fund in the "Other Supplementary Information" section of this report. Increases and decreases in fund balances are presented in that section.

The following schedule presents a summary of General, Special Revenue, Capital Project and Debt Service revenues and expenditures for the fiscal year ended June 30, 2008 and the amount and percentage of increases and decreases in relation to the prior year.

	<u>For Year End</u>	<u>Percentage</u>	<u>Increase</u>	<u>Percentage</u>
	<u>2008 Amount</u>	<u>Of Total</u>	<u>(Decrease)</u>	<u>Increase</u>
			<u>From FYE 2007</u>	<u>(Decrease)</u>
Revenues:				
Taxes	\$ 9,264,805	75%	\$ 396,699	41%
Intergovernmental	2,283,832	19%	(1,435,953)	(148)%
Charges for services	166,645	1%	59,239	6%
Fines and licenses	370,826	3%	31,087	4%
Miscellaneous	<u>202,720</u>	<u>2%</u>	<u>(24,565)</u>	<u>(3)%</u>
Total revenues	\$ <u>12,288,531</u>	<u>100%</u>	\$ <u>(973,493)</u>	<u>100%</u>

Intergovernmental revenue decreased due to reduced capital project funding. Taxes increased due to increased gross receipts tax collections. Other increases and decreases are within operating norms.

	<u>For Year End 2008 Amount</u>	<u>Percentage of Total</u>	<u>Increase (Decrease) From FYE 2007</u>	<u>Percentage Increase (Decrease)</u>
General government	\$ 2,873,484	22%	\$ 294,063	172%
Public safety	4,593,828	35%	409,541	239%
Public works	886,125	7%	124,579	73%
Health and welfare	327,035	2%	(53,074)	(31%)
Culture-recreation	1,670,494	13%	208,616	122%
Capital outlay	2,234,227	17%	(1,164,170)	(680%)
Debt service	<u>598,375</u>	<u>4%</u>	<u>9,310</u>	<u>5%</u>
Total expenditures	<u>\$13,183,568</u>	<u>100%</u>	<u>\$ (171,135)</u>	<u>100%</u>

Decreased expenditures for capital outlay were due to prior completion of projects. Debt service expenditures are a function of debt maturities. General government and culture-recreation expenditures were increased due to cost increases, while public safety expenditures were within normal range.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Town amended the budgets several times, to recognize new funding sources not anticipated in the original budget, and to reallocate resources to meet ongoing needs. These amendments were in accordance with accepted procedures.

The Town amended its General Fund budget to decrease expenditures \$123,847 during the year. This was done to recognize changes not anticipated in the original budget and to utilize the actual beginning cash balance not included in the original budget.

The variance between the final budget and the actual revenues and expenditures is primarily anticipated capital projects, funded from intergovernmental grants, which were delayed or did not materialize. Such grants will be re-budgeted in the 2008-2009 fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At the end of June 30, 2008, the Town had \$101,711,518 invested in capital assets, as shown below. This represents a net increase of \$9,740,421, or 10%, funded primarily through grant revenues.

	<u>2008</u>	<u>2007</u>
Governmental activities:		
Land	\$ 6,926,026	\$ 6,758,728
Buildings and infrastructure	55,087,637	47,111,123
Equipment	5,058,783	5,392,521
Construction in progress	<u>348,659</u>	<u>1,047,077</u>
	<u>\$ 67,421,105</u>	<u>\$ 60,309,449</u>
Business-type Activities:		
Land	\$ 945,870	\$ 945,870
Buildings and utility plant	29,520,991	28,166,436
Equipment	<u>3,823,552</u>	<u>2,549,342</u>
	<u>\$ 34,290,413</u>	<u>\$ 31,661,648</u>
 Total	 <u>\$101,711,518</u>	 <u>\$ 91,971,097</u>

This year's major additions included:

Water and sewer lines	\$ 2,628,765
Street improvements	<u>1,883,797</u>
	<u>\$ 4,512,562</u>

Debt

At year-end, the Town had \$7,536,883 in outstanding general obligation bonds, capital leases,

and notes payable compared to \$7,948,968 last year. That is an decrease of 5% as shown in the following table:

	<u>2008</u>	<u>2007</u>
Governmental Activities:		
General obligation bonds	\$ 961,000	\$ 1,301,000
Notes payable	1,373,219	512,117
Capital leases	<u>319,316</u>	<u>364,808</u>
	<u>\$ 2,653,535</u>	<u>\$ 2,177,925</u>
Business-Type Activities:		
Bonds payable	\$ 954,000	\$ 1,404,000
Notes payable	<u>3,929,348</u>	<u>4,367,043</u>
	<u>\$ 4,883,348</u>	<u>\$ 5,771,043</u>
 Total	 <u>\$ 7,536,883</u>	 <u>\$ 7,948,968</u>

The new debt incurred this year were notes payable of \$985,699 for the purchase of a fire pumper and police vehicles.

INFRASTRUCTURE

The Town elected to postpone the capitalization of infrastructure (roads, curbs, streetlights, etc.) in accordance with the provisions of GASBS No. 34. These assets have been identified and valued and are reflected in the 2007 fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Along with the National and State economies the Town of Silver City is currently in facing week economic conditions. Although over the last few years the local economy has diversified, it is still very much dependant on the Copper mining industry. In recent week the local Copper mines have reduced their labor force by approximately 200 employees and contractor.

Due the uncertainty residence are facing in our overall economy, we have begun to see a decrease in gross receipts revenues from such source as retail, real-estate, and food and accommodations. This would mean that people have less disposable income to shop and eat out, or are saving more of their income because of these uncertain times. After reviewing the revenue projections for the remainder of FY 2009 it is estimated that gross receipts revenues may

decrease by an estimated \$230,000 to \$350,000. In light of the estimated short falls in gross receipts the Town has begun to review cost saving measures in services provided by the General fund. These services include all services except water/sewer and sanitation services.

During FY 2008 and the beginning of FY 2009, the Town made significant capital investments in both the Water Sewer fund and the Sanitation fund. This required tapping into cash reserves in the Water acquisition, which were used to replace all the well motors with new and more efficient equipment in order to save on rising energy costs. As for the Sanitation fund, the Town issued debt with the New Mexico Finance Authority in order to convert to the new automated garbage collection system. This system is much more efficient and in time will allow the Town to either provide additional services for the same costs, or to decrease costs and provide the same services. Both of these investments required that the Town increase or maintain debt levels for FY 2009 that has placed financial strain on both funds. The strain of the additional debt will subside in FY 2010 when the Town will be able to use its debt reserve fund to pay the final payments of \$830,000 for the 2002 Bond issue. During late FY 2008 the Town implemented rate increases for both water and sanitation services. These rate increases have been sufficient to maintain cash balances in both funds through FY 2009.

Although, current economic conditions are not expected to change until late 2009, the Town could be in financial condition to maintain current levels of service. With \$660,000 of the FY 2010 final debt service payments for the 2002 bond issues already healed in reserve, any additional decreases in revenues may be offset by our decrease in debt service expenses. An additional factor that may also help offset the loss of jobs in the copper industry, is already planned and funded construction projects. These projects include the construction of the new Ft. Bayard medical center, the new Walgreens, and others that will be under construction by 2009.

On area of concern though may be the Town's inability to issue additional debt for future Capital projects, especially with in FY 2010. This combined with the budget short falls at both the State and Federal levels will make the issuance of debt or the possibility for any new grant funding unlikely.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Manager's Office at P.O. Box 1188, Silver City, New Mexico, 88062.

Town of Silver City
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current:			
Cash and investments	\$ 1,977,786	\$ 391,546	\$ 2,369,332
Inventory	-	187,722	187,722
Receivables, net	2,682,821	1,348,774	4,031,595
Interfund receivable	461,586	-	-
Notes receivable due currently		12,769	12,769
	<u>\$ 5,122,193</u>	<u>\$ 1,940,811</u>	<u>\$ 6,601,418</u>
Total current assets			
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -	\$ 257,983	\$ 257,983
Notes receivable, net of current amounts		162,518	162,518
Deferral on advance refunding		22,468	22,468
Capital assets, net	50,817,546	11,195,207	62,012,753
	<u>\$ 50,817,546</u>	<u>\$ 11,638,176</u>	<u>\$ 62,455,722</u>
Total noncurrent assets			
	<u>\$ 55,939,739</u>	<u>\$ 13,578,987</u>	<u>\$ 69,057,140</u>
Total assets			
LIABILITIES			
Current:			
Accounts payable	\$ 323,134	\$ 499,228	\$ 822,362
Accrued liabilities	144,967	83,855	228,822
Interfund payable		461,586	-
Deferred revenue	3,305	354,786	358,091
Estimated liability for landfill postclosure costs		12,000	12,000
Current maturities of long-term debt	391,256	674,098	1,065,354
	<u>\$ 862,662</u>	<u>\$ 2,085,553</u>	<u>\$ 2,486,629</u>
Total current liabilities			
Noncurrent:			
Payable from restricted assets:			
Customer deposits	\$ -	\$ 190,808	\$ 190,808
Bonds payable	817,000	723,000	1,540,000
Notes payable	1,173,502	3,486,251	4,659,753
Lease payable	271,777	-	271,777

Town of Silver City
STATEMENT OF NET ASSETS (concluded)
June 30, 2008

	Governmental Activities	Business- Type Activities	Total
Compensated absences	215,529	70,682	286,211
Estimated liability for landfill postclosure costs	215,529	70,682	286,211
	215,529	70,682	286,211
Total noncurrent liabilities	\$ 2,477,808	\$ 4,524,379	\$ 7,002,187
Total liabilities	\$ 3,340,470	\$ 6,609,932	\$ 9,488,816
NET ASSETS			
Invested in capital assets, net of related debt	\$ 48,164,011	\$ 6,519,776	\$ 54,683,787
Restricted for:			
Capital projects	(90,538)	207,918	117,380
Debt service	894,792	111,523	1,006,315
Other purposes	1,035,896		1,035,896
Unrestricted	2,595,108	129,838	2,724,946
Total net assets	\$ 52,599,269	\$ 6,969,055	\$ 59,568,324

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

Town of Silver City
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

<u>Functions/Programs</u>	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:			
General government	\$ 3,111,500	\$ 48,298	\$ 65,591
Public safety	5,056,594	236,623	492,826
Public works	975,390	2,128	
Health and welfare	359,979	64,805	136,218
Culture-recreation	2,063,842	105,033	107,504
Unallocated interest expense	94,713		
	<u>\$ 11,662,018</u>	<u>\$ 456,887</u>	<u>\$ 802,139</u>
Business-type activities:			
Water and sewer	\$ 5,078,352	\$ 3,497,250	\$ -
Sanitation	1,472,892	1,254,050	-
	<u>\$ 6,551,244</u>	<u>\$ 4,751,300</u>	<u>\$ -</u>
Total government	<u>\$ 18,213,262</u>	<u>\$ 5,208,187</u>	<u>\$ 802,139</u>

General revenues:

- Property taxes
- Gross receipts taxes
- Gas taxes
- Motor vehicle taxes
- Franchise taxes
- Other taxes
- Interest and investment earnings
- Miscellaneous
- Rents and leases
- Loss on disposition of assets
- Transfers

Total general revenues

Change in net assets

Net assets--beginning

Net assets--ending

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

Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets		
	Governmental Activities	Business -Type Activities	Total
\$ 1,842,600	\$ (1,155,011)	\$ -	\$ (1,155,011)
	(4,327,145)		(4,327,145)
	(973,262)		(973,262)
	(158,956)		(158,956)
	(1,851,305)		(1,851,305)
	(94,713)		(94,713)
<u>\$ 1,842,600</u>	<u>\$ (8,560,392)</u>	<u>\$ -</u>	<u>\$ (8,560,392)</u>
\$ 643,543	\$ -	\$ (937,559)	\$ (937,559)
		(218,842)	(218,842)
<u>\$ 643,543</u>	<u>\$ -</u>	<u>\$ (1,156,401)</u>	<u>\$ (1,156,401)</u>
<u>\$ 2,486,143</u>	<u>\$ (8,560,392)</u>	<u>\$ (1,156,401)</u>	<u>\$ (9,716,793)</u>
	\$ 316,723	\$ -	\$ 316,723
	7,984,815	1,002,494	8,987,309
	194,996		194,996
	75,639		75,639
	383,895		383,895
	308,513		308,513
	71,147	48,065	119,212
	131,573	31,861	163,434
	80,584		80,584
	(355,197)		(355,197)
	172,859	(172,859)	-
	<u>\$ 9,365,547</u>	<u>\$ 909,561</u>	<u>\$ 10,275,108</u>
	\$ 805,155	\$ (246,840)	\$ 558,315
	51,794,114	7,215,895	59,010,009
	<u>\$ 52,599,269</u>	<u>\$ 6,969,055</u>	<u>\$ 59,568,324</u>

Town of Silver City
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Other Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 310,820	\$ 1,666,966	\$ 1,977,786
Interest receivable		27,459	27,459
Taxes receivable	1,494,301	19,411	1,513,712
Accounts receivable	131,427		131,427
Assessments receivable		3,226	3,226
Allowance for doubtful accounts		(3,226)	(3,226)
Due from other governments	911,731	98,492	1,010,223
Interfund receivable	<u>410,103</u>	<u>574,842</u>	<u>984,945</u>
 Total assets	 <u>\$ 3,258,382</u>	 <u>\$ 2,387,170</u>	 <u>\$ 5,645,552</u>
 Liabilities and Fund Balance			
Accounts payable	\$ 310,844	\$ 12,290	\$ 323,134
Interfund payable		523,359	523,359
Salary payable	133,596		133,596
Deferred revenue	<u>697,165</u>	<u>96,202</u>	<u>793,367</u>
 Total liabilities	 <u>\$ 1,141,605</u>	 <u>\$ 631,851</u>	 <u>\$ 1,773,456</u>
 Fund balance:			
Reserved for:			
Capital projects	\$ -	\$ (90,538)	\$ (90,538)
Debt service		890,653	890,653
Unreserved, reported in:			
General fund	2,116,777		2,116,777
Special revenue funds		<u>955,204</u>	<u>955,204</u>
 Total fund balance	 <u>\$ 2,116,777</u>	 <u>\$ 1,755,319</u>	 <u>\$ 3,872,096</u>
 Total liabilities and fund balance	 <u>\$ 3,258,382</u>	 <u>\$ 2,387,170</u>	 <u>\$ 5,645,552</u>

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

Town of Silver City
**RECONCILIATION OF TOTAL GOVERNMENTAL
 FUND BALANCE TO NET ASSETS OF
 GOVERNMENTAL ACTIVITIES**

Total governmental fund balances	\$	3,872,096
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		50,817,546
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable subject to the 60 day availability period		59,224
Motor vehicle taxes receivable subject to the 60 day availability period		5,655
Intergovernmental grants subject to the 60 day availability period		725,183
Long-term liabilities are not reported in the funds.		
Bonds payable		(961,000)
Notes payable		(1,373,219)
Lease payable		(319,316)
Accrued interest payable		(11,371)
Compensated absences		(215,529)
		(2,880,435)
<i>Net assets of governmental activities</i>	\$	52,599,269

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

Town of Silver City
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2008

	<u>General Fund</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
Revenues:			
Property taxes	\$ 241,306	\$ 63,684	\$ 304,990
Gross receipts taxes	8,002,130		8,002,130
Gas taxes	194,996		194,996
Motor vehicle taxes	69,984		69,984
Franchise taxes	383,895		383,895
Other taxes	24,949	283,564	308,513
Intergovernmental	1,811,147	472,685	2,283,832
Fines, licenses and permits	309,220	61,606	370,826
Charges for services	166,645		166,645
Miscellaneous	93,894	108,826	202,720
	<u>\$ 11,298,166</u>	<u>\$ 990,365</u>	<u>\$ 12,288,531</u>
Total revenues			
Expenditures:			
Current:			
General government	\$ 2,871,816	\$ 1,668	\$ 2,873,484
Public safety	4,284,204	309,624	4,593,828
Public works	886,125		886,125
Health and welfare	324,938	2,097	327,035
Culture recreation	1,217,851	452,643	1,670,494
Debt service:			
Principal	12,896	497,193	510,089
Interest		88,286	88,286
Capital outlay	1,277,110	957,117	2,234,227
	<u>\$ 10,874,940</u>	<u>\$ 2,308,628</u>	<u>\$ 13,183,568</u>
Total expenditures			
Revenues over (under) expenditures	\$ 423,226	\$ (1,318,263)	\$ (895,037)
Other financing sources (uses):			
Transfer in	49,077	692,168	741,245
Transfer out	(464,749)	(103,637)	(568,386)
Loan proceeds	307,921	677,778	985,699
	<u>\$ 315,475</u>	<u>\$ (51,954)</u>	<u>\$ 263,521</u>
Net change in fund balances			
Fund balance, July 1, 2007	1,801,302	1,807,273	3,608,575
Fund balance, June 30, 2008	<u>\$ 2,116,777</u>	<u>\$ 1,755,319</u>	<u>\$ 3,872,096</u>

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

Town of Silver City
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

Net change in fund balances-total governmental funds \$ 263,521

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	2,234,227
Depreciation expense.	(1,267,787)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change for the year.

Property taxes subject to the 60 day availability period	11,733
Motor vehicle taxes subject to the 60 day availability period	5,655
Gross receipts taxes subject to the 60 day availability period	(17,315)
Intergovernmental grants subject to the 60 day availability period	360,907

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

510,089

The issuance of long-term debt provides current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Assets. This is note payable issued during the year.

(985,699)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the loss on the dispositions.

(355,197)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the net change during the year.

(6,427)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the funds. This is the net change during the year.

51,448

Change in Net Assets of Governmental Activities

\$ 805,155

Town of Silver City
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 8,770,615	\$ 8,355,616	\$ 8,683,219	\$ 327,603
Intergovernmental	3,870,720	3,734,131	1,993,300	(1,740,831)
Fines, licenses and permits	264,800	503,294	309,220	(194,074)
Charges for services	69,300	77,100	173,013	95,913
Miscellaneous	78,000	96,342	137,639	41,297
Total revenues	\$ 13,053,435	\$ 12,766,483	\$ 11,296,391	\$ (1,470,092)
Expenditures:				
Current:				
General government	\$ 2,233,131	\$ 2,455,013	\$ 2,785,529	\$ (330,516)
Public safety	4,356,812	4,346,115	4,223,866	122,249
Public works	823,527	846,147	955,375	(109,228)
Health and welfare	189,943	215,788	324,985	(109,197)
Culture recreation	1,514,104	1,212,308	1,234,963	(22,655)
Principle		31,583	12,896	18,687
Interest				-
Capital outlay	2,810,533	2,697,249	1,421,809	1,275,440
Total expenditures	\$ 11,928,050	\$ 11,804,203	\$ 10,959,423	\$ 844,780
Revenues over (under) expenditures	\$ 1,125,385	\$ 962,280	\$ 336,968	\$ (625,312)
Other financing sources (uses):				
Transfer in	122,044	299,735	259,001	(40,734)
Transfer out	(607,421)	(731,363)	(718,789)	12,574
Loan proceeds		26,383	22,429	(3,954)
Net change in fund balance	\$ 640,008	\$ 557,035	\$ (100,391)	\$ (657,426)
Fund balance, July 1, 2007	609,458	609,458	411,211	(198,247)
Fund balance, June 30, 2008	\$ 1,249,466	\$ 1,166,493	\$ 310,820	\$ (855,673)

The accompanying notes are an integral part of these financial statements

Town of Silver City
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2008

Assets	Water & Sewer	Sanitation	Total
Current:			
Cash and investments	\$ 139,280	\$ 252,266	\$ 391,546
Inventory	187,722		187,722
Receivables, net of allowances:			
Accounts	635,186	170,563	805,749
Taxes	138,347	36,583	174,930
Interest	13,309		13,309
Due from other governments	354,786		354,786
Notes receivable due currently		12,769	12,769
	\$ 1,468,630	\$ 472,181	\$ 1,940,811
Total current assets			
Noncurrent assets:			
Restricted:			
Cash and investments	\$ 257,983	\$ -	\$ 257,983
Notes receivable, net of current amounts		162,518	162,518
Deferral on advance refunding	22,468		22,468
Capital assets (net)	10,157,172	1,038,035	11,195,207
	\$ 10,437,623	\$ 1,200,553	\$ 11,638,176
Total noncurrent assets			
	\$ 11,906,253	\$ 1,672,734	\$ 13,578,987
Total assets			
Liabilities			
Current:			
Accounts payable	\$ 370,365	\$ 128,863	\$ 499,228
Accrued liabilities	72,556	11,299	83,855
Interfund payable	225,000	236,586	461,586
Deferred revenue	354,786		354,786
Estimated liability for landfill postclosures costs		12,000	12,000
Current maturities of long-term debt	508,956	165,142	674,098
	\$ 1,531,663	\$ 553,890	\$ 2,085,553
Total current liabilities			
Noncurrent liabilities:			
Payable from restricted assets:			
Customer deposits	\$ 190,808	\$ -	\$ 190,808
Bonds payable	723,000		723,000
Notes payable	2,566,894	919,357	3,486,251
Compensated absences	59,517	11,165	70,682
Estimated liability for landfill postclosure costs		53,638	53,638
	\$ 2,539,222	\$ 984,160	\$ 3,523,382
Total noncurrent liabilities			

Town of Silver City
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (concluded)
 June 30, 2008

	Water & Sewer	Sanitation	Total
Total noncurrent liabilities	\$ 3,540,219	\$ 984,160	\$ 4,524,379
Total liabilities	\$ 5,071,882	\$ 1,538,050	\$ 6,609,932
Net Assets			
Invested in capital assets, net of related debt	\$ 6,358,322	\$ 161,454	\$ 6,519,776
Restricted for capital projects		207,918	207,918
Restricted for debt service	67,175	44,348	111,523
Unrestricted	408,874	(279,036)	129,838
Total net assets	\$ 6,834,371	\$ 134,684	\$ 6,969,055

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

Town of Silver City
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 3,497,250	\$ 1,254,050	\$ 4,751,300
Operating expenses:			
Personnel	\$ 1,786,343	\$ 641,699	\$ 2,428,042
Operating	1,883,175	704,361	2,587,536
Depreciation	<u>1,272,760</u>	<u>79,397</u>	<u>1,352,157</u>
Total operating expenses	<u>\$ 4,942,278</u>	<u>\$ 1,425,457</u>	<u>\$ 6,367,735</u>
Net operating income	<u>\$ (1,445,028)</u>	<u>\$ (171,407)</u>	<u>\$ (1,616,435)</u>
Nonoperating revenue (expense):			
Investment income	\$ 14,227	\$ 33,838	\$ 48,065
Gross receipts taxes	792,844	209,650	1,002,494
Intergovernmental grants	643,543		643,543
Miscellaneous revenue	31,861		31,861
Interest expense	<u>(136,074)</u>	<u>(47,435)</u>	<u>(183,509)</u>
Total nonoperating revenue (expense)	<u>\$ 1,346,401</u>	<u>\$ 196,053</u>	<u>\$ 1,542,454</u>
Net income before operating transfers	\$ (98,627)	\$ 24,646	\$ (73,981)
Transfers:			
In		150,000	150,000
Out	<u>(133,746)</u>	<u>(189,113)</u>	<u>(322,859)</u>
Change in net assets	\$ (232,373)	\$ (14,467)	\$ (246,840)
Net assets, beginning of year	<u>7,066,744</u>	<u>149,151</u>	<u>7,215,895</u>
Net assets, end of year	<u>\$ 6,834,371</u>	<u>\$ 134,684</u>	<u>\$ 6,969,055</u>

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

Town of Silver City
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	Water & Sewer	Sanitation	Total
Cash flows from operating activities:			
Receipts from customers	\$ 3,356,969	\$ 1,256,167	\$ 4,613,136
Payments to suppliers	(1,857,008)	(999,684)	(2,856,692)
Payments to employees	(1,827,365)	(640,780)	(2,468,145)
Receipts of customer meter deposits	70,924		70,924
Refunds of customer meter deposits	(60,914)		(60,914)
Net cash provided (used) by operating activities	<u>\$ (317,394)</u>	<u>\$ (384,297)</u>	<u>\$ (701,691)</u>
Cash flows from noncapital financing activities:			
Dedicated tax receipts	\$ 778,401	\$ 205,831	\$ 984,232
Intergovernmental grants	500,000		500,000
Collections of notes receivable		82,633	82,633
Advances on notes receivable			-
Miscellaneous collections	31,861		31,861
Transfers from other funds	225,380	590,400	815,780
Transfers to other funds	(861,586)	(392,927)	(1,254,513)
Net cash provided (used) by noncapital financing activities	<u>\$ 674,056</u>	<u>\$ 485,937</u>	<u>\$ 1,159,993</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ (1,188,545)	\$ (1,065,220)	\$ (2,253,765)
Deposits on capital assets			-
Borrowings on capital debt			-
Principal paid on capital debt	(272,194)	(165,501)	(437,695)
Interest paid on capital debt	(64,594)	(51,289)	(115,883)
Net cash provided (used) by capital and related financing activities	<u>\$ (1,525,333)</u>	<u>\$ (1,282,010)</u>	<u>\$ (2,807,343)</u>
Cash flows from investing activities:			
Earnings on investments	\$ 21,644	\$ 49,555	\$ 71,199
Net cash provided (used) by investing activities	<u>\$ 21,644</u>	<u>\$ 49,555</u>	<u>\$ 71,199</u>
Net increase (decrease) in cash and equivalents	\$ (1,147,027)	\$ (1,130,815)	\$ (2,277,842)
Cash and equivalents, beginning of year	<u>1,544,290</u>	<u>1,383,081</u>	<u>2,927,371</u>
Cash and equivalents, end of year	<u>\$ 397,263</u>	<u>\$ 252,266</u>	<u>\$ 649,529</u>

Town of Silver City
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (concluded)
For the Fiscal Year Ended June 30, 2008

	Water & Sewer	Sanitation	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,445,028)	\$ (171,407)	\$ (1,616,435)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,272,760	79,397	1,352,157
Changes in assets and liabilities:			
Inventory	(187,722)	-	(187,722)
Receivables, net	(79,367)	2,117	(77,250)
Accounts payable	152,975	(285,769)	(132,794)
Accrued expenses	(27,470)	(237)	(27,707)
Customer deposits	10,010	-	10,010
Compensated absences	(13,552)	1,156	(12,396)
Accrued postclosure costs	-	(9,554)	(9,554)
Net cash provided (used) by operating activities	\$ (317,394)	\$ (384,297)	\$ (701,691)

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

Town of Silver City
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 Summary of Significant Accounting Policies

A. GENERAL

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

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement No.'s 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2003, the Town implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

B. FINANCIAL REPORTING ENTITY

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

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

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

C. BASIS OF PRESENTATION

Governmental-wide Financial Statements

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

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

Fund Financial Statements

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Fund

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

Debt Service Fund

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

Proprietary Fund

Enterprise Fund

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

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

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

Major Funds

The funds classified as major are as follows:

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

Proprietary:

Water and sewer – Accounts for activities associated with the provision of water and sewer services to the citizenry.

Sanitation – Accounts for activities associated with refuse collection and disposal.

Nonmajor Funds

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

Basis of Accounting

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

transactions are recognized when the exchange takes place. Derived tax revenues, such as gross receipts taxes and motor vehicle taxes, are recognized when the underlying exchange has occurred. Voluntary non-exchange transactions, such as governmental grants, are recognized when all eligibility requirements have been met.

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

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

E. BUDGETS

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

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

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

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

F. CASH AND INVESTMENTS

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

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

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

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

G. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds”. Interfund receivables and payables between funds within governmental activities and between funds within business-type activities are eliminated in the Statement of Net Assets. All interfund receivables and payables are eliminated in the total primary government column in the Statement of Net Assets.

H. RECEIVABLES

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

In the fund financial statements, material receivables in governmental funds include revenue accruals such as gross receipts tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

I. CAPITAL ASSETS

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

Government-wide Statements

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

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. The Town elected to utilize the infrastructure transition option in the implementation of GASB Statement No. 34, and since fiscal year 2003 has capitalized only infrastructure assets acquired each year. Infrastructure assets acquired prior to July 1, 2002 have been measured and evaluated and were capitalized at June 30, 2007.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings 25-50 years
- Improvements 10-50 years
- Machinery and Equipment 03-20 years
- Utility System 25-75 years
- Infrastructure 25-75 years
- Software and Library 5-10 years

Fund Financial Statements

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

J. RESTRICTED ASSETS

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to utility meter deposits.

K. LONG-TERM DEBT

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

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

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

L. COMPENSATED ABSENCES

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

M. EQUITY CLASSIFICATIONS

Government-wide Statements

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

- a. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Equity is classified as fund balance and displayed in two components:

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

N. REVENUES, EXPENDITURES, AND EXPENSES

Gross Receipts Tax

The Town levies a 7.25% gross receipts tax on taxable gross receipts within the Town. The rate includes both City and State assessments. The tax is collected by the New Mexico Taxation and Revenue Department and remitted to the Town in the month following receipt by the Department. The Department receives the tax one month after collection by vendors. Included in this tax is amounts dedicated to the Water and Sewer Fund and the Sanitation Fund, and those dedicated amounts are recorded directly in those funds.

Gross receipts tax collected by the State in June and July (which represent May and June transactions) and received by the Town in July and August have been accrued and are included under the caption "Due from Other Governments."

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the Town by the County Treasurer, and are remitted to the Town in the month following collection. Because the Treasurer of the County in which the Town is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable county to the Town.

The Town is permitted to levy taxes for general operating purposes based on a state formula, per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Town. The Town's total tax rate to finance general government services for the year ended June 30, 2008 was \$1.034 per \$1,000 for non-residential property and \$2.225 for residential property. The Town's tax rate for debt service was .387 per \$1,000 for both residential and nonresidential property.

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

Operating Revenues and Expenses

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

Expenditures / Expenses

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

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

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

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

The Town first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. INTERFUND TRANSFERS

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

P. USE OF ESTIMATES

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

Q. INVENTORIES

Inventories are stated at cost, measured by the first-in first-out method, and consist mainly of consumable supplies.

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the governments deposits may not be returned to it. The government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2008, \$431,833 of the government's bank balance of \$1,692,910 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 431,833</u>
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The State Treasurer Local Governmental Investment Pool is not SEC registered. The State Treasurer, with the advice and consent of the State Board of Finance, is authorized to invest money held in the short-term investment fund in accordance with Section 6-10-10I through 6-10-10P and Sections 6-10-10.1 A and E, NMSA 1978. 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.IF, 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 fund were invested.

Investments are valued at fair value based on quoted market prices as the valuation date.

Participation in the pool is voluntary. The Town had \$438,369 on deposit in the pool at June 30, 2008. The pool is AAAM rated, and has a 24 day weighted average maturity.

The cash on deposit with NMFA is, in effect, loan payments made by the Town but not yet disbursed. Such deposits are subject to the collateral requirements of NMFA. Such deposits total \$601,786.

Note 2A Investments

At June 30, 2008, the Town had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Market Value</u>
U.S. Treasury Bond	November 11, 2009	<u>\$ 165,659</u>

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

Credit Risk – The Town is limited to investing only in investments guaranteed by the U.S. Government, and is therefore not subject to credit risk.

Concentration of Credit Risk – The Town places no limits on the amount the Town may invest in any one issue. 100% of the Town’s investments are in U.S. Treasury Bonds.

Note 3 Receivables

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accounts receivable:		
Franchise	\$ 131,427	\$
Services (net) of allowance for doubtful accounts of \$27,866	<u> </u>	<u>805,749</u>
	<u>\$ 131,427</u>	<u>\$ 805,749</u>

Interest receivable	\$ 29,356	\$ 13,309
Due from other governments		
Intergovernmental grants	\$1,010,223	\$ 354,786
Taxes receivable:		
Property taxes	\$ 69,917	\$
Gross receipts tax	1,396,000	174,930
Motor Vehicle Taxes	11,530	
Gasoline taxes	30,536	
Cigarette tax	3,832	
	\$1,511,815	\$ 174,930
Total	\$2,682,821	\$1,348,774

Notes receivable in business-type activities is an advance to the Solid Waste Authority, payable at \$2,331 per month, including interest at 4.8%, maturing March of 2019. This advance was to provide operating capital to the Authority, which is the entity operating the landfill. The balance is \$257,920 at June 30, 2008.

Note 4 Capital Assets

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

	Balance July 1, 2007	Adjustments	Increases	Decreases	Balance June 30, 2008
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 6,758,728	\$ -0-	\$ 167,298	\$	\$ 6,926,026
Construction in progress	<u>1,047,077</u>		<u>1,185,379</u>	<u>1,883,797</u>	<u>348,659</u>
Total capital assets not being depreciated	\$ <u>7,805,805</u>	\$ -0-	\$ <u>1,352,677</u>	\$ <u>1,883,797</u>	\$ <u>7,274,685</u>
Other capital assets:					
Buildings, improvements and other infrastructure	\$ 53,203,840	\$	\$ 1,883,797	\$	\$ 55,087,637
Equipment	<u>5,392,521</u>		<u>881,550</u>	<u>1,215,288</u>	<u>5,058,783</u>
Total other assets at historical cost	\$ <u>58,596,361</u>	\$ -0-	\$ <u>2,765,347</u>	\$ <u>1,215,288</u>	\$ <u>60,146,420</u>

Less accumulated depreciation for:					
Buildings, improvements and infrastructure	\$(12,425,872)	\$	\$(1,013,012)	\$	\$(13,438,884)
Equipment	<u>(3,769,990)</u>		<u>(254,775)</u>	<u>860,090</u>	<u>(3,164,675)</u>
Total accumulated depreciation	<u>\$(16,195,862)</u>	<u>\$ -0-</u>	<u>\$ (1,267,787)</u>	<u>\$ 860,090</u>	<u>\$(16,603,559)</u>
Other capital assets (net)	<u>\$ 42,400,499</u>	<u>\$ -0-</u>	<u>\$ 1,497,560</u>	<u>\$ 355,198</u>	<u>\$ 43,542,861</u>
Governmental activities, capital assets, net	<u>\$ 50,206,304</u>	<u>\$ -0-</u>	<u>\$ 2,850,237</u>	<u>\$ 2,238,995</u>	<u>\$ 50,817,546</u>
Business type activities:					
Capital assets not being depreciated:					
Land	<u>\$ 945,870</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 945,870</u>
Other capital assets:					
Buildings and utility plant	<u>\$ 28,166,436</u>	<u>\$</u>	<u>\$ 1,354,555</u>	<u>\$</u>	<u>\$ 29,520,991</u>
Equipment	<u>2,549,342</u>		<u>1,274,210</u>		<u>3,823,552</u>
Total other capital assets at historical cost	<u>\$ 30,715,778</u>	<u>\$ -0-</u>	<u>\$ 2,628,765</u>	<u>\$ -0-</u>	<u>\$ 33,344,543</u>
Less accumulated depreciation for:					
Buildings and utility plant	\$(19,310,187)	\$	\$(1,236,006)	\$	\$(20,546,193)
Equipment	<u>(2,432,862)</u>		<u>(116,151)</u>		<u>(2,549,013)</u>
Total accumulated depreciation	<u>\$(21,743,049)</u>	<u>\$ -0-</u>	<u>\$ (1,352,157)</u>	<u>\$ -0-</u>	<u>\$(23,095,206)</u>
Other capital assets, net	<u>\$ 8,972,729</u>	<u>\$ -0-</u>	<u>\$ 1,276,608</u>	<u>\$ -0-</u>	<u>\$ 10,249,337</u>
Business-type activities capital assets, net	<u>\$ 9,918,599</u>	<u>\$ -0-</u>	<u>\$ 1,276,608</u>	<u>\$ -0-</u>	<u>\$ 11,195,207</u>

The Town has various construction projects ongoing with future commitments totaling approximately \$3,500,000.

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 289,464
Public Safety	462,766
Public Works	89,265
Culture-Recreation	32,944
Health and welfare	<u>393,348</u>
	<u>\$ 1,267,787</u>

Note 5 Accrued Liabilities

Accrued liabilities consisted of the following at June 30, 2008:

	Governmental Activities	Business Type Activities
Accrued salaries	\$ 133,596	\$ 30,052
Accrued interest	<u>11,371</u>	<u>53,803</u>
	<u>\$ 144,967</u>	<u>\$ 83,855</u>

Note 6 Landfill Postclosure Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. During the year ended June 30, 1995 the Town closed its existing landfill and opened a new landfill. Effective July 1, 1996 the Town transferred its right and obligations in the new landfill to the Grant County Solid Waste Authority under a sales contract dated June 19, 1996. The Solid Waste Authority assumed closure cost liabilities. The closure and post closure requirements of the old landfill are as follows:

Estimated closure and post-closure costs	<u>\$ 1,610,000</u>
Landfill capacity utilized	100%
Closure costs recognized to date	\$ 1,610,000
Cost incurred to date	<u>(1,544,362)</u>
Remaining post closure liability	<u>\$ 65,638</u>

These costs are based on the expected cost when the landfill was closed in 1995. Actual costs of closure and post-closure care may be higher due to inflation, changes in technology or changes in regulations.

Financial assurance regulations became effective in 1995. Bond proceeds from the sale of the December 1993 sales tax revenue bonds were used to meet the closure and postclosure care financial assurance requirements.

Note 7 Long-Term Debt

Changes in long-term debt were as follows during the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
1994 G.O. Bonds	\$ 365,000	\$	\$ 40,000	\$ 325,000	\$ -0-
2002 Refunding Bonds	936,000		300,000	636,000	144,000
2001 Fire Equip Note	132,263		31,199	101,064	33,116
2002 Fire Burn Bldg Note	17,434		4,167	13,267	4,292
2002 Fire Station Note	100,511		23,550	76,961	24,549
Police vehicles	107,158		52,785	54,373	54,373
Capital lease	364,808		45,492	319,316	47,539
Environmental loan- Hospital	154,751		12,896	141,855	7,738
2008 Fire Pumper	-0-	677,778	-0-	677,778	2,015
2008 Police Vehicles	-0-	307,921	-0-	307,921	73,634
	<u>\$2,177,925</u>	<u>\$ 985,699</u>	<u>\$ 510,089</u>	<u>\$2,653,535</u>	<u>\$ 391,256</u>
Compensated absences	\$ 266,977	\$ 224,421	\$ 275,869	\$ 215,529	\$ -0-
	<u>\$2,444,902</u>	<u>\$ 1,210,120</u>	<u>\$ 785,958</u>	<u>\$2,869,064</u>	<u>\$ 391,256</u>
Business-Type Activities:					
2002 Refunding Bonds	\$1,404,000	\$	\$ 450,000	\$ 954,000	\$ 231,000
1995 EID Note	306,235		58,846	247,389	60,023
1995 NM EID Note	2,557,691		174,226	2,383,465	177,710
NMFA Wastewater Proj.	253,117		39,122	213,995	40,223
NMFA Sanitation Equip.	1,250,000		165,501	1,084,499	165,142
	\$5,771,043	\$ -0-	\$ 887,695	\$4,883,348	\$ 674,098
Compensated absences	83,078	74,949	87,345	70,682	-0-
	<u>\$5,854,121</u>	<u>\$ 74,949</u>	<u>\$ 975,040</u>	<u>\$4,954,030</u>	<u>\$ 674,098</u>

1994 General Obligation Bonds

General obligation sanitary sewer and various purpose bonds, series July 1, 1994, issued in the initial principal amount of \$750,000, mature serially through the year 2014. The series bears

interest at rates of 6.7% to 10%. The bonds were sold for the purposes of constructing and purchasing a sanitary sewer system and various other projects. Bonds maturing after July 1, 2005 are subject to prior redemption commencing July 1, 2004, as follows:

	<u>Premium</u>
July 1, 2004 through June 30, 2005	2.0%
July 1, 2005 through June 30, 2006	1.0%
July 1, 2006 through June 30, 2007	0%
Thereafter	At Par

Advance Refunding of Bonds

On May 29, 2002, the Town issued \$5,800,000 in gross receipts tax revenue refunding bonds with interest rate ranging between 3.15% and 4.20%. The Town issued the bonds to advance refund \$1,125,000 of the outstanding 1993 sales tax revenue bond with interest rates ranging between 4.75% and 5.85%; \$3,585,000 of the outstanding 1993A sales tax revenue bonds with interest rates ranging between 5.60% and 6.75%; and \$1,170,000 of the outstanding 1995A sales tax revenue bonds with interest rates ranging between 5.60% and 5.75%. The Town used the net proceeds of \$2,258,347 along with \$219,815 of the Town's debt service funds to purchase U.S. government securities. These securities were deposited in an irrevocable escrow account to provide for all future debt service on the refunded portion of the 1993 sales tax revenue bonds, 1993A sales tax revenue bonds and the 1995A sales tax revenue bonds.

As a result, the 1993 sales tax revenue bonds, 1993A sales tax revenue bonds and the 1995A sales tax revenue bonds are considered defeased, and the Town has removed the liabilities from its accounts.

The advance refunding reduced total debt service payments over the next nine years by \$626,104. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$415,145.

The advance refunding within the water and sewer fund resulted in a difference between the reacquisition price and the net carrying of the old debt of \$275,000. The difference is reported within the accompanying financial statements as a deferred charge, and is being charged to operations through June 30, 2011 using the effective – interest method.

2002 Refunding Sales Tax Revenue Bonds

Sales tax revenue bonds, series May 1, 2002, issued in the initial amount of \$5,800,000, \$2,320,000 allocated to the governmental activities, and \$3,480,000 allocated to the water and sewer fund, mature serially through June 30, 2011. The series bears interest at rates between 3.15% and 4.20%. The purpose of the bonds was to refund outstanding bonds of the Town. The bonds are not subject to optional prior redemption.

Sinking Fund Redemption

The bonds maturing on July 1, 2007, July 1, 2008, July 1, 2009, July 1, 2010 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

As and for a sinking fund for the redemption of the bonds maturing on July 1, 2007, the Town shall cause to be deposited in the bond fund a sum which is sufficient to redeem and there shall be redeemed (after credit as provided below) on the following dates the following principal amounts of such bonds maturing on July 1, 2007:

<u>Sinking Fund Redemption</u>	<u>Principal Amount</u>
January 1, 2007	\$ 350,000
July 1, 2007 (maturity)	375,000

As and for a sinking fund for the redemption of the bonds maturing on July 1, 2008, the Town shall cause to be deposited in the bond fund a sum which is sufficient to redeem and there shall be redeemed (after credit as provided below) on the following dates the following principal amounts of such bonds maturing on July 1, 2008:

<u>Sinking Fund Redemption</u>	<u>Principal Amount</u>
January 1, 2008	\$ 375,000
July 1, 2008 (maturity)	375,000

As and for a sinking fund for the redemption of the bonds maturing on July 1, 2009, the Town shall cause to be deposited in the bond fund a sum which is sufficient to redeem and there shall be redeemed (after credit as provided below) on the following dates the following principal amounts of such bonds maturing on July 1, 2009:

<u>Sinking Fund Redemption</u>	<u>Principal Amount</u>
January 1, 2009	\$ 360,000
July 1, 2009 (maturity)	400,000

As and for a sinking fund for the redemption of the bonds maturing on July 1, 2010, the Town shall cause to be deposited in the bond fund a sum which is sufficient to redeem and there shall be redeemed (after credit as provided below) on the following dates the following principal amounts of such bonds maturing on July 1, 2010:

<u>Sinking Fund Redemption</u>	<u>Principal Amount</u>
January 1, 2010	\$ 415,000
July 1, 2010 (maturity)	415,000

2001 Fire Equipment Note Payable

Note payable to the New Mexico Finance Authority. Proceeds of the note were used to purchase fire equipment. The note bears interest at rates between 3.02% and 4.15%. The Town has pledged municipal local option gross receipts tax to retire the debt. Accrued interest is paid on November 1st and May 1st, while principal is applied on May 1st. The annual payment required to be intercepted from pledged revenues is \$36,250. The note matures on May 1, 2011.

2001 Fire Burn Building Note Payable

Note payable to the New Mexico Finance Authority. Proceeds of the note were used to remodel a fire department building. The note bears interest at a rate of 3.0%. The Town has pledged a portion of the local option gross receipts tax revenues to retire the debt. Accrued interest is paid on November 1st and May 1st, while principal is applied on May 1st. The annual payment required to be intercepted from pledged revenues is \$4,690. The note matures on May 1, 2011.

2002 Fire Station Note Payable

Note payable to the New Mexico Finance Authority. Proceeds of the note were utilized to retire 1990 Fire Station bonds payable. The note bears interest at rates between 1.97% and 4.34%. The Town has pledged fire protection fund revenues to retire the debt. Accrued interest is paid on November 1st and May 1st, while principal is applied on May 1st. The annual payment required to be intercepted from pledged revenues is \$27,900. The note matures on May 1, 2011.

2004 Police Vehicles

Note payable to New Mexico Finance Authority. Proceeds of the note were used to purchase new police vehicle units. The note bears interest at rates between 2.29% and 3.180%. Interest is due November 1 and May 1 while principal is due May 1. The note matures on May 1, 2009.

2007 Environment Department Note Payable

Note payable to the New Mexico Environment Department. Proceeds of the note were utilized for the cleanup of the old hospital. The note bears interest at a rate of 0%. Payments of \$2,579 are due monthly commencing September 15, 2007. The note matures on September 15, 2012.

1995 Environment Department Note Payable

Note payable to the New Mexico Environment Department. Proceeds of the note were utilized for the construction of wastewater facility. The note bears interest at a rate of 4%. Annual payments of \$71,953 including interest are due in December 2nd of each year. The note matures on December 2, 2011.

2008 Fire Pumper

Note payable to New Mexico Finance Authority. Proceeds from the note were used to acquire a new fire truck. The note bears interest at rates ranging from 3.2% to 3.77%. The Town has pledged Fire Protection Funds to retire the debt. Interest is due May 1 and November 1, with principal due May 1. The note matures May 1, 2018.

2008 Police Vehicles

Note payable to New Mexico Finance Authority. Proceeds were used to purchase police vehicles. The note bears interest at rates ranging from 2.72% to 3.01%. The Town has pledged gross receipts tax revenues to retire the debt. Interest is due May 1 and November 1, with principal due May 1. The note matures May 1, 2012.

1995 New Mexico Environment Department Note Payable

Note payable to the New Mexico Environment Department. Proceeds of the note were used for improvements to the Town's wastewater facility. The note bears interest at a rate of 2% per annum. Annual payments of \$202,346 are due for a period of fifteen years. The note matures in 2019.

NMFA Sanitation Equipment

Note payable to New Mexico Finance Authority. Proceeds of the note were utilized to purchase sanitation equipment, with gross receipts taxes pledged for payment. The note bears interest at 3.678%. The note is payable semi-annually in varying amounts and matures May 1, 2014.

NMFA Wastewater Project

Note payable to New Mexico Finance Authority. Proceeds of the note were utilized to make improvements to the Town's existing wastewater treatment plant. The note bears interest at a rate of .880% to 3.49%. The note matures 8/15/2013. Interest is payable May 1st and November 1st. Principal is payable May 1st. The note was made available through NMFA PPRF Disadvantaged Program.

Lease Purchase

The Town of Silver City entered into a capital lease for the purchase of a ladder truck. Equipment with a total cost of \$450,000 was added to the Town's asset list and is being depreciated as appropriate. The terms of the lease are as follows:

Due in Year:

2009	\$ 61,909
2010	61,909
2011	61,909
2012	61,909
2013	61,909
2014	<u>61,909</u>
	\$ 371,454
Less imputed interest	<u>52,138</u>)
Net present value	<u>\$ 319,316</u>

Compensated Absences

The amount of compensated absences due within the next year is not estimable. The liabilities will be paid from the fund which is charged with the employee as a direct cost, and the liability will be paid with funds available. Typically the general and water and sewer funds bear the majority of the compensated absences cost.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 391,256	\$ 85,771	\$ 674,098	\$ 115,629
2010	602,682	84,412	943,923	110,392
2011	452,068	60,491	701,197	78,095
2012	304,674	46,002	479,922	60,676
2013	229,584	34,785	428,192	47,997
2014-18	673,271	63,622	1,218,426	112,782
2019-23	<u>-0-</u>	<u>-0-</u>	<u>437,590</u>	<u>13,171</u>
	<u>\$2,653,535</u>	<u>\$ 375,083</u>	<u>\$4,883,348</u>	<u>\$ 538,742</u>

Note 8 Restricted Net Assets

The net assets "Restricted for Other Purposes" in the Statement of Net Assets consist of the special revenue fund balances, which are restricted to each fund's specific purpose, as follows:

Forward Estate	\$ 719,920
Fire Protection	197,382
Golf Course Surcharge	42,298
Other Special Revenue Funds	<u>76,296</u>
	<u>\$ 1,035,896</u>

Note 9 Retirement Plan

Plan Description

Substantially all of the Town of Silver 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, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report

may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 16.2% of their gross salary. The Town of Silver City is required to contribute 21.25% of the gross covered salary. The contribution requirements of plan members and the Town of Silver City are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Town of Silver City's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$1,442,187, \$1,421,779, and \$1,236,113, respectively, which equal the amount of the required contributions for each year.

Note 10 Post-Employment Benefits – State Retiree Health Care Plan

Plan Description

The Town of Silver 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; (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 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Town of Silver City's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$78,928, \$74,423 and \$69,279, respectively, which equal the required contributions for each year.

Note 11 Contingent Liabilities

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

Note 12 Risk Management

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

Note 13 Budgetary Reconciliations

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

	<u>General</u>
Changes in fund balance (GAAP Basis)	\$ 315,475
Revenue accruals	(1,775)
Expenditure accruals	(84,483)
Transfer accruals	(44,116)
Loan proceeds	<u>(285,492)</u>
Changes in fund balance (NON-GAAP) Budgetary Basis	<u>\$ (100,391)</u>

Note 14 Deficit Fund Balances

The Town had the following deficit fund balances at June 30, 2008:

Correction fees	\$ (15,429)
Drug TaskForce	(121,033)
Century Cable	(12,261)
2002 Retirement	(1,062)

These fund balance deficits were caused by either the application of the 60 day revenue accrual period required by the modified accrual basis of accounting or the timing of transfers to be made from the General Fund. As the revenue is collected and/or the transfers are made, the deficits will be eliminated.

Note 15 Interfund Activity

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

<u>Interfund Receivable</u>	<u>Interfund Payable</u>			<u>Total</u>
	<u>Water/Sewer Fund</u>	<u>Sanitation</u>	<u>All Other Funds</u>	
General Fund	\$ 225,000	\$	\$ 185,103	\$ 410,103
All other funds	<u> </u>	<u>236,586</u>	<u>338,256</u>	<u>574,842</u>
Total	<u>\$ 225,000</u>	<u>\$ 236,586</u>	<u>\$ 523,359</u>	<u>\$ 984,945</u>

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

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

	<u>Transfers From</u>				<u>Total</u>
	<u>General</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>All Others</u>	
<u>Transfers To</u>					
General	\$	\$ 17,265	\$	\$ 31,812	\$ 49,077
Water/Sewer			150,000		150,000
All others	<u>464,749</u>	<u>116,481</u>	<u>39,113</u>	<u>71,825</u>	<u>692,168</u>
Total	<u>\$ 464,749</u>	<u>\$ 133,746</u>	<u>\$ 189,113</u>	<u>\$ 103,637</u>	<u>\$ 891,245</u>

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

Note 16 Budgetary Authority

The Town had expenditures in excess of budgetary authority in the following fund:

Lodger's Tax	\$ 13,459
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The Town intends to continue its policy of reviewing budgeted expenditures at year-end, and making the appropriate budget adjustments to avoid this scenario in the future.

GENERAL FUND – is the general operating fund of the Town. It is used to account for resources traditionally associated with governments, which are not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS – are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Fire Protection – to account for the revenues from the State Fire Allotment and the public safety related expenditures. Authority NMSA 59-15-1.

Juvenile Recreation – to account for the revenues generated by cigarette taxes that are restricted to expenditures for recreations purposes. Authority NMSA 7-12-15.

Lodger's Tax – to account for the revenues specifically generated by the tax on transient lodging. Expenditures must be a culture-recreation nature. Authority NMSA 3-38-14.

Emergency Medical Services – to account for the operation and maintenance of medical service equipment in the Town. Authority NMSA 24-12A.

Correction Fees – to account for the fees collected by the Municipal Judge, which are legally restricted to expenditures for jail, related costs. Authority NMSA 33-3-25.

Golf Course Surcharge – to account for the charges to users of the golf course to be used for retirement of golf course bonds. This fund was authorized by Town resolution.

Law Enforcement Protection – to account for the State grant to be used for the repair and/or replacement of law enforcement equipment. Authority NMSA 23-13-1.

Library Memorial – to account for donations received to be used for the purchase of books. This fund was authorized by Town resolution.

Drug Task Force – to account for federal funds received from the Department of Justice for school security. This fund is authorized by Town resolution.

Forward Estate – to account for monies donated to the Town by Lennie Merle Forward for the purchase of open land space. This fund was authorized by Town resolution.

D.A.R.E. – to account for the federal grant and expenditures therefrom for drug awareness among children. This fund was authorized by Town resolution.

Century Cable Capital – to account for the contract proceeds (franchise fees), to be used solely to develop the electronic feed distribution system. This fund was authorized by Town resolution.

DEBT SERVICE FUNDS – are used to account for the accumulation of resources for, and the payment of, General Long-Term debt principal, interest, and related cost.

Special Assessment Paving No. 11 – this fund was initially used to account for the costs of paving certain streets within the Town. Financing is provided by special assessments, donations, and the sale of special assessment bonds. Costs were estimated and property owners are assessed their proportionate share of the total cost. The property owners either pay their assessment within sixty (60) days or in 20 equal semi-annual installments, with interest charged on the unpaid balance at the same rate as being paid with monies provided by payments on the assessments and their related interest.

General Obligation Bond Retirement – to account for the taxes levied specifically for repayments of general obligation bonds, and expenditures thereof.

2002 Refunding Retirement – to account for the State gross receipts taxes levied as authorized by section 7-1-6, 4 NMSA 1978 for repayment of May 1, 2002 bond issue.

2002 Refunding Reserve – to account for the State gross receipts taxes levied as authorized by Section 7-1-6, 4 NMSA 1978 for repayment of the May 1, 2002 bond issue.

Fire Substation – to account for State Fire Protection Fund revenues levied to repay New Mexico Finance Authority for the fire substation.

Fire Equipment - to account for local optional municipal gross receipts taxes levied to repay New Mexico Finance Authority.

Police Car – to account for revenues levied specifically for repayment to New Mexico Finance Authority.

Ladder Truck – to account for revenues levied specifically for repayments to NMFA.

CAPITAL PROJECTS FUNDS – are financial resources to be used for the acquisition construction of major capital facilities, other than those financed by proprietary funds.

CDBG Projects – to account for federal funds passed through the State Department of Finance and Administration to be used for several infrastructure improvement projects. Authorized by Federal regulation.

Silver City Highway Co-op – to account for improvements to various streets financed in cooperation with the State Highway Department and available funds. Authorized by Town resolution.

1995B Capital – to account for the proceeds of general obligation bonds for the purpose of a park and recreation projects.

Hospital Demolition – to account for the revenues and expenditures to demolish the condemned property.

ENTERPRISE FUND – is used to account for operations that are financed and operated in a manner similar to private business.

Water and Sewer Fund – to account for the provisions of water and sewer services to applicable users. All activities necessary to provide such services are accounted for in this fund.

Sanitation Fund – to account for the provisions of garbage collection services to applicable users. All activities necessary to provide such service are accounted for in this fund.

TRUST AND AGENCY FUNDS – are used to account for assets held by the Town in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

Municipal Court Bond – to account for assets held by the Town in a trustee capacity for appearance bonds posted with the Municipal Court.

Teen Court – to account for assets held by the Town in a trustee capacity for the financing of the Teen Court, an entity which provides alternative sentencing to juvenile offenders.

Town of Silver City
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total Non-Major Governmental Funds</u>
Assets				
Cash and investments	\$ 511,780	\$ 84,541	\$ 1,070,645	\$ 1,666,966
Taxes receivable	1,923		17,488	19,411
Interest receivable	25,562		1,897	27,459
Assessments receivable			3,226	3,226
Allowance for doubtful accounts			(3,226)	(3,226)
Interfund receivable	574,842			574,842
Due from other governments	98,492			98,492
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,212,599</u>	<u>\$ 84,541</u>	<u>\$ 1,090,030</u>	<u>\$ 2,387,170</u>
 Liabilities and Fund Balance				
Accounts payable	\$ 9,154	\$ 3,136	\$ -	\$ 12,290
Interfund payable	167,549	171,943	183,867	523,359
Deferred revenue	80,692		15,510	96,202
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 257,395</u>	<u>\$ 175,079</u>	<u>\$ 199,377</u>	<u>\$ 631,851</u>
 Fund balance:				
Reserved for capital projects	\$ -	\$ (90,538)	\$ -	\$ (90,538)
Reserved for debt service			890,653	890,653
Unreserved	955,204			955,204
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<u>\$ 955,204</u>	<u>\$ (90,538)</u>	<u>\$ 890,653</u>	<u>\$ 1,755,319</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 1,212,599</u>	<u>\$ 84,541</u>	<u>\$ 1,090,030</u>	<u>\$ 2,387,170</u>

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

Town of Silver City
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Non-Major Governmental Funds
Revenues:				
Property taxes	\$ -	\$ -	\$ 63,684	\$ 63,684
Other taxes	283,564			283,564
Intergovernmental	390,685	82,000		472,685
Fines, licenses and permits	61,606			61,606
Miscellaneous	65,747	7,978	35,101	108,826
	<u>801,602</u>	<u>89,978</u>	<u>98,785</u>	<u>990,365</u>
Total revenues	\$	\$	\$	\$
Expenditures:				
Current:				
General government	\$ -	\$ -	\$ 1,668	\$ 1,668
Public safety	309,624			309,624
Health and welfare	2,097			2,097
Culture recreation	452,643			452,643
Debt service:				
Principal			497,193	497,193
Interest			88,286	88,286
Capital outlay	634,148	322,969		957,117
	<u>1,398,512</u>	<u>322,969</u>	<u>587,147</u>	<u>2,308,628</u>
Total expenditures	\$	\$	\$	\$
Revenues over (under) expenditures	\$ (596,910)	\$ (232,991)	\$ (488,362)	\$ (1,318,263)
Other financing sources (uses):				
Transfer in	92,204	50,000	549,964	692,168
Transfer (out)	(53,792)	(18,033)	(31,812)	(103,637)
Loan proceeds	677,778			677,778
	<u>119,280</u>	<u>(201,024)</u>	<u>29,790</u>	<u>(51,954)</u>
Net change in fund balances	\$	\$	\$	\$
Fund balance, July 1, 2007	835,924	110,486	860,863	1,807,273
	<u>835,924</u>	<u>110,486</u>	<u>860,863</u>	<u>1,807,273</u>
Fund balance, June 30, 2008	\$ 955,204	\$ (90,538)	\$ 890,653	\$ 1,755,319
	<u>955,204</u>	<u>(90,538)</u>	<u>890,653</u>	<u>1,755,319</u>

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

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2008

	<u>Fire Protection</u>	<u>Juvenile Recreation</u>	<u>Lodgers Tax</u>	<u>Law Enforcement Protection</u>
Assets				
Cash and investments	\$ 134,804	\$ 25,443	\$ 48,046	\$ 22,386
Taxes receivable		1,923		
Interest receivable				
Interfund receivable	64,964			
Due from other governments				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 199,768</u>	<u>\$ 27,366</u>	<u>\$ 48,046</u>	<u>\$ 22,386</u>
Liabilities and Fund Balance				
Accounts payable	\$ 2,386	\$ -	\$ 3,633	\$ 1,252
Interfund payable				
Deferred revenue				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 2,386</u>	<u>\$ -</u>	<u>\$ 3,633</u>	<u>\$ 1,252</u>
Fund balances:				
Unreserved	<u>\$ 197,382</u>	<u>\$ 27,366</u>	<u>\$ 44,413</u>	<u>\$ 21,134</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>\$ 197,382</u>	<u>\$ 27,366</u>	<u>\$ 44,413</u>	<u>\$ 21,134</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 199,768</u>	<u>\$ 27,366</u>	<u>\$ 48,046</u>	<u>\$ 22,386</u>

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

<u>Library Memorial</u>	<u>Correction Fees</u>	<u>EMS Grant</u>	<u>Golf Course Surcharge</u>	<u>Drug Task Force</u>
\$ 50,365	\$ -	\$ 1,719	\$ 44,537	\$ -
				98,492
<u>\$ 50,365</u>	<u>\$ -</u>	<u>\$ 1,719</u>	<u>\$ 44,537</u>	<u>\$ 98,492</u>
\$ -	\$ - 15,429	\$ 670	\$ - 2,239	\$ 1,213 137,620 80,692
<u>\$ -</u>	<u>\$ 15,429</u>	<u>\$ 670</u>	<u>\$ 2,239</u>	<u>\$ 219,525</u>
\$ 50,365	\$ (15,429)	\$ 1,049	\$ 42,298	\$ (121,033)
<u>\$ 50,365</u>	<u>\$ (15,429)</u>	<u>\$ 1,049</u>	<u>\$ 42,298</u>	<u>\$ (121,033)</u>
<u>\$ 50,365</u>	<u>\$ -</u>	<u>\$ 1,719</u>	<u>\$ 44,537</u>	<u>\$ 98,492</u>

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS (concluded)
June 30, 2008

	Forward Estate	Century Cable Capital	Total
Assets			
Cash and investments	\$ 184,480	\$ -	\$ 511,780
Taxes receivable			1,923
Interest receivable	25,562		25,562
Interfund receivable	509,878		574,842
Due from other governments			98,492
	\$ 719,920	\$ -	\$ 1,212,599
 Liabilities and Fund Balance			
Accounts payable	\$ -	\$ -	\$ 9,154
Interfund payable		12,261	167,549
Deferred revenue			80,692
	\$ -	\$ 12,261	\$ 257,395
Fund balance:			
Unreserved	\$ 719,920	\$ (12,261)	\$ 955,204
	\$ 719,920	\$ (12,261)	\$ 955,204
Total fund balance	\$ 719,920	\$ (12,261)	\$ 955,204
Total liabilities and fund balance	\$ 719,920	\$ -	\$ 1,212,599

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

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2008

	Fire Protection	Juvenile Recreation	Lodgers Tax	Law Enforcement Protection
Revenues:				
Other taxes	\$ -	\$ 12,521	\$ 271,043	\$ -
Intergovernmental	206,646			40,705
Fines, licenses and permits				
Miscellaneous				
Total revenues	\$ 206,646	\$ 12,521	\$ 271,043	\$ 40,705
Expenditures:				
Current:				
Public safety	\$ 100,843	\$ -	\$ -	\$ 27,960
Health and welfare				
Culture recreation		117	363,723	
Capital outlay	620,148			
Total expenditures	\$ 720,991	\$ 117	\$ 363,723	\$ 27,960
Revenues over (under) expenditures	\$ (514,345)	\$ 12,404	\$ (92,680)	\$ 12,745
Other financing sources (uses):				
Transfer in	2430			
Transfer (out)	(53,216)			
Loan proceeds	677,778			
Net changes in fund balances	\$ 112,647	\$ 12,404	\$ (92,680)	\$ 12,745
Fund balance, July 1, 2007	84,735	14,962	137,093	8,389
Fund balance, June 30, 2008	<u>\$ 197,382</u>	<u>\$ 27,366</u>	<u>\$ 44,413</u>	<u>\$ 21,134</u>

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

<u>Library Memorial</u>	<u>Correction Fees</u>	<u>EMS Grant</u>	<u>Golf Course Surcharge</u>	<u>Drug Task Force</u>
\$ -	\$ -	\$ -	\$ -	\$ -
	61,606	17,722		125,612
<u>46,854</u>			<u>1,992</u>	
<u>\$ 46,854</u>	<u>\$ 61,606</u>	<u>\$ 17,722</u>	<u>\$ 1,992</u>	<u>\$ 125,612</u>
\$ -	\$ 19,427	\$ -	\$ -	\$ 161,394
23,184		2,097		
		14,000		
<u>\$ 23,184</u>	<u>\$ 19,427</u>	<u>\$ 16,097</u>	<u>\$ -</u>	<u>\$ 161,394</u>
\$ 23,670	\$ 42,179	\$ 1,625	\$ 1,992	\$ (35,782)
		(576)		
<u>\$ 23,670</u>	<u>\$ 42,179</u>	<u>\$ 1,049</u>	<u>\$ 1,992</u>	<u>\$ (35,782)</u>
<u>26,695</u>	<u>(57,608)</u>	<u>-</u>	<u>40,306</u>	<u>(85,251)</u>
<u>\$ 50,365</u>	<u>\$ (15,429)</u>	<u>\$ 1,049</u>	<u>\$ 42,298</u>	<u>\$ (121,033)</u>

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (concluded)
For The Fiscal Year Ended June 30, 2008

	Forward Estate	Century Cable Capital	Total
Revenues:			
Other taxes	\$ -	\$ -	\$ 283,564
Intergovernmental			390,685
Fines, licenses and permits			61,606
Miscellaneous	16,901		65,747
	16,901	-	801,602
Total revenues	\$ 16,901	\$ -	\$ 801,602
Expenditures:			
Current:			
Public safety	\$ -	\$ -	\$ 309,624
Health and welfare			2,097
Culture recreation		65,619	452,643
Capital outlay			634,148
	-	65,619	1,398,512
Total expenditures	\$ -	\$ 65,619	\$ 1,398,512
Revenues over (under) expenditures	\$ 16,901	\$ (65,619)	\$ (596,910)
Other financing sources (uses):			
Transfer in		89,774	92,204
Transfer (out)			(53,792)
Loan proceeds			677,778
		89,774	677,778
Net change in fund balances	\$ 16,901	\$ 24,155	\$ 119,280
Fund balance, July 1, 2007	703,019	(36,416)	835,924
Fund balance, June 30, 2008	\$ 719,920	\$ (12,261)	\$ 955,204

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

Town of Silver City
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
June 30, 2008

	GO Bond Retirement	Paving #11	2002 Retirement	2002 Reserve
Assets				
Cash and investments	\$ 164,010	\$ 308	\$ -	\$ 621,744
Interest receivable				1,897
Taxes receivable	17,488			
Assessments receivable		3,226		
Allowance for doubtful accounts		(3,226)		
Total assets	\$ 181,498	\$ 308	\$ -	\$ 623,641
 Liabilities and Fund Balance				
Interfund payable	\$ -	\$ -	\$ 1,062	\$ -
Deferred revenue	15,510			
Total liabilities	\$ 15,510	\$ -	\$ 1,062	\$ -
Fund balance:				
Reserved for debt service	\$ 165,988	\$ 308	\$ (1,062)	\$ 623,641
Total fund balance	\$ 165,988	\$ 308	\$ (1,062)	\$ 623,641
Total liabilities and fund balance	\$ 181,498	\$ 308	\$ -	\$ 623,641

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

<u>Fire Substation</u>	<u>Fire Equipment</u>	<u>Police Car</u>	<u>Ladder Truck</u>	<u>Fire Pumper</u>	<u>Police Vehicles</u>	<u>Total</u>
\$ 26,653	\$ 32,081	\$ 25,126	\$ 2	\$ 68,287	\$ 132,434	\$ 1,070,645 1,897 17,488 3,226 (3,226)
<u>\$ 26,653</u>	<u>\$ 32,081</u>	<u>\$ 25,126</u>	<u>\$ 2</u>	<u>\$ 68,287</u>	<u>\$ 132,434</u>	<u>\$ 1,090,030</u>
\$ -	\$ -	\$ -	\$ -	\$ 64,964	\$ 117,841	\$ 183,867 15,510
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,964</u>	<u>\$ 117,841</u>	<u>\$ 199,377</u>
<u>\$ 26,653</u>	<u>\$ 32,081</u>	<u>\$ 25,126</u>	<u>\$ 2</u>	<u>\$ 3,323</u>	<u>\$ 14,593</u>	<u>\$ 890,653</u>
<u>\$ 26,653</u>	<u>\$ 32,081</u>	<u>\$ 25,126</u>	<u>\$ 2</u>	<u>\$ 3,323</u>	<u>\$ 14,593</u>	<u>\$ 890,653</u>
<u>\$ 26,653</u>	<u>\$ 32,081</u>	<u>\$ 25,126</u>	<u>\$ 2</u>	<u>\$ 68,287</u>	<u>\$ 132,434</u>	<u>\$ 1,090,030</u>

Town of Silver City
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2008

	<u>GO Bond Retirement</u>	<u>Pavin #11</u>	<u>2002 Retirement</u>	<u>2002 Reserve</u>
Revenues:				
Property taxes	\$ 63,684	\$ -	\$ -	\$ -
Miscellaneous	<u>2,618</u>	<u>308</u>		<u>22,800</u>
Total revenues	<u>\$ 66,302</u>	<u>\$ 308</u>	<u>\$ -</u>	<u>\$ 22,800</u>
Expenditures:				
Current:				
General government	\$ 400	\$ -	\$ 374	\$ -
Debt service:				
Principal	40,000		300,000	
Interest	<u>24,285</u>		<u>34,977</u>	
Total expenditures	<u>\$ 64,685</u>	<u>\$ -</u>	<u>\$ 335,351</u>	<u>\$ -</u>
Revenues over (under) expenditures	\$ 1,617	\$ 308	\$ (335,351)	\$ 22,800
Other financing sources (uses):				
Transfer in			365,746	
Transfer out		<u>(1,044)</u>		<u>(30,768)</u>
Net change in fund balances	\$ 1,617	\$ (736)	\$ 30,395	\$ (7,968)
Fund balance, July 1, 2007	<u>164,371</u>	<u>1,044</u>	<u>(31,457)</u>	<u>631,609</u>
Fund balance, June 30, 2008	<u>\$ 165,988</u>	<u>\$ 308</u>	<u>\$ (1,062)</u>	<u>\$ 623,641</u>

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

<u>Fire Substation</u>	<u>Fire Equipment</u>	<u>Police Car</u>	<u>Ladder Truck</u>	<u>Fire Pumper</u>	<u>Police Vehicles</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,684
2,110	2,412	882		3,323	648	35,101
<u>\$ 2,110</u>	<u>\$ 2,412</u>	<u>\$ 882</u>	<u>\$ -</u>	<u>\$ 3,323</u>	<u>\$ 648</u>	<u>\$ 98,785</u>
\$ 295	\$ 330	\$ 269	\$ -	\$ -	\$ -	\$ 1,668
27,717	31,199	52,785	45,492			497,193
4,682	4,886	3,039	16,417			88,286
<u>\$ 32,694</u>	<u>\$ 36,415</u>	<u>\$ 56,093</u>	<u>\$ 61,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 587,147</u>
\$ (30,584)	\$ (34,003)	\$ (55,211)	\$ (61,909)	\$ 3,323	\$ 648	\$ (488,362)
26,441	26,775	55,147	61,910		13,945	549,964
						(31,812)
<u>\$ (4,143)</u>	<u>\$ (7,228)</u>	<u>\$ (64)</u>	<u>\$ 1</u>	<u>\$ 3,323</u>	<u>\$ 14,593</u>	<u>\$ 29,790</u>
30,796	39,309	25,190	1		-	860,863
<u>\$ 26,653</u>	<u>\$ 32,081</u>	<u>\$ 25,126</u>	<u>\$ 2</u>	<u>\$ 3,323</u>	<u>\$ 14,593</u>	<u>\$ 890,653</u>

Town of Silver City
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEETS
June 30, 2008

	<u>Highway Co-op</u>	<u>1995 B Capital</u>	<u>CDBG Planning</u>	<u>2004 CDBG</u>
Assets				
Cash and investments	\$ 28,983	\$ 1	\$ 5,500	\$ -
Interest receivable				
Total assets	<u>\$ 28,983</u>	<u>\$ 1</u>	<u>\$ 5,500</u>	<u>\$ -</u>
 Liabilities and Fund Balance				
Accounts payable	\$ 3,136	\$ -	\$ -	\$ -
Interfund payable				171,943
Total liabilities	<u>\$ 3,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,943</u>
Fund balance:				
Reserved for capital projects	\$ 25,847	\$ 1	\$ 5,500	\$ (171,943)
Total fund balance	<u>\$ 25,847</u>	<u>\$ 1</u>	<u>\$ 5,500</u>	<u>\$ (171,943)</u>
Total liabilities and fund balance	<u>\$ 28,983</u>	<u>\$ 1</u>	<u>\$ 5,500</u>	<u>\$ -</u>

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

<u>CDBG Colonias</u>	<u>Hospital Demolition</u>	<u>Total</u>
\$ 50,057	\$ -	\$ 84,541
<u>\$ 50,057</u>	<u>\$ -</u>	<u>\$ 84,541</u>
\$ -	\$ -	\$ 3,136
		171,943
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,079</u>
\$ 50,057	\$ -	\$ (90,538)
<u>\$ 50,057</u>	<u>\$ -</u>	<u>\$ (90,538)</u>
<u>\$ 50,057</u>	<u>\$ -</u>	<u>\$ 84,541</u>

Town of Silver City
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
June 30, 2008

	Highway Co-op	1995 B Planning	CDBG Planning	2004 CDBG
Revenues:				
Intergovernmental	\$ 82,000	\$ -	\$ -	\$ -
Miscellaneous				
Total revenues	<u>\$ 82,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Capital outlay	\$ 154,704	\$ -	\$ -	\$ 168,265
Total expenditures	<u>\$ 154,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,265</u>
Revenues over (under) expenditures	\$ (72,704)	\$ -	\$ -	\$ (168,265)
Other financing sources (uses):				
Transfer in				
Transfer out				
Net change in fund balance	\$ (72,704)	\$ -	\$ -	\$ (168,265)
Fund balance, July 1, 2007	<u>98,551</u>	<u>1</u>	<u>5,500</u>	<u>(3,678)</u>
Fund balance, June 30, 2008	<u><u>\$ 25,847</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 5,500</u></u>	<u><u>\$ (171,943)</u></u>

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

<u>CDBG Colonias</u>	<u>Hospital Demolition</u>	<u>Total</u>
\$ -	\$ -	\$ 82,000
	7,978	7,978
<u>\$ -</u>	<u>\$ 7,978</u>	<u>\$ 89,978</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,969</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,969</u>
\$ -	\$ 7,978	\$ (232,991)
50,000	(18,033)	50,000
<u>50,000</u>	<u>(18,033)</u>	<u>(18,033)</u>
\$ 50,000	\$ (10,055)	\$ (201,024)
57	10,055	110,486
<u>\$ 50,057</u>	<u>\$ -</u>	<u>\$ (90,538)</u>

Town of Silver City
SPECIAL REVENUE FUND - FIRE PROTECTION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 185,000	\$ 206,646	\$ 206,646	\$ -
Expenditures:				
Current:				
Public safety	\$ 95,673	\$ 107,673	\$ 98,928	\$ 8,745
Capital outlay	95,474	696,474	620,149	76,325
Total expenditures	<u>\$ 191,147</u>	<u>\$ 804,147</u>	<u>\$ 719,077</u>	<u>\$ 85,070</u>
Revenues over (under) expenditures	\$ (6,147)	\$ (597,501)	\$ (512,431)	\$ 85,070
Other financing sources (uses):				
Transfer in		2,430	2,430	-
Transfer out	(69,017)	(69,017)	(53,215)	15,802
Loan proceeds		613,000	612,814	(186)
Net change in fund balance	\$ (75,164)	\$ (51,088)	\$ 49,598	\$ 100,686
Fund balance, June 30, 2007	<u>85,206</u>	<u>85,206</u>	<u>85,206</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ 10,042</u>	<u>\$ 34,118</u>	<u>\$ 134,804</u>	<u>\$ 100,686</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 47,683	
Revenue accruals (net)			-	
Expenditure accruals (net)			1,915	
Other financing sources (net)			<u> </u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 49,598</u>	

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

Town of Silver City
SPECIAL REVENUE FUND - JUVENILE RECREATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 12,000	\$ 12,000	\$ 13,037	\$ 1,037
Expenditures:				
Current:				
Culture recreation	\$ 22,745	\$ 22,745	\$ 117	\$ 22,628
Capital outlay	-	-	-	-
Total expenditures	\$ 22,745	\$ 22,745	\$ 117	\$ 22,628
Net change in fund balance	\$ (10,745)	\$ (10,745)	\$ 12,920	\$ 23,665
Fund balance, July 1, 2007	12,523	12,523	12,523	-
Fund balance, June 30, 2008	<u>\$ 1,778</u>	<u>\$ 1,778</u>	<u>\$ 25,443</u>	<u>\$ 23,665</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 12,404	
Revenue accruals (net)			516	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 12,920</u>	

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

Town of Silver City
SPECIAL REVENUE FUND - LODGERS TAX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 277,100	\$ 292,100	\$ 294,887	\$ 2,787
Miscellaneous				-
Total revenues	<u>\$ 277,100</u>	<u>\$ 292,100</u>	<u>\$ 294,887</u>	<u>\$ 2,787</u>
Expenditures:				
Current:				
Culture recreation	<u>332,262</u>	<u>347,262</u>	<u>360,721</u>	<u>(13,459)</u>
Net change in fund balance	\$ (55,162)	\$ (55,162)	\$ (65,834)	\$ (10,672)
Fund balance, July 1, 2007	<u>61,924</u>	<u>61,924</u>	<u>113,880</u>	<u>51,956</u>
Fund balance, June 30, 2008	<u>\$ 6,762</u>	<u>\$ 6,762</u>	<u>\$ 48,046</u>	<u>\$ 41,284</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (92,680)	
Revenue accruals (net)			23,844	
Expenditure accruals (net)			<u>3,002</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (65,834)</u>	

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

Town of Silver City
SPECIAL REVENUE FUND - EMS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 12,374	\$ 16,374	\$ 17,722	\$ 1,348
Expenditures:				
Current:				
Public safety	\$ 4,000	\$ 4,000	\$ 1,427	\$ 2,573
Capital outlay	8,374	12,374	14,000	(1,626)
Total expenditures	<u>\$ 12,374</u>	<u>\$ 16,374</u>	<u>\$ 15,427</u>	<u>\$ 947</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ 2,295	\$ 2,295
Other financing sources (uses):				
Transfer out	-	-	(576)	(576)
Net change in fund balance	\$ -	\$ -	\$ 1,719	\$ 1,719
Fund balance, June 30, 2007	-	-	-	-
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,719</u>	<u>\$ 1,719</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 1,049	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>670</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 1,719</u>	

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

Town of Silver City
SPECIAL REVENUE FUND - CORRECTION FEES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Fines, licenses and permits	\$ 101,561	\$ 101,561	\$ 61,606	\$ (39,955)
Expenditures:				
Current:				
Public safety	<u>38,000</u>	<u>38,000</u>	<u>19,427</u>	<u>18,573</u>
Net change in fund balance	\$ 63,561	\$ 63,561	\$ 42,179	\$ (21,382)
Fund balance, July 1, 2007	<u>(57,608)</u>	<u>(57,608)</u>	<u>(57,608)</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ 5,953</u>	<u>\$ 5,953</u>	<u>\$ (15,429)</u>	<u>\$ (21,382)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 42,179	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 42,179</u>	

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

Town of Silver City
SPECIAL REVENUE FUND - GOLF COURSE SURCHARGE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous	\$ 3,978	\$ 3,978	\$ 2,160	\$ (1,818)
Expenditures:				
Current:				
Culture and recreation	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Revenues over (under) expenditures	\$ 3,978	\$ 3,978	\$ 2,160	\$ (1,818)
Other financing sources (uses):				
Transfer in	-	-	44,116	44,116
Net change in fund balance	\$ 3,978	\$ 3,978	\$ 46,276	\$ 42,298
Fund balance, June 30, 2007	(3,978)	(3,978)	(3,978)	-
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,298</u>	<u>\$ 42,298</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 1,992	
Revenue accruals (net)			168	
Transfer accruals (net)			<u>44,116</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 46,276</u>	

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

Town of Silver City
SPECIAL REVENUE FUND - LAW ENFORCEMENT PROTECTION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 38,600	\$ 38,600	\$ 38,600	\$ -
Expenditures:				
Current:				
Public safety	\$ 38,600	\$ 38,600	\$ 25,173	\$ 13,427
Capital outlay				-
Total expenditures	\$ 38,600	\$ 38,600	\$ 25,173	\$ 13,427
Net change in fund balance	\$ -	\$ -	\$ 13,427	\$ 13,427
Fund balance, July 1, 2007	8,960	8,960	8,959	(1)
Fund balance, June 30, 2008	\$ 8,960	\$ 8,960	\$ 22,386	\$ 13,426
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 12,745	
Revenue accruals (net)			(2,105)	
Expenditure accruals (net)			2,787	
Net change in fund balance, NON-GAAP budgetary basis			\$ 13,427	

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

Town of Silver City
SPECIAL REVENUE FUND - LIBRARY MEMORIAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Miscellaneous	\$ 16,500	\$ 46,855	\$ 46,854	\$ (1)
Expenditures:				
Current:				
Culture recreation	<u>40,000</u>	<u>40,000</u>	<u>23,184</u>	<u>16,816</u>
Net change in fund balance	\$ (23,500)	\$ 6,855	\$ 23,670	\$ 16,815
Fund balance, July 1, 2007	<u>26,695</u>	<u>26,695</u>	<u>26,695</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ 3,195</u>	<u>\$ 33,550</u>	<u>\$ 50,365</u>	<u>\$ 16,815</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 23,670	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 23,670</u>	

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

Town of Silver City
SPECIAL REVENUE FUND - DRUG TASK FORCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 140,261	\$ 197,261	\$ 126,287	\$ (70,974)
Expenditures:				
Current:				
Public safety	103,878	160,878	160,262	616
Net change in fund balance	\$ 36,383	\$ 36,383	\$ (33,975)	\$ (70,358)
Fund balance, July 1, 2007	(36,383)	(36,383)	(36,383)	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ (70,358)	\$ (70,358)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (35,782)	
Revenue accruals (net)			675	
Expenditure accruals (net)			1,132	
Net change in fund balance, NON-GAAP budgetary basis			\$ (33,975)	

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

Town of Silver City
SPECIAL REVENUE FUND - FORWARD ESTATE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous	\$ 8,200	\$ 8,200	\$ 15,144	\$ 6,944
Expenditures:				
Capital outlay	686,838	686,838	-	686,838
Net change in fund balance	\$ (678,638)	\$ (678,638)	\$ 15,144	\$ 693,782
Fund balance, July 1, 2007	678,982	678,982	679,214	232
Fund balance, June 30, 2008	\$ 344	\$ 344	\$ 694,358	\$ 694,014
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 16,901	
Revenue accruals (net)			(1,757)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 15,144	

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

Town of Silver City
SPECIAL REVENUE FUND - CENTURY CABLE PROJECT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Culture recreation	\$ 75,000	\$ 87,500	\$ 87,262	\$ 238
Capital outlay			-	-
Total expenditures	\$ 75,000	\$ 87,500	\$ 87,262	\$ 238
Other financing sources (uses):				
Transfer in	89,774	102,274	89,774	(12,500)
Net change in fund balance	\$ 14,774	\$ 14,774	\$ 2,512	\$ (12,262)
Fund balance, July 1, 2007	(14,774)	(14,774)	(14,773)	1
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,261)</u>	<u>\$ (12,261)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 24,155	
Revenue accruals (net)			-	
Expenditure accruals (net)			(21,643)	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 2,512</u>	

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

Town of Silver City
DEBT SERVICE FUND - PAVING 11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 308	\$ 308
Expenditures:				
Current:				
Public works	\$ -	\$ -	\$ -	\$ -
Capital outlay				
Total expenditures	\$ -	\$ -	\$ -	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ 308	\$ 308
Other financing sources (uses):				
Transfer out	(1,044)	(1,044)	(1,044)	-
Net change in fund balance	\$ (1,044)	\$ (1,044)	\$ (736)	\$ 308
Fund balance, June 30, 2007	<u>1,044</u>	<u>1,044</u>	<u>1,044</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ 308</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (736)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (736)</u>	

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

Town of Silver City
DEBT SERVICE FUND - GO BOND RETIREMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 65,084	\$ 65,084	\$ 63,944	\$ (1,140)
Miscellaneous			2,898	2,898
Total revenues	<u>\$ 65,084</u>	<u>\$ 65,084</u>	<u>\$ 66,842</u>	<u>\$ 1,758</u>
Expenditures:				
Current:				
Administration	\$ 800	\$ 800	\$ 400	\$ 400
Principal	40,000	40,000	40,000	-
Interest	24,284	24,284	24,285	(1)
Total expenditures	<u>\$ 65,084</u>	<u>\$ 65,084</u>	<u>\$ 64,685</u>	<u>\$ 399</u>
Net change in fund balance	\$ -	\$ -	\$ 2,157	\$ 2,157
Fund balance, July 1, 2007	<u>161,853</u>	<u>161,853</u>	<u>161,853</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ 161,853</u>	<u>\$ 161,853</u>	<u>\$ 164,010</u>	<u>\$ 2,157</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 1,617	
Revenue accruals (net)			540	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 2,157</u>	

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

Town of Silver City
DEBT SERVICE FUND - 2002 RETIREMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Administration	\$ 1,600	\$ 1,600	\$ 374	\$ 1,226
Principal	750,000	750,000	750,000	-
Interest	87,437	87,437	87,437	-
Total expenditures	<u>\$ 839,037</u>	<u>\$ 839,037</u>	<u>\$ 837,811</u>	<u>\$ 1,226</u>
Revenues over (under) expenditures	\$ (839,037)	\$ (839,037)	\$ (837,811)	\$ 1,226
Other financing sources (uses):				
Transfer in	<u>873,461</u>	<u>873,461</u>	<u>868,206</u>	<u>(5,255)</u>
Net change in fund balance	\$ 34,424	\$ 34,424	\$ 30,395	\$ (4,029)
Fund balance, July 1, 2007	<u>(34,423)</u>	<u>(34,423)</u>	<u>(31,457)</u>	<u>2,966</u>
Fund balance, June 30, 2008	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ (1,062)</u>	<u>\$ (1,063)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 30,395	
Revenue accruals (net)			-	
Expenditure accruals (net)			(502,460)	
Other financing sources			<u>502,460</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 30,395</u>	

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

Town of Silver City
DEBT SERVICE FUND - 2002 RESERVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Miscellaneous	\$ 47,967	\$ 47,967	\$ 23,822	\$ (24,145)
Other financing sources (uses):				
Investment losses				-
Transfer out	<u>(47,947)</u>	<u>(47,947)</u>	<u>(30,769)</u>	<u>17,178</u>
Net change in fund balance	\$ 20	\$ 20	\$ (6,947)	\$ (6,967)
Fund balance, July 1, 2007	<u>628,236</u>	<u>628,236</u>	<u>635,036</u>	<u>6,800</u>
Fund balance, June 30, 2008	<u>\$ 628,256</u>	<u>\$ 628,256</u>	<u>\$ 628,089</u>	<u>\$ (167)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (7,968)	
Revenue accruals (net)			1,021	
Other financing uses			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (6,947)</u>	

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

Town of Silver City
DEBT SERVICE FUND - FIRE SUBSTATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 2,110	\$ 2,110
Expenditures:				
Current:				
Administration	\$ 295	\$ 295	\$ 295	\$ -
Principal	27,717	27,717	27,717	-
Interest	4,682	4,682	4,682	-
Total expenditures	\$ 32,694	\$ 32,694	\$ 32,694	\$ -
Revenues over (under) expenditure	\$ (32,694)	\$ (32,694)	\$ (30,584)	\$ 2,110
Other financing sources (uses):				
Transfer in	32,602	32,602	26,441	(6,161)
Net change in fund balance	\$ (92)	\$ (92)	\$ (4,143)	\$ (4,051)
Fund balance, July 1, 2007	30,796	30,796	30,796	-
Fund balance, June 30, 2008	<u>\$ 30,704</u>	<u>\$ 30,704</u>	<u>\$ 26,653</u>	<u>\$ (4,051)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (4,143)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing sources			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (4,143)</u>	

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

Town of Silver City
DEBT SERVICE FUND - FIRE EQUIPMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 2,412	\$ 2,412
Expenditures:				
Current:				
Administration	\$ 330	\$ 330	\$ 330	\$ -
Principal	31,199	31,199	31,199	-
Interest	4,886	4,886	4,886	-
Total expenditures	\$ 36,415	\$ 36,415	\$ 36,415	\$ -
Revenues over (under) expenditures	\$ (36,415)	\$ (36,415)	\$ (34,003)	\$ 2,412
Other financing sources (uses):				
Transfer in	26,775	26,775	26,775	-
Net change in fund balance	\$ (9,640)	\$ (9,640)	\$ (7,228)	\$ 2,412
Fund balance, July 1, 2007	39,309	39,309	39,309	-
Fund balance, June 30, 2008	\$ 29,669	\$ 29,669	\$ 32,081	\$ 2,412
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (7,228)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing sources			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (7,228)	

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

Town of Silver City
DEBT SERVICE FUND - POLICE CAR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 882	\$ 882
Expenditures:				
Current:				
Administration	\$ 268	\$ 268	\$ 269	\$ (1)
Principal	52,749	52,749	52,785	(36)
Interest	3,238	3,238	3,039	199
Total expenditures	<u>\$ 56,255</u>	<u>\$ 56,255</u>	<u>\$ 56,093</u>	<u>\$ 162</u>
Revenues over (under) expenditures	\$ (56,255)	\$ (56,255)	\$ (55,211)	\$ 1,044
Other financing sources (uses):				
Transfer in	<u>55,147</u>	<u>55,147</u>	<u>55,147</u>	<u>-</u>
Net change in fund balance	\$ (1,108)	\$ (1,108)	\$ (64)	\$ 1,044
Fund balance, July 1, 2007	<u>1,108</u>	<u>1,108</u>	<u>25,190</u>	<u>24,082</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,126</u></u>	<u><u>\$ 25,126</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (64)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing sources			-	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (64)</u></u>	

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

Town of Silver City
DEBT SERVICE FUND - LADDER FIRE TRUCK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Principal	\$ 45,493	\$ 45,493	\$ 45,492	\$ 1
Interest	16,417	16,417	16,417	-
Total expenditures	\$ 61,910	\$ 61,910	\$ 61,909	\$ 1
Revenues over (under) expenditures	\$ (61,910)	\$ (61,910)	\$ (61,909)	\$ 1
Other financing sources (uses):				
Transfer in	61,910	61,910	61,910	-
Net change in fund balance	\$ -	\$ -	\$ 1	\$ 1
Fund balance, July 1, 2007	-	-	1	1
Fund balance, June 30, 2008	\$ -	\$ -	\$ 2	\$ 2
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 1	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing sources			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 1	

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

Town of Silver City
DEBT SERVICE FUND - CLASS A FIRE PUMPER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):				
Loan proceeds	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2007	-	-	-	-
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 3,323	
Revenue accruals (net)			(3,323)	
Expenditure accruals (net)				
Other financing sources			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

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

Town of Silver City
DEBT SERVICE FUND - POLICE VEHICLES #2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public safety	\$ -	\$ -	\$ 20,682	\$ (20,682)
Capital outlay		204,100	169,398	34,702
Principal			8,144	(8,144)
Interest			5,801	(5,801)
Total expenditures	\$ -	\$ 204,100	\$ 204,025	\$ 75
Revenues over (under) expenditures	\$ -	\$ (204,100)	\$ (204,025)	\$ 75
Other financing sources (uses):				
Loan proceeds		190,100	190,080	(20)
Transfer in		13,945	13,945	-
Net change in fund balance	\$ -	\$ (55)	\$ -	\$ 55
Fund balance, July 1, 2007	-	-	-	-
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ (55)</u>	<u>\$ -</u>	<u>\$ 55</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 14,593	
Revenue accruals (net)			(648)	
Expenditure accruals (net)			(204,025)	
Other financing sources			190,080	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

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

Town of Silver City
CAPITAL PROJECTS FUND - CDBG PLANNING GRANT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 45,000	\$ 45,000	\$ -	\$ (45,000)
Expenditures:				
Capital outlay	\$ 50,000	\$ 50,000	\$ -	\$ 50,000
Total expenditures	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>
Revenues over (under) expenditures	\$ (5,000)	\$ (5,000)	\$ -	\$ 5,000
Other financing sources (uses):				
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ (5,000)	\$ (5,000)	\$ -	\$ 5,000
Fund balance, July 1, 2007	<u>5,000</u>	<u>5,000</u>	<u>5,500</u>	<u>500</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,500</u></u>	<u><u>\$ 5,500</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing sources			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Town of Silver City
CAPITAL PROJECTS FUND - CDBG COLONIAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 450,000	\$ 450,000	\$ -	\$ (450,000)
Expenditures:				
Capital outlay	\$ 500,057	\$ 500,057	\$ -	\$ 500,057
Total expenditures	\$ 500,057	\$ 500,057	\$ -	\$ 500,057
Revenues over (under) expenditures	\$ (50,057)	\$ (50,057)	\$ -	\$ 50,057
Other financing sources (uses):				
Transfer in	50,000	50,000	50,000	-
Net change in fund balance	\$ (57)	\$ (57)	\$ 50,000	\$ 50,057
Fund balance, July 1, 2007	57	57	57	-
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,057</u>	<u>\$ 50,057</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 50,000	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing sources			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 50,000</u>	

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

Town of Silver City
CAPITAL PROJECTS FUND - HIGHWAY CO-OP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 60,000	\$ 82,000	\$ 82,000	\$ -
Expenditures:				
Capital outlay-construction	<u>158,550</u>	<u>158,550</u>	<u>151,568</u>	<u>6,982</u>
Revenues over (under) expenditures	\$ (98,550)	\$ (76,550)	\$ (69,568)	\$ 6,982
Other financing sources (uses):				
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ (98,550)	\$ (76,550)	\$ (69,568)	\$ 6,982
Fund balance, July 1, 2007	<u>98,550</u>	<u>98,550</u>	<u>98,551</u>	<u>1</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ 22,000</u></u>	<u><u>\$ 28,983</u></u>	<u><u>\$ 6,983</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (72,704)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>3,136</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (69,568)</u></u>	

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

Town of Silver City
CAPITAL PROJECTS FUND - 1995 B CAPITAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2007	1	1	1	-
Fund balance, June 30, 2008	\$ 1	\$ 1	\$ 1	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Town of Silver City
CAPITAL PROJECTS FUND - 2004 CDBG
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 170,000	\$ 170,000	\$ -	\$ (170,000)
Expenditures:				
Capital outlay	\$ 170,000	\$ 170,000	\$ 168,265	\$ 1,735
Total expenditures	<u>\$ 170,000</u>	<u>\$ 170,000</u>	<u>\$ 168,265</u>	<u>\$ 1,735</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ (168,265)	\$ (168,265)
Other financing sources (uses):				
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ (168,265)	\$ (168,265)
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>(3,678)</u>	<u>(3,678)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (171,943)</u>	<u>\$ (171,943)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (168,265)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing sources			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (168,265)</u>	

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

Town of Silver City
CAPITAL PROJECTS FUND - HOSPITAL DEMOLITION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous	\$ 26,383	\$ 18,033	\$ 18,033	\$ -
Other financing uses				
Transfer out	(26,383)	(18,033)	(18,033)	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2007	-	-	-	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (10,055)	
Revenue accruals (net)			10,055	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Town of Silver City
ENTERPRISE FUNDS - WATER AND SEWER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 742,319	\$ 742,319	\$ 778,401	\$ 36,082
Intergovernmental	500,000	500,000	500,000	-
Charges for services	3,971,400	4,224,401	3,427,893	(796,508)
Earnings on investments	35,000	35,000	18,456	(16,544)
Miscellaneous	24,000	24,000	31,861	7,861
 Total revenues	 \$ 5,272,719	 \$ 5,525,720	 \$ 4,756,611	 \$ (769,109)
Expenses:				
Personnel	\$ 1,800,804	\$ 1,806,640	\$ 1,827,365	\$ (20,725)
Operating	1,936,082	2,005,247	2,101,734	(96,487)
Capital outlay	1,845,164	2,023,164	1,004,716	1,018,448
Debt service:				
Principal	276,855	276,855	272,378	4,477
Interest	59,933	59,933	64,427	(4,494)
 Total expenses	 \$ 5,918,838	 \$ 6,171,839	 \$ 5,270,620	 \$ 901,219
Revenues over (under) expenses	\$ (646,119)	\$ (646,119)	\$ (514,009)	\$ 132,110
Other financing sources (uses):				
Transfers in	562,801	562,801	225,380	(337,421)
Transfers out	(1,128,392)	(1,145,651)	(861,586)	284,065
Net changes in retained earnings	\$ (1,211,710)	\$ (1,228,969)	\$ (1,150,215)	\$ 78,754
Retained earnings, July 1, 2007	1,474,152	1,474,152	1,480,303	6,151
Retained earnings, June 30, 2008	\$ 262,442	\$ 245,183	\$ 330,088	\$ 84,905
Budgetary reconciliation:				
Net change in retained earnings, GAAP basis			\$ (232,373)	
Revenue accruals (net)			(223,114)	
Expenditure accruals (net)			(192,268)	
Other financing sources (uses)			(502,460)	
Net change in retained earnings, NON-GAAP budgetary basis			\$ (1,150,215)	

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

Town of Silver City
ENTERPRISE FUNDS - SANITATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 196,290	\$ 196,290	\$ 205,831	\$ 9,541
Charges for services	1,541,070	2,945,709	2,329,052	(616,657)
Miscellaneous	10,000	10,000	17,916	7,916
Total revenues	\$ 1,747,360	\$ 3,151,999	\$ 2,552,799	\$ (599,200)
Expenses:				
Personnel	\$ 708,590	\$ 708,589	\$ 640,780	\$ 67,809
Operating	832,360	1,482,000	1,279,556	202,444
Capital outlay	-	650,000	692,918	(42,918)
Principle	-	105,000	164,308	(59,308)
Interest	99,000	99,000	36,793	62,207
Total expenses	\$ 1,639,950	\$ 3,044,589	\$ 2,814,355	\$ 230,234
Revenues over (under) expenses	\$ 107,410	\$ 107,410	\$ (261,556)	\$ (368,966)
Other financing sources (uses):				
Transfer in	150,000	353,814	353,814	-
Transfers out	(214,589)	(418,403)	(392,927)	25,476
Net change in retained earnings	\$ 42,821	\$ 42,821	\$ (300,669)	\$ (343,490)
Retained earnings, July 1, 2007	64,083	64,083	64,083	-
Retained earnings, June 30, 2008	<u>\$ 106,904</u>	<u>\$ 106,904</u>	<u>\$ (236,586)</u>	<u>\$ (343,490)</u>
Budgetary reconciliation:				
Net change in retained earnings, GAAP basis			\$ (14,467)	
Revenue accruals (net)			1,055,261	
Expenditure accruals (net)			(1,341,463)	
Other financing sources (uses)			-	
Net change in retained earnings, NON-GAAP budgetary basis			<u>\$ (300,669)</u>	

Town of Silver City
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Receipts</u>	<u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2008</u>
Assets				
Cash and investments:				
Municipal Court Bond	\$ 5,451	\$ 24,906	\$ 25,953	\$ 4,404
Teen Court	31,844	53,300	73,385	11,759
	<u>37,295</u>	<u>78,206</u>	<u>99,338</u>	<u>16,163</u>
Total assets	<u>\$ 37,295</u>	<u>\$ 78,206</u>	<u>\$ 99,338</u>	<u>\$ 16,163</u>
Liabilities				
Deposits held for others:				
Municipal Court Bond	\$ 5,451	\$ 24,906	\$ 25,953	\$ 4,404
Teen Court	31,844	53,300	73,385	11,759
	<u>37,295</u>	<u>78,206</u>	<u>99,338</u>	<u>16,163</u>
Total liabilities	<u>\$ 37,295</u>	<u>\$ 78,206</u>	<u>\$ 99,338</u>	<u>\$ 16,163</u>

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

Town on Silver City
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2008

	First Savings	Chino Federal Credit Union	First NM Bank	Wells Fargo	Total
Checking and CD's	\$ 325,154	\$ 100,000	\$ 13,778	\$ 1,253,978	\$ 1,692,910
Less: FDIC insurance	<u>100,000</u>	<u>100,000</u>	<u>13,778</u>	<u>200,000</u>	<u>413,778</u>
Total uninsured public funds	<u>\$ 225,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,053,978</u>	<u>\$ 1,279,132</u>
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 112,577	\$ -	\$ -	\$ 526,989	\$ 639,566
102% collateralization requirement					-
Total collateralization requirement	<u>\$ 112,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 526,989</u>	<u>\$ 639,566</u>
Pledged Securities:					
USBK 936784EL7 6-1-15	\$ 982,515	\$ -	\$ -	\$ -	\$ 982,515
FNBP 943504J92 12-1-15	328,195				328,195
FGIOH 3128M7G9 6-1-37				279,040	279,040
FNCL 31368H3S0 5-1-09				1,190	1,190
FNCL 31371NNV3 10-1-37				341,915	341,915
Total pledged securities	<u>\$ 1,310,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,145</u>	<u>\$ 1,932,855</u>
Pledged securities over (under) requirement	<u>\$ 1,198,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,156</u>	<u>\$ 1,293,289</u>

Securities pledged by Wells Fargo are held by the Wells Fargo trust department in Minneapolis, Minnesota, and by First Savings at the First National Bank trust department in Pierre, SD. Safekeeping receipts are held by the Town.

Town of Silver City
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2008

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Wells Fargo</u>			
General	Checking	\$ 789,492	\$ 540,598
CDBG 95	Checking	50,000	50,000
CDBG 2000	Checking	50,000	50,000
Municipal Bond	Checking	4,409	4,404
Forward Estate	CD	110,000	110,000
Forward Estate	CD	26,077	26,077
Forward Estate	CD	25,000	25,000
Forward Estate	CD	149,000	149,000
2002 Refunding Reserve	CD	50,000	50,000
		<u>\$ 1,253,978</u>	<u>\$ 1,005,079</u>
<u>LGIP</u>			
Forward Estate	LGIP	\$ 25,940	\$ 25,940
2002 Refunding	LGIP	412,429	412,429
		<u>\$ 438,369</u>	<u>\$ 438,369</u>
<u>Kious & Company</u>			
2002 Refunding Bonds	Treasury Bond	\$ 165,659	\$ 159,312
<u>First Savings Bank</u>			
Forward Estate	CD	\$ 225,000	\$ 225,000
General	Money Market	100,154	100,154
		<u>\$ 325,154</u>	<u>\$ 325,154</u>

Town of Silver City
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS (concluded)
 June 30, 2008

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Chino Federal Credit Union</u>			
Water/Sewer	CD	<u>\$ 100,000</u>	<u>\$ 100,000</u>
<u>First New Mexico Bank</u>			
Forward Estate	CD	<u>\$ 13,778</u>	<u>\$ 13,778</u>
<u>NMFA</u>			
Cash on deposit with paying agent	NMFA	<u>\$ 601,786</u>	<u>\$ 601,786</u>
Total cash and investments		<u><u>\$ 2,898,724</u></u>	<u><u>\$ 2,643,478</u></u>

Town of Silver City
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2008

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through New Mexico Dept. of Finance and Administration:			
Community Development Block Grants-States Program	14.228	06-C-NR-I-6-G-68	\$ 500,000
Community Development Block Grants-Technical Assist	14.227	06-C-NR-I-6-G-59	\$ 24,980
Passed through New Mexico Mortgage Finance Authority: Home Partnership	14.239	N/A	<u>65,104</u>
Total U.S. Dept. of Housing and Urban Development			<u>\$ 590,084</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 2,105
Passed through N.M. Dept. of Public Safety: Byrne Formula Grant Program	16.579	06-DCSI-PPA	186,313
Passed through N.M. Dept. of Children, Youth & Families and Luna County: Juvenile Justice and Delinquency Prevention	16.540	N\A	<u>137,649</u>
Total U.S. Department of Justice			<u>\$ 326,067</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Direct:			
Historic Preservation Grant	15.904	N\A	<u>\$ 13,748</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct:			
Assistance to Firefighters	97.044	N/A	<u>\$ 33,990</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through N.M. Highway Department: Highway Planning and Construction Grants	20.205	TPE-090-1(3)42	<u>\$ 310,431</u>
Total expenditures of federal awards			<u>\$ 1,274,320</u>

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

Town of Silver City
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Fiscal Year Ended June 30, 2008

Note 1 Basis of Presentation

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

Note 2 Insurance

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

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

Town of Silver City
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2008

	<u>Current Year Status</u>
Findings – Financial Statement Audit	
07-1 Purchase authorizations dated after the invoice	Resolved
07-2 Budgetary authority exceeded by actual expenditures	Repeated

Findings – Major Federal Award Programs

None

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

KELLEY WYATT, C.P.A.
RYAN MONTOYA, C.P.A.

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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**

Hector H. Balderas, State Auditor
and
Mayor and Town Council
Town of Silver City
Silver City, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Silver City as of and for the year ended June 30, 2008, which collectively comprise the Town of Silver City's basic financial statements and have issued our report thereon dated November 26, 2008. We have also audited the financial statements of each of the Town's nonmajor governmental funds and enterprise funds presented as other supplementary information as of and for the year ended June 30, 2008, and have issued our report thereon dated November 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Silver 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 Town of Silver City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Silver 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 a combination of control deficiencies, that adversely affects the Town of Silver 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 Town of Silver City's financial statements that is more than inconsequential will not be prevented or detected by the Town of Silver City's internal control.

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

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Town of Silver 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

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

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

Stone, McGee & Co CPAs

November 26, 2008

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

KELLEY WYATT, C.P.A.
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas, State Auditor
and
Mayor and Town Council
Town of Silver City
Silver City, New Mexico

Compliance

We have audited the compliance of the Town of Silver City with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Town of Silver City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Silver City's management. Our responsibility is to express an opinion on the Town of Silver City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Silver City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Silver City's compliance with those requirements.

In our opinion, Town of Silver City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Town of Silver City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Silver City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Silver City's internal control over compliance.

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

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Stone, McGee & Co CPAs

November 26, 2008

Town of Silver City
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2008

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Silver City.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Town of Silver City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal awards programs for the Town of Silver City expresses an unqualified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted during the audit.
7. The programs tested as major programs included: Community Development Block Grants-States Program, CFDA No. 14.228.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The Town of Silver City qualified as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

07-2 Expenditures in Excess of Budgetary Authority

Condition – The Town's actual expenditures exceeded budgetary authority by \$13,159 in the Lodgers Tax Fund.

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 require, in part that actual expenditures not exceed budgetary authority. For municipalities, the fund is the legal level of control.

Effect – The internal controls established by the use of budgets to control expenditures has been compromised, and there is an increased likelihood of non-priority expenditures being made. In addition, New Mexico statutes have been violated.

Cause – Budgetary adjustments normally made at year-end to increase budgets to match revenues received were not made for this fund.

Recommendation – We recommend that the Town monitor its by-fund expenditures to insure that actual expenditures are within budget authority.

Agency Response – The monitoring activity recommended is already in place, and we will continue to employ it. This was an unusual transaction in which additional revenues were received and expenditures were made late in the fiscal year.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS

None.

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s with substantial assistance from Town personnel.

EXIT CONFERENCE

The contents of this report were discussed November 26, 2008. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
James Marshall	Mayor	Town of Silver City
Alex Brown	City Manager	Town of Silver City
Eva Jaurequi	Purchasing Agent	Town of Silver City
Linda Nunez	Utility Billing Supervisor	Town of Silver City
Mike Stone	Shareholder	Stone, McGee & Co., C.P.A.'s