

**CITY OF AZTEC  
STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
Year Ended June 30, 2010**

## **INTRODUCTORY SECTION**

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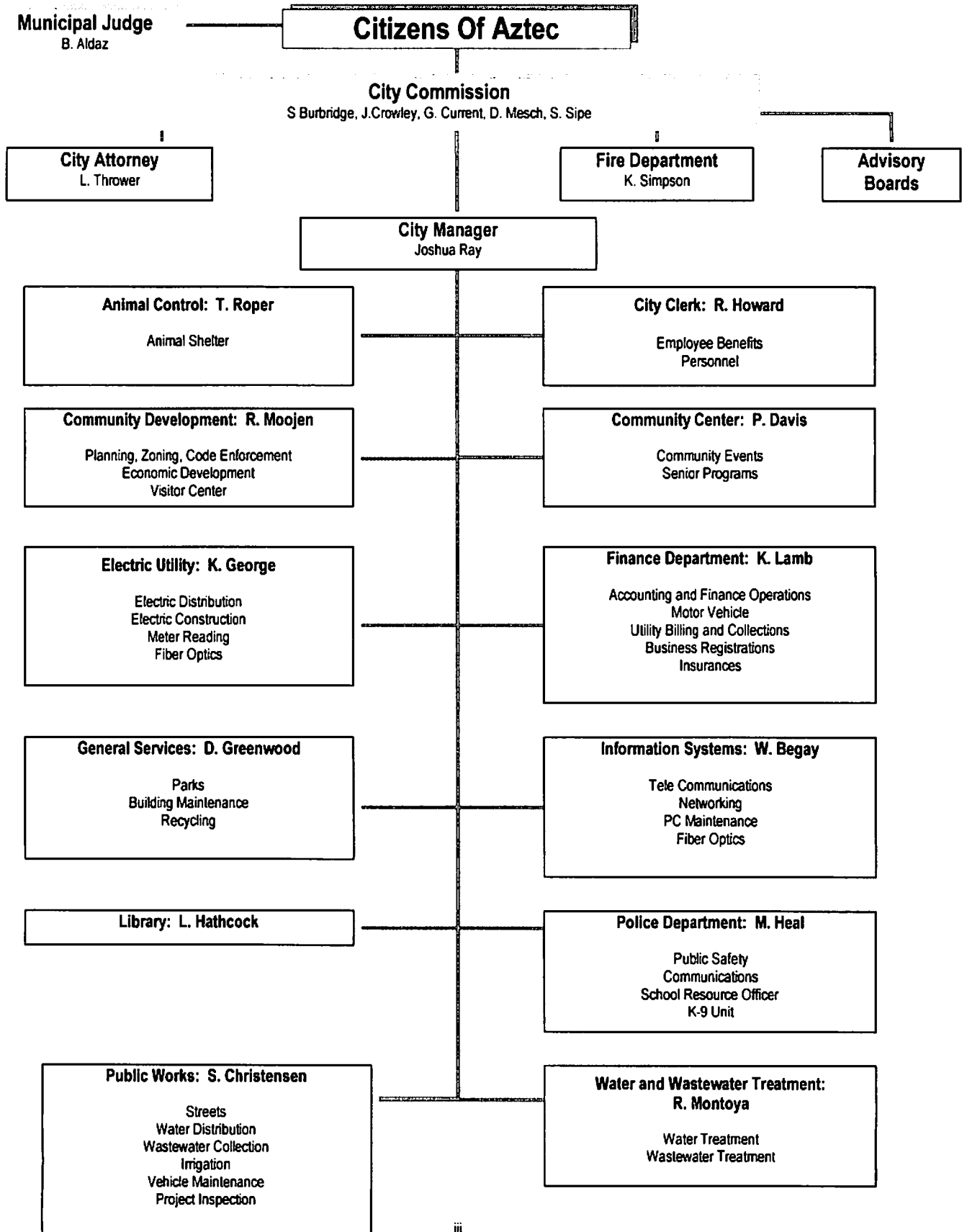
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# CITY OF AZTEC, NEW MEXICO

## ORGANIZATIONAL CHART

June 30, 2010



**CITY OF AZTEC, NEW MEXICO**  
**List of Principal Officials**

| <u>Title</u>           | <u>Name</u>       |
|------------------------|-------------------|
| Mayor .....            | Sally Burbridge   |
| Mayor Pro-Tem.....     | Jim Crowley       |
| City Commissioner..... | Diana C. Mesch    |
| City Commissioner..... | Sherri A. Sipe    |
| City Commissioner..... | Eugene L. Current |
| City Manager.....      | Joshua Ray        |
| Finance Director ..... | Kathy Lamb        |

## **FINANCIAL SECTION**

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the City of Aztec, New Mexico (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental and fiduciary funds, and the budgetary comparisons for the major capital projects fund, each nonmajor governmental funds, and all enterprise funds, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary funds of the City, as of June 30, 2010, and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects fund, nonmajor governmental funds, and all 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 June 5, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Audit Standards* and should be considered in assessing the results of our audit.

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

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

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



Farmington, New Mexico  
June 5, 2012

## Management's Discussion and Analysis

As management of the City of Aztec, we offer readers of the City of Aztec's financial statements this narrative overview and analysis of the financial activities of the City of Aztec for the fiscal year ended June 30, 2010.

### Financial Highlights

- The assets of the City of Aztec exceeded its liabilities at the close of the most recent fiscal year by \$55,547,905 (*net assets*). Of this amount, \$20,171,809 (*unrestricted net assets*) may be used to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Aztec's governmental funds reported combined ending fund balances of \$9,902,857 an decrease of \$2,744,803 in comparison with the prior year. A total of \$9,163,551 (*unreserved fund balance*) is available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,617,847 or 71.8 percent of the total general fund expenditures.

### Overview of Financial Statements

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

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

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

The *statement of activities* presents information showing how the City of Aztec's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave, etc).

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

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

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

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

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

The City of Aztec maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital improvements fund, both of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of *combining statements* following the notes to the financial statements (pages 31-42).

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the joint utility fund (electric, water, and wastewater operations), solid waste and irrigation operations and are found on pages 55-59 of this report.

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

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

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

### **Government-wide Financial Analysis**

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. In the case of the City of Aztec, assets exceeded liabilities by \$55,547,905 at the close of the most recent fiscal year.

The largest portion of the City of Aztec's net assets (62.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Aztec uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Aztec's investment in its capital assets is reported net of related debt, it should be noted that the resources required to repay this debt must be provided

from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Aztec's Net Assets**

|   | Governmental<br>Activities |              | Business-type<br>Activities |              | Total        |              |
|---|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
|   | FY 2010                    | FY 2009      | FY 2010                     | FY 2009      | FY 2010      | FY 2009      |
| Current and other assets                              | 11,629,960                 | 15,135,202   | 13,921,147                  | 12,471,384   | 25,551,107   | 27,606,586   |
| Capital assets  | 15,660,942                 | 16,273,714   | 29,108,148                  | 23,972,995   | 44,769,090   | 40,246,709   |
| Total assets  | \$27,290,902               | \$31,408,916 | \$43,029,295                | \$36,444,379 | \$70,320,197 | \$67,853,295 |
| Long-term liabilities<br>outstanding                  | 4,701,104                  | 4,905,127    | 7,469,363                   | 7,146,219    | 12,170,467   | 12,051,346   |
| Other liabilities                                     | 1,230,274                  | 1,978,086    | 1,371,551                   | 1,731,439    | 2,601,825    | 3,709,525    |
| Total liabilities                                     | \$5,931,378                | \$6,883,213  | \$8,840,914                 | \$8,877,658  | \$14,772,292 | \$15,760,871 |
| Net assets  |                            |              |                             |              |              |              |
| Invested in capital assets,<br>net of<br>related debt | 12,817,692                 | 15,048,147   | 21,749,963                  | 16,940,492   | 34,567,655   | 31,988,639   |
| Restricted  | 739,306                    | 857,112      | 69,135                      | 92,465       | 808,441      | 949,577      |
| Unrestricted  | 7,802,526                  | 8,620,444    | 12,369,283                  | 10,533,764   | 20,171,809   | 19,154,208   |
| Total net assets                                      | \$21,359,524               | \$24,525,703 | \$34,188,381                | \$27,566,721 | \$55,547,905 | \$52,092,424 |

A portion of the City of Aztec's net assets (1.46%) are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$20,171,809) may be used to meet government's ongoing obligations.

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

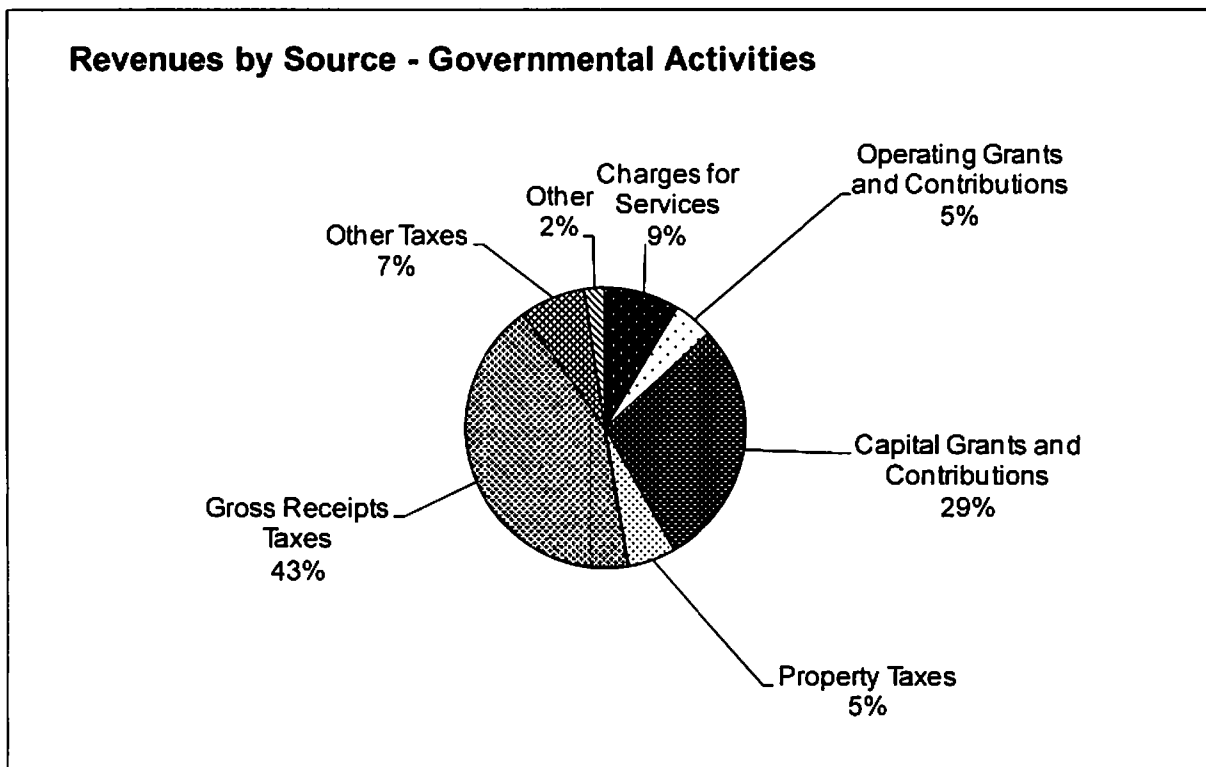
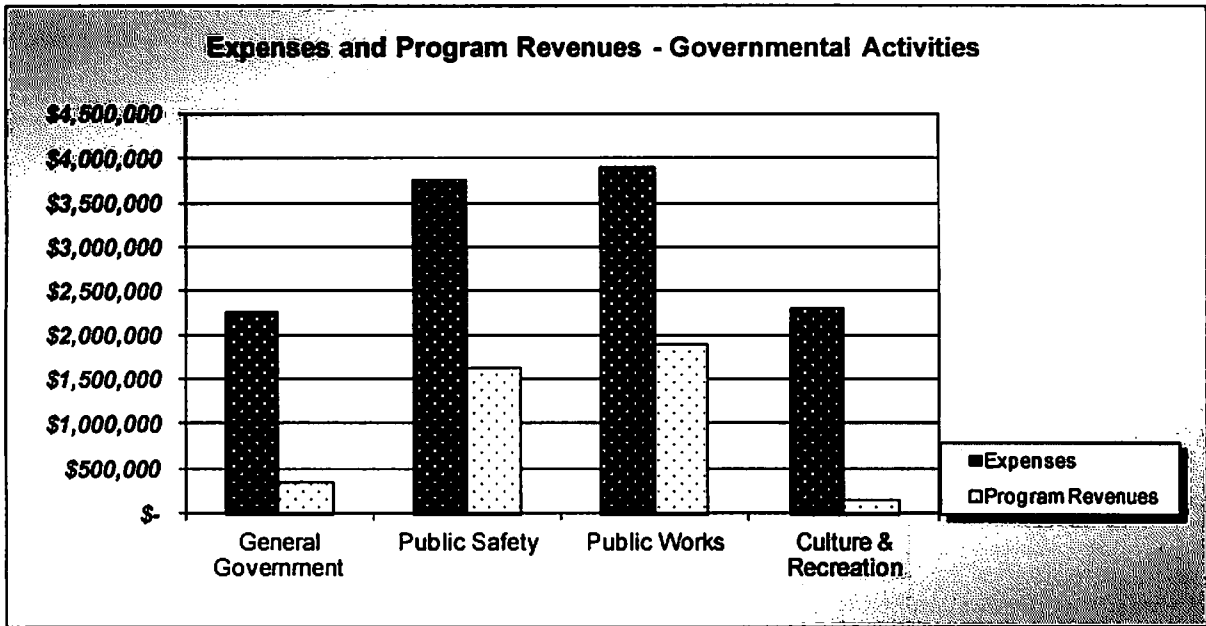
The City of Aztec's net assets increased by \$3,455,481 during the current fiscal year. This increase represents the continuing commitment of the Aztec City Commission and administration to build the financial stability of the City of Aztec.

**Governmental activities.** Governmental activities decreased the City of Aztec's net assets by \$3,166,179. Key elements of the change in net assets are as follows:

**City of Aztec's Changes in Net Assets**

|   | Governmental Activities |             | Business-Type Activities |              | Total        |              |
|---|-------------------------|-------------|--------------------------|--------------|--------------|--------------|
|   | FY 2010                 | FY 2009     | FY 2010                  | FY 2009      | FY 2009      | FY 2009      |
| <b>Revenues:</b>                        |                         |             |                          |              |              |              |
| <b>Program Revenues:</b>                |                         |             |                          |              |              |              |
| Charges for Services                    | \$822,494               | \$1,022,390 | \$10,261,422             | \$10,479,440 | \$11,083,916 | \$11,501,830 |
| Operating Grants and contributions      | 437,993                 | 429,943     |                          |              | 437,993      | 429,943      |
| Capital Grants and contributions        | 2,742,777               | 2,692,365   | 5,689,497                | 308,650      | 8,432,274    | 3,001,015    |
| <b>General Revenues:</b>                |                         |             |                          |              |              |              |
| Property Taxes                          | 522,553                 | 537,994     |                          |              | 522,553      | 537,994      |
| GRT Taxes                               | 4,090,147               | 5,384,771   | 85,308                   | 112,593      | 4,175,455    | 5,497,364    |
| Other Taxes                             | 711,960                 | 672,789     |                          |              | 711,960      | 672,789      |
| Other                                   | 235,353                 | 267,121     | 82,295                   | 172,500      | 317,648      | 439,621      |
|   | 9,563,277               | 11,007,373  | 16,118,522               | 11,073,183   | 25,681,799   | 22,080,556   |
| <b>Expenses:</b>                        |                         |             |                          |              |              |              |
| General Government                      | 2,257,458               | 1,983,249   |                          |              | 2,257,458    | 1,983,249    |
| Public Safety                           | 3,755,435               | 2,862,497   |                          |              | 3,755,435    | 2,862,497    |
| Public Works                            | 3,887,767               | 1,921,141   |                          |              | 3,887,767    | 1,921,141    |
| Culture & Recreation                    | 2,289,542               | 1,414,843   |                          |              | 2,289,542    | 1,414,843    |
| Joint Utility                           |                         |             | 9,367,458                | 7,995,060    | 9,367,458    | 7,995,060    |
| Solid Waste                             |                         |             | 660,642                  | 649,266      | 660,642      | 649,266      |
| Irrigation                              |                         |             | 8,016                    | 7,159        | 8,016        | 7,159        |
|   | 12,190,202              | 8,181,730   | 10,036,116               | 8,651,485    | 22,226,318   | 16,833,215   |
| Increase in net assets before transfers | (2,626,925)             | 2,825,643   | 6,082,406                | 2,421,698    | 3,455,481    | 5,247,341    |
| Transfers                               | (539,254)               | (696,453)   | 539,254                  | 696,453      | 0            | 0            |
| Restatement                             |                         |             |                          |              |              |              |
| Increase in net assets                  | (3,166,179)             | 2,129,190   | 6,621,660                | 3,118,151    | 3,455,481    | 5,247,341    |
| Net assets – 6/30/09                    | 24,525,703              | 22,396,513  | 27,566,721               | 24,448,570   | 52,092,424   | 46,845,083   |
| Net assets – 6/30/10                    | 21,359,524              | 24,525,703  | 34,188,381               | 27,566,721   | 55,547,905   | 52,092,424   |

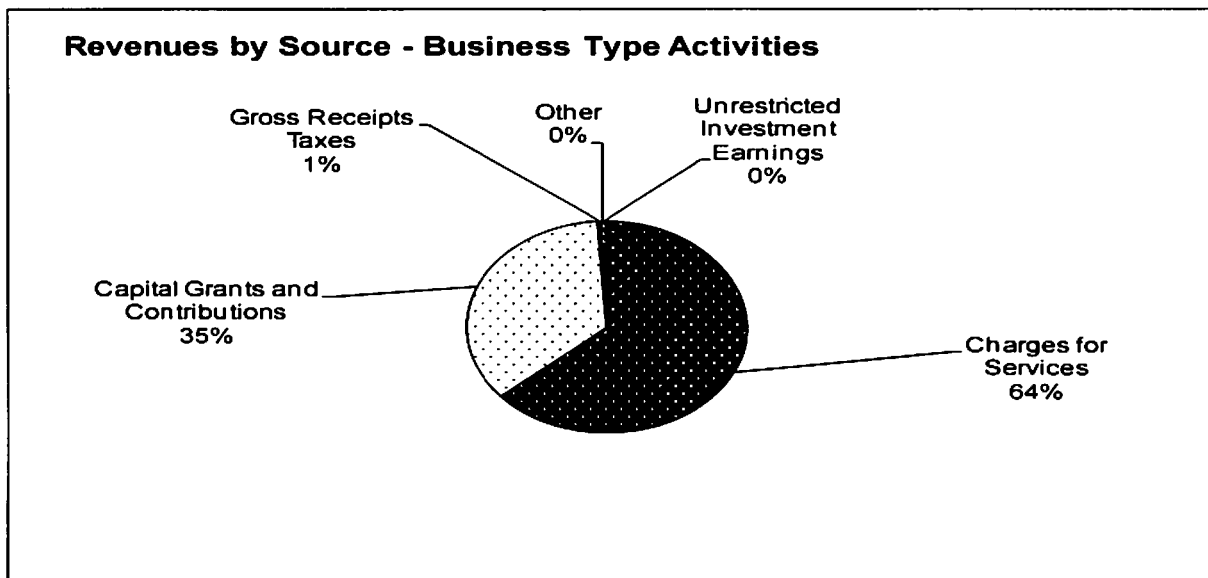
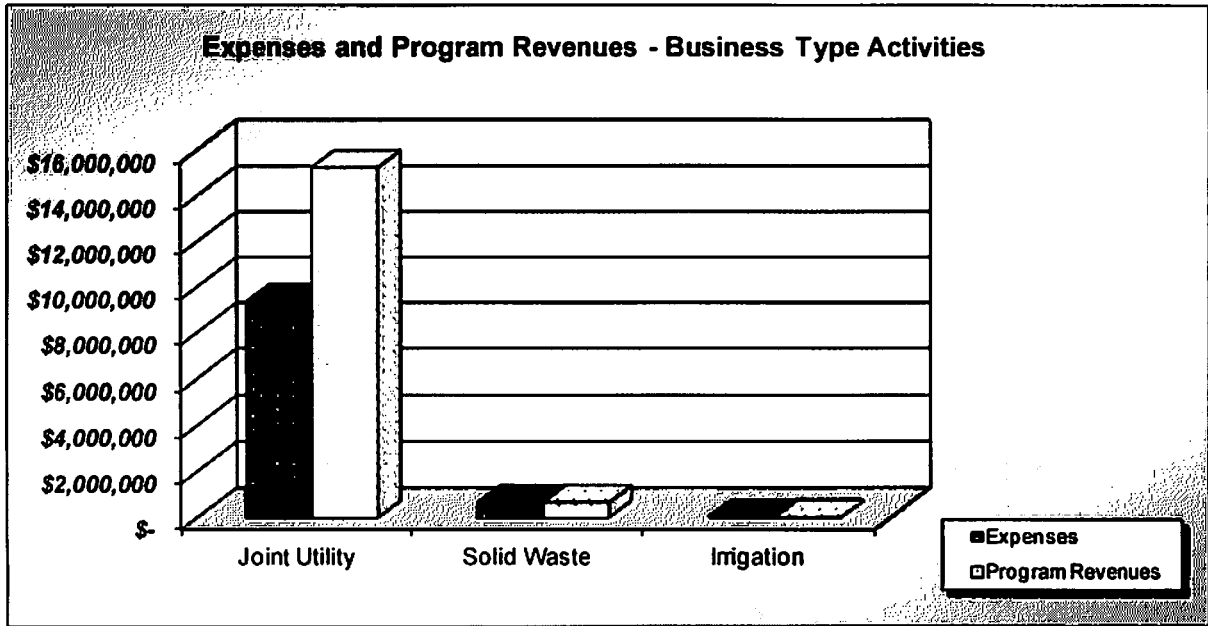
- Property taxes decreased by \$15,441 (2.87 percent) during the year attributable to the decrease in oil and gas production;
- Gross Receipts Tax revenues decreased by \$1,321,909 (24%) during the year and is attributable to the decline in the regional economy.



**Business-type activities.** Business-type activities increased the City of Aztec's net assets by \$6,621,660, accounting for 100 percent of the total growth in the government's net assets. Key financial elements of the past year are as follows:



- Operating expenses are 95.7 percent of revenues, resulting in \$441,752 in operating income.
- Total joint utility fund operating revenues decreased by \$237,037 or 2.4%.
  - Electric revenues decreased by \$27,398 or 4%
  - Water revenues decreased by \$182,642 or 8.0%
  - Wastewater revenues decreased by \$26,997 or 2.6%



## Financial Analysis of the Government's Funds

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

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

As of the June 30, 2010, the City of Aztec's governmental funds reported combined ending fund balances of \$9,902,857, an decrease of \$2,744,803 in comparison with the prior year. Approximately 92.5 percent of this total amount or \$9,163,551 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes (\$739,306).

The general fund is the chief operating fund of the City of Aztec. At the end of the current fiscal year, unreserved and total fund balance of the general fund was \$4,617,847. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balance represents 71.8 percent of total general fund expenditures.

The fund balance of the City of Aztec's general fund decreased by \$177,268 during the current fiscal year.

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

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

Unrestricted net assets of the joint utility fund at the end of the year amounted to \$12,018,883, for solid waste \$224,376, and irrigation \$126,024. The total growth in net assets for the joint utility fund was \$6,586,948, for solid waste fund was \$28,679 and irrigation fund \$6,033.

## **Government Wide Budgetary Highlights**

Differences between the original budget and the final amended budget were \$61,000 which represents less than a 1 percent increase in appropriations.

- Major adjustments included:
  - \$20,000 in local contributions (grants) to the library and senior center for their respective programs
  - \$41,000 additional appropriation for bid award for wastewater infrastructure improvements to Park Avenue.

In the general fund, actual revenue was slightly under budget by \$160,964 or 2.6%. However, actual expenditures were under budget by \$2,092,729 or 24.6%.

The joint utility fund actual revenue exceeded budgeted operating revenues by \$233,366 or 2.5% and actual operating expenses were under budget by \$1,350,594 or 10.8%.

## **Capital Asset and Debt Administration**

**Capital assets.** The City of Aztec's investment in capital assets for its governmental and business type activities as of June 30, 2010, amounts to \$44,769,090 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, utility systems, machinery and equipment, park facilities, roads, highways, and bridges. The business-type capital assets accounted for \$29,108,148 or 65 percent of the total City of Aztec capital assets. Business type assets increased in net value by \$5,135,153 or 21.4%.

The governmental activities investment in capital assets accounted for \$15,660,942 or 35 percent of all capital assets owned by the City.

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

- Completion of new wastewater treatment facility;
- Completion of raw water reservoir #3;
- Completion of animal shelter building
- Construction began on East Aztec Arterial Phase 1a April 2010;
- Construction started on Aztec Tiger Park recreational area;
- Continued regular scheduled replacement of vehicles and heavy equipment.

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

|                          | Governmental Activities |                     | Business-Type Activities |                     | Total               |                     |
|--------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                          | FY2010                  | FY2009              | FY2010                   | FY2009              | FY2010              | FY2008              |
| Land                     | 638,435                 | 638,435             | 694,402                  | 694,402             | 1,332,837           | 1,332,837           |
| Buildings & System       | 5,379,889               | 5,115,922           | 27,518,973               | 14,887,726          | 32,898,862          | 20,003,648          |
| Improvements             | 1,389,554               | 1,147,119           | 0                        | 0                   | 1,389,554           | 1,147,119           |
| Machinery & Equipment    | 1,306,727               | 1,537,766           | 847,765                  | 999,179             | 2,154,492           | 2,536,945           |
| Infrastructure           | 6,123,826               | 5,541,786           | 0                        | 0                   | 6,123,826           | 5,541,786           |
| Construction in Progress | 822,511                 | 2,292,686           | 47,008                   | 7,391,688           | 869,519             | 9,684,374           |
| <b>Total</b>             | <b>\$15,660,942</b>     | <b>\$16,273,714</b> | <b>\$29,108,148</b>      | <b>\$23,972,995</b> | <b>\$44,769,090</b> | <b>\$40,246,709</b> |

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

Capital expenses for the water utility system scheduled in the current five-year capital improvements plan principally include upgrades and replacements of existing facilities to maintain the existing system and meet future demand requirements. The capital expenditures are expected to total \$500,000 for fiscal years 2011 and 2012. The improvements will be funded through a combination of internally generated funds, grants and loan proceeds.

Wastewater system improvements include the completion of the wastewater treatment facility. Additional automation improvements are anticipated for fiscal years 2011 and 2012 and are expected to total \$600,000 and will be funded through internally generated funds.

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

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

The City closed on the USDA RUS loan for the wastewater plant in the amount of \$860,447 and is secured by environmental gross receipts tax revenues.

Retired debt includes:

New Mexico Finance Authority loan for East Aztec Water Distribution system

New Mexico Retiree Health Care Authority surplus contribution

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

**Debt limitation.** Article IX, Section 13 of the State Constitution limits the powers of the City to incur general obligation debt in an aggregate amount, including existing indebtedness, not to exceed four percent of the value of the taxable property in the City as shown by the last preceding general assessments. The City may, however, contract debt in excess of such limitation for the construction or purchase of a system for supplying water or a sewer system for the City. Based on the 2010 assessed valuation of \$105,460,701, the City's general obligation debt limit is \$4,218,428. The City presently has no general obligation bonds outstanding.

**Future bond financing activities.** None

### **Economic Factors and Next Year's Budgets and Rates**

The governing body, with the FY2010 budget, required significant reductions to departmental budgets (both governmental and business-type activities) to reduce the use of cash reserves to balance the annual budget. A process has begun to conduct review of all city operations to streamline costs, increase efficiency and productivity.

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

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

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

San Juan County is dependent on the energy industry and changes in federal and state regulations have impacted the industry. This will continue to have an impact on City revenues into FY2011 and potentially FY2012.

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

### **Requests for Information**

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

## **Basic Financial Statements**

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**CITY OF AZTEC, NEW MEXICO**  
**Statement of Net Assets**  
**June 30, 2010**

|   | <b>Primary Government</b>          |                                     |               |
|---|------------------------------------|-------------------------------------|---------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>  |
| <b>ASSETS:</b>  |                                    |                                     |               |
| Cash and cash equivalents   | \$ 6,690,983                       | \$ 11,184,178                       | \$ 17,875,161 |
| Cash with fiscal agent  | 1,734,074                          | 69,135                              | 1,803,209     |
| Receivables (net, where applicable, of allowances for uncollectibles) | -                                  | 1,139,591                           | 1,139,591     |
| Interest receivable   | -                                  | 36,970                              | 36,970        |
| Intergovernmental receivable  | 3,153,078                          | 548,229                             | 3,701,307     |
| Other receivables   | 55,439                             | -                                   | 55,439        |
| Internal balances   | (5,218)                            | 5,218                               | -             |
| Inventories   | -                                  | 937,688                             | 937,688       |
| Prepays   | 1,604                              | 138                                 | 1,742         |
| Capital assets:   |                                    |                                     |               |
| Non-depreciable assets  | 1,460,946                          | 741,410                             | 2,202,356     |
| Depreciable assets, net   | 14,199,996                         | 28,366,738                          | 42,566,734    |
| Total assets  | 27,290,902                         | 43,029,295                          | 70,320,197    |
| <b>LIABILITIES:</b>   |                                    |                                     |               |
| Accounts payable  | 916,388                            | 721,508                             | 1,637,896     |
| Accrued payroll, taxes and benefits                                   | 278,212                            | 209,493                             | 487,705       |
| Accrued interest payable  | 32,951                             | 40,163                              | 73,114        |
| Unearned revenue  | 2,723                              | 118,080                             | 120,803       |
| Customer deposits   | -                                  | 282,307                             | 282,307       |
| Non-current liabilities:  |                                    |                                     |               |
| Due within one year   | 417,353                            | 468,404                             | 885,757       |
| Due in more than one year   | 4,283,751                          | 7,000,959                           | 11,284,710    |
| Total liabilities   | 5,931,378                          | 8,840,914                           | 14,772,292    |
| <b>NET ASSETS:</b>  |                                    |                                     |               |
| Invested in capital assets, net of related debt                       | 12,817,692                         | 21,749,963                          | 34,567,655    |
| Restricted for:   |                                    |                                     |               |
| Subsequent year's statutory reserve                                   | 588,192                            | -                                   | 588,192       |
| Debt service  | 151,114                            | 69,135                              | 220,249       |
| Unrestricted  | 7,802,526                          | 12,369,283                          | 20,171,809    |
| Total net assets  | \$ 21,359,524                      | \$ 34,188,381                       | \$ 55,547,905 |

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

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

| Functions/Programs                   | Program Revenues  |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Assets |                             | Total                |
|--------------------------------------|-------------------|-------------------------|--|--|--|-----------------------------|----------------------|
|                                      | Expenses          | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                         | Business-type<br>Activities |                      |
| <b>Primary government:</b>           |                   |                         |  |  |  |                             |                      |
| Governmental activities:             |                   |                         |  |  |  |                             |                      |
| General government                   | \$ 2,257,458      | \$ 150,871              | \$ 160,343                               | \$ 40,478                              | \$ (1,905,766)                                     | \$ -                        | \$ (1,905,766)       |
| Public safety                        | 3,755,435         | 512,697                 | 20,830                                   | 1,093,502                              | (2,128,406)  | -                           | (2,128,406)          |
| Public works                         | 3,887,767         | 84,884                  | 256,820                                  | 1,549,152                              | (1,996,911)  | -                           | (1,996,911)          |
| Culture and recreation               | 2,289,542         | 74,042                  | -  | 59,645                                 | (2,155,855)  | -                           | (2,155,855)          |
| Total governmental activities        | <u>12,190,202</u> | <u>822,494</u>          | <u>437,993</u>                           | <u>2,742,777</u>                       | <u>(8,186,938)</u>                                 | <u>-</u>                    | <u>(8,186,938)</u>   |
| Business-type activities:            |                   |                         |  |  |  |                             |                      |
| Joint utility                        | 9,367,458         | 9,569,623               | -  | 5,689,497                              | -  | 5,891,662                   | 5,891,662            |
| Solid waste                          | 660,642           | 678,640                 | -  | -                                      | -  | 17,998                      | 17,998               |
| Irrigation                           | 8,016             | 13,159                  | -  | -                                      | -  | 5,143                       | 5,143                |
| Total business-type activities       | <u>10,036,116</u> | <u>10,261,422</u>       | <u>-</u>                                 | <u>5,689,497</u>                       | <u>-</u>   | <u>5,914,803</u>            | <u>5,914,803</u>     |
| Total government                     | <u>22,226,318</u> | <u>11,083,916</u>       | <u>437,993</u>                           | <u>8,432,274</u>                       | <u>(8,186,938)</u>                                 | <u>5,914,803</u>            | <u>(2,272,135)</u>   |
| General revenues:                    |                   |                         |  |  |  |                             |                      |
| Property taxes                       |                   |                         |  |  | 522,553  | -                           | 522,553              |
| Gross receipts tax                   |                   |                         |  |  | 4,090,147  | 85,308                      | 4,175,455            |
| Franchise taxes                      |                   |                         |  |  | 474,311  | -                           | 474,311              |
| Other taxes                          |                   |                         |  |  | 237,649  | -                           | 237,649              |
| Miscellaneous                        |                   |                         |  |  | 176,437  | -                           | 176,437              |
| Unrestricted investment earnings     |                   |                         |  |  | 58,916   | 82,295                      | 141,211              |
| Transfers                            |                   |                         |  |  | (539,254)  | 539,254                     | -                    |
| Total general revenues and transfers |                   |                         |  |  | <u>5,020,759</u>                                   | <u>706,857</u>              | <u>5,727,616</u>     |
| Change in net assets                 |                   |                         |  |  | (3,166,179)  | 6,621,660                   | 3,455,481            |
| Net assets - beginning               |                   |                         |  |  | 24,525,703   | 27,566,721                  | 52,092,424           |
| Net assets - ending                  |                   |                         |  |  | <u>\$ 21,359,524</u>                               | <u>\$ 34,188,381</u>        | <u>\$ 55,547,905</u> |

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

**CITY OF AZTEC, NEW MEXICO**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

|  | General             | Municipal<br>Road   | Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------|---------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                              |                     |                     |                     |                                |                                |
| Cash and cash equivalents                  | \$ 4,588,406        | \$ 1,296,726        | \$ -                | \$ 805,851                     | \$ 6,690,983                   |
| Cash with fiscal agent                     | -                   | -                   | 1,734,074           | -                              | 1,734,074                      |
| Intergovernmental receivable               | 1,299,852           | 263,610             | 1,511,793           | 77,823                         | 3,153,078                      |
| Other receivables                          | 52,638              | -                   | -                   | 2,801                          | 55,439                         |
| Prepaid items                              | 271                 | -                   | -                   | 1,333                          | 1,604                          |
| Due from other funds                       | 250,000             | 13,963              | -                   | 4,500                          | 268,463                        |
| <b>Total Assets</b>                        | <b>\$ 6,191,167</b> | <b>\$ 1,574,299</b> | <b>\$ 3,245,867</b> | <b>\$ 892,308</b>              | <b>\$ 11,903,641</b>           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                     |                     |                     |                                |                                |
| <b>Liabilities:</b>                        |                     |                     |                     |                                |                                |
| Accounts payable                           | \$ 174,563          | \$ 335,265          | \$ 333,324          | \$ 73,236                      | \$ 916,388                     |
| Accrued payroll, taxes and benefits        | 274,895             | 2,597               | -                   | 720                            | 278,212                        |
| Unearned revenue                           | 1,390               | -                   | -                   | 1,333                          | 2,723                          |
| Deferred revenue                           | 529,780             | -                   | -                   | -                              | 529,780                        |
| Due to other funds                         | 4,500               | -                   | 263,963             | 5,218                          | 273,681                        |
| <b>Total Liabilities</b>                   | <b>985,128</b>      | <b>337,862</b>      | <b>597,287</b>      | <b>80,507</b>                  | <b>2,000,784</b>               |
| <b>Fund Balances:</b>                      |                     |                     |                     |                                |                                |
| <b>Reserved for:</b>                       |                     |                     |                     |                                |                                |
| Subsequent year's statutory reserve        | 588,192             | -                   | -                   | -                              | 588,192                        |
| Debt service                               | -                   | -                   | 151,114             | -                              | 151,114                        |
| <b>Unreserved, reported in:</b>            |                     |                     |                     |                                |                                |
| General fund - undesignated                | 4,617,847           | -                   | -                   | -                              | 4,617,847                      |
| Special revenue funds                      | -                   | 1,236,437           | -                   | 805,735                        | 2,042,172                      |
| Capital project funds                      | -                   | -                   | 2,497,466           | 6,066                          | 2,503,532                      |
| <b>Total Fund Balances</b>                 | <b>5,206,039</b>    | <b>1,236,437</b>    | <b>2,648,580</b>    | <b>811,801</b>                 | <b>9,902,857</b>               |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 6,191,167</b> | <b>\$ 1,574,299</b> | <b>\$ 3,245,867</b> | <b>\$ 892,308</b>              |                                |

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

|  |                      |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                  | 15,660,942           |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.                 | 529,780              |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. |                      |
| Contracts and loans payable  | (4,426,210)          |
| Accrued compensated absences   | (274,894)            |
| Accrued interest payable   | (32,951)             |
| <b>Net assets of governmental activities</b>   | <b>\$ 21,359,524</b> |

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

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

|  | General             | Municipal<br>Road   | Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------|---------------------|--------------------------------|--------------------------------|
| <b>REVENUES:</b>   |                     |                     |                     |                                |                                |
| Taxes:   |                     |                     |                     |                                |                                |
| Property   | \$ 509,559          | \$ -                | \$ -                | \$ -                           | \$ 509,559                     |
| Gross Receipts   | 3,407,550           | 170,815             | 511,782             | -                              | 4,090,147                      |
| Franchise  | 474,311             | -                   | -                   | -                              | 474,311                        |
| Other  | 53,906              | 159,623             | -                   | 24,120                         | 237,649                        |
| Licenses and permits   | 55,183              | -                   | -                   | 7,500                          | 62,683                         |
| Intergovernmental  | 554,153             | 202,666             | 1,595,398           | 828,553                        | 3,180,770                      |
| Charges for services   | 247,114             | -                   | -                   | 77,662                         | 324,776                        |
| Fines  | 435,035             | -                   | -                   | -                              | 435,035                        |
| Investment earnings  | 34,751              | 12,039              | 5,958               | 6,168                          | 58,916                         |
| Miscellaneous  | 171,690             | -                   | -                   | 4,747                          | 176,437                        |
| <b>Total Revenues</b>  | <b>5,943,252</b>    | <b>545,143</b>      | <b>2,113,138</b>    | <b>948,750</b>                 | <b>9,550,283</b>               |
| <b>EXPENDITURES:</b>   |                     |                     |                     |                                |                                |
| Current:   |                     |                     |                     |                                |                                |
| General government   | 1,738,144           | -                   | 22,203              | 3,009                          | 1,763,356                      |
| Public safety  | 2,163,597           | -                   | -                   | 245,560                        | 2,409,157                      |
| Public works   | 1,020,191           | 393,524             | -                   | -                              | 1,413,715                      |
| Culture and recreation                                       | 1,126,262           | -                   | -                   | 17,510                         | 1,143,772                      |
| Capital outlay   | 355,833             | 566,231             | 3,127,359           | 618,474                        | 4,667,897                      |
| Debt service:  |                     |                     |                     |                                |                                |
| Principal  | 24,470              | -                   | 132,377             | -                              | 156,847                        |
| Interest   | 1,384               | -                   | 199,704             | -                              | 201,088                        |
| <b>Total Expenditures</b>                                    | <b>6,429,881</b>    | <b>959,755</b>      | <b>3,481,643</b>    | <b>884,553</b>                 | <b>11,755,832</b>              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (486,629)           | (414,612)           | (1,368,505)         | 64,197                         | (2,205,549)                    |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                     |                     |                     |                                |                                |
| Operating transfers, in                                      | 434,430             | 121,500             | -                   | 125,069                        | 680,999                        |
| Operating transfers, out                                     | (125,069)           | -                   | -                   | (1,095,184)                    | (1,220,253)                    |
| <b>Total other financing sources and uses</b>                | <b>309,361</b>      | <b>121,500</b>      | <b>-</b>            | <b>(970,115)</b>               | <b>(539,254)</b>               |
| <b>Net change in fund balances</b>                           | <b>(177,268)</b>    | <b>(293,112)</b>    | <b>(1,368,505)</b>  | <b>(905,918)</b>               | <b>(2,744,803)</b>             |
| Fund balances - beginning                                    | 5,383,307           | 1,529,549           | 4,017,085           | 1,717,719                      | 12,647,660                     |
| <b>Fund balances - ending</b>                                | <b>\$ 5,206,039</b> | <b>\$ 1,236,437</b> | <b>\$ 2,648,580</b> | <b>\$ 811,801</b>              | <b>\$ 9,902,857</b>            |

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

**CITY OF AZTEC, NEW MEXICO**  
**Reconciliation of the Statement of Revenues**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2010**

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

|  |                       |
|--|-----------------------|
| Net change in fund balances-total governmental funds | <u>\$ (2,744,803)</u> |
|--|-----------------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The detail is as follows:

|                      |                    |
|----------------------|--------------------|
| Capital outlay       | 520,192            |
| Depreciation expense | <u>(1,159,312)</u> |
| Total                | <u>(639,120)</u>   |

Deferred revenues are not available to pay current period expenditures and therefore are not recognized in the fund financial statement. The revenues are not deferred in the governmental activities of the Statement of Net Assets.

|  |               |
|--|---------------|
|  | <u>12,994</u> |
|--|---------------|

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail is as follows:

|                          |                |
|--------------------------|----------------|
| Principal repayments     | 156,847        |
| Accrued interest payable | 727            |
| Compensated absences     | <u>47,176</u>  |
| Total                    | <u>204,750</u> |

|   |                              |
|---|------------------------------|
| Change in net assets of governmental activities | <u><u>\$ (3,166,179)</u></u> |
|---|------------------------------|

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

**CITY OF AZTEC, NEW MEXICO**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual**  
**For the Year Ended June 30, 2010**

|  | Budgeted Amounts |              | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|--------------|-------------------|---|
|  | Original         | Final        |                   |   |
| <b>REVENUES:</b>                       |                  |              |                   |   |
| Taxes:                                 |                  |              |                   |   |
| Property taxes                         | \$ 460,764       | \$ 460,764   | \$ 509,559        | \$ 48,795   |
| Gross receipts tax                     | 3,560,000        | 3,560,000    | 3,407,550         | (152,450)   |
| Franchise taxes                        | 488,800          | 488,800      | 474,311           | (14,489)  |
| Other taxes                            | 46,120           | 46,120       | 53,906            | 7,786   |
| Licenses and permits                   | 47,620           | 47,620       | 55,183            | 7,563   |
| Intergovernmental                      | 590,582          | 610,582      | 554,153           | (56,429)  |
| Charges for services                   | 238,950          | 238,950      | 247,114           | 8,164   |
| Fines                                  | 524,500          | 524,500      | 435,035           | (89,465)  |
| Investment earnings                    | 90,000           | 90,000       | 34,751            | (55,249)  |
| Miscellaneous                          | 36,880           | 36,880       | 171,690           | 134,810   |
| Total Revenues                         | 6,084,216        | 6,104,216    | 5,943,252         | (160,964)   |
| <b>EXPENDITURES:</b>                   |                  |              |                   |   |
| Current:                               |                  |              |                   |   |
| General government:                    |                  |              |                   |   |
| Legislative                            | 157,201          | 157,201      | 117,146           | 40,055  |
| Economic Development                   | 206,660          | 126,710      | 105,145           | 21,565  |
| Judicial                               | 199,215          | 199,215      | 173,832           | 25,383  |
| City Manager                           | 518,136          | 520,086      | 400,540           | 119,546   |
| Finance                                | 691,631          | 613,316      | 373,759           | 239,557   |
| Legal                                  | 65,100           | 65,100       | 63,163            | 1,937   |
| Motor vehicle                          | 219,195          | 219,980      | 198,529           | 21,451  |
| Planning                               | 172,549          | 182,184      | 120,414           | 61,770  |
| Information systems                    | 190,675          | 194,475      | 185,616           | 8,859   |
| Total general government               | 2,420,362        | 2,278,267    | 1,738,144         | 540,123   |
| Public safety:                         |                  |              |                   |   |
| Police                                 | 1,868,424        | 1,868,350    | 1,557,607         | 310,743   |
| Fire                                   | 130,680          | 130,680      | 77,975            | 52,705  |
| Animal control                         | 554,304          | 554,304      | 528,015           | 26,289  |
| Total public safety                    | 2,553,408        | 2,553,334    | 2,163,597         | 389,737   |
| Public works:                          |                  |              |                   |   |
| City buildings                         | 319,785          | 312,481      | 290,701           | 21,780  |
| Streets                                | 884,089          | 885,789      | 721,724           | 164,065   |
| Shop                                   | -                | -            | 7,766             | (7,766)   |
| Total public works                     | 1,203,874        | 1,198,270    | 1,020,191         | 178,079   |
| Culture and recreation:                |                  |              |                   |   |
| Recreation                             | 82,128           | 76,178       | 74,241            | 1,937   |
| Parks                                  | 544,120          | 555,014      | 463,922           | 91,092  |
| Library                                | 374,387          | 395,969      | 361,722           | 34,247  |
| Community center                       | 179,663          | 204,991      | 169,362           | 35,629  |
| Community support                      | 638,356          | 638,356      | 57,015            | 581,341   |
| Total culture and recreation           | 1,818,654        | 1,870,508    | 1,126,262         | 744,246   |
| Capital outlay                         | 480,459          | 596,377      | 355,833           | 240,544   |
| Debt service:                          |                  |              |                   |   |
| Principal                              | 24,500           | 24,696       | 24,695            | 1   |
| Interest                               | 1,400            | 1,204        | 1,159             | 45  |
| Total debt service                     | 25,900           | 25,900       | 25,854            | 46  |
| Total expenditures                     | 8,502,657        | 8,522,656    | 6,429,881         | 2,092,729   |
| Excess of revenues over expenditures   | (2,418,441)      | (2,418,440)  | (486,629)         | 1,931,811   |
| <b>OTHER FINANCING SOURCES (USES):</b> |                  |              |                   |   |
| Transfers in                           | 434,430          | 434,430      | 434,430           | -   |
| Transfers out                          | (165,000)        | (165,000)    | (125,069)         | 39,931  |
| Total Other Financing Sources and Uses | 269,430          | 269,430      | 309,361           | 39,931  |
| Net change in fund balances            | (2,149,011)      | (2,149,010)  | (177,268)         | 1,971,742   |
| Fund balances - beginning              | 5,383,307        | 5,383,307    | 5,383,307         | -   |
| Fund balances - ending                 | \$ 3,234,296     | \$ 3,234,297 | \$ 5,206,039      | \$ 1,971,742  |

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

**CITY OF AZTEC, NEW MEXICO**  
**Municipal Road Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|  | Budgeted Amounts |             | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|-------------|-------------------|---|
|  | Original         | Final       |                   |   |
| <b>REVENUES:</b>   |                  |             |                   |   |
| Taxes:   |                  |             |                   |   |
| Gross receipts tax   | \$ 175,000       | \$ 175,000  | \$ 170,815        | \$ (4,185)  |
| Other taxes  | 144,000          | 144,000     | 159,623           | 15,623  |
| Intergovernmental  | 2,576,990        | 2,576,990   | 202,666           | (2,374,324)   |
| Investment earnings  | 10,000           | 10,000      | 12,039            | 2,039   |
| Miscellaneous  | -                | -           | -                 | -   |
| Total Revenues   | 2,905,990        | 2,905,990   | 545,143           | (2,360,847)   |
| <b>EXPENDITURES:</b>   |                  |             |                   |   |
| Current:   |                  |             |                   |   |
| Public works   | 574,056          | 574,056     | 393,524           | 180,532   |
| Capital outlay   | 3,484,336        | 3,484,336   | 566,231           | 2,918,105   |
| Total Expenditures   | 4,058,392        | 4,058,392   | 959,755           | 3,098,637   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (1,152,402)      | (1,152,402) | (414,612)         | 737,790   |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                  |             |                   |   |
| Transfers in   | 121,500          | 121,500     | 121,500           | -   |
| Net change in fund balances                                  | (1,030,902)      | (1,030,902) | (293,112)         | 737,790   |
| Fund balances - beginning                                    | 1,529,549        | 1,529,549   | 1,529,549         | -   |
| Fund balances - ending                                       | \$ 498,647       | \$ 498,647  | \$ 1,236,437      | \$ 737,790  |

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

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

|   | <b>Business-type Activities-Enterprise Funds</b> |                        |                                  |                      |
|---|--|------------------------|----------------------------------|----------------------|
|   | <b>Joint<br/>Utility</b>                         | <b>Solid<br/>Waste</b> | <b>Irrigation<br/>Assessment</b> | <b>Totals</b>        |
| <b>ASSETS</b>   |  |                        |                                  |                      |
| Current assets:   |  |                        |                                  |                      |
| Cash and cash equivalents                                       | \$ 10,855,470                                    | \$ 203,258             | \$ 125,450                       | \$ 11,184,178        |
| Cash with fiscal agent  | 69,135   | -                      | -                                | 69,135               |
| Accounts receivable (net of allowance<br>for doubtful accounts) | 1,062,428  | 76,589                 | 574                              | 1,139,591            |
| Interest receivable   | 36,970   | -                      | -                                | 36,970               |
| Intergovernmental receivable                                    | 548,229  | -                      | -                                | 548,229              |
| Inventories   | 937,688  | -                      | -                                | 937,688              |
| Prepaid items   | 138  | -                      | -                                | 138                  |
| Due from other funds  | 255,218  | -                      | -                                | 255,218              |
| Total Current Assets  | <u>13,765,276</u>                                | <u>279,847</u>         | <u>126,024</u>                   | <u>14,171,147</u>    |
| Noncurrent assets:  |  |                        |                                  |                      |
| Capital assets:   |  |                        |                                  |                      |
| Land and land rights  | 694,402  | -                      | -                                | 694,402              |
| Building and system   | 35,804,291                                       | -                      | 122,550                          | 35,926,841           |
| Machinery and equipment   | 2,824,563  | 52,752                 | -                                | 2,877,315            |
| Construction in progress  | 47,008   | -                      | -                                | 47,008               |
| Less accumulated depreciation                                   | (10,342,916)                                     | (34,499)               | (60,003)                         | (10,437,418)         |
| Total noncurrent assets   | <u>29,027,348</u>                                | <u>18,253</u>          | <u>62,547</u>                    | <u>29,108,148</u>    |
| Total Assets  | <u>42,792,624</u>                                | <u>298,100</u>         | <u>188,571</u>                   | <u>43,279,295</u>    |
| <b>LIABILITIES</b>  |  |                        |                                  |                      |
| Current liabilities:  |  |                        |                                  |                      |
| Accounts payable  | 670,298  | 51,210                 | -                                | 721,508              |
| Accrued payroll, taxes and benefits                             | 205,669  | 3,824                  | -                                | 209,493              |
| Accrued interest payable  | 40,163   | -                      | -                                | 40,163               |
| Unearned revenue  | 118,080  | -                      | -                                | 118,080              |
| Customer deposits   | 282,307  | -                      | -                                | 282,307              |
| Compensated absences, current portion                           | 84,300   | 437                    | -                                | 84,737               |
| Due to other funds  | 250,000  | -                      | -                                | 250,000              |
| Bonds, notes and loans payable - current portion                | 383,667  | -                      | -                                | 383,667              |
| Total Current Liabilities                                       | <u>2,034,484</u>                                 | <u>55,471</u>          | <u>-</u>                         | <u>2,089,955</u>     |
| Noncurrent liabilities:   |  |                        |                                  |                      |
| Compensated absences  | 26,441   | -                      | -                                | 26,441               |
| Bonds, notes and loans payable, net                             | 6,974,518  | -                      | -                                | 6,974,518            |
| Total noncurrent liabilities                                    | <u>7,000,959</u>                                 | <u>-</u>               | <u>-</u>                         | <u>7,000,959</u>     |
| Total liabilities   | <u>9,035,443</u>                                 | <u>55,471</u>          | <u>-</u>                         | <u>9,090,914</u>     |
| <b>NET ASSETS</b>   |  |                        |                                  |                      |
| Invested in capital assets, net of related debt                 | 21,669,163                                       | 18,253                 | 62,547                           | 21,749,963           |
| Restricted for debt service                                     | 69,135   | -                      | -                                | 69,135               |
| Unrestricted  | 12,018,883                                       | 224,376                | 126,024                          | 12,369,283           |
| Total net assets  | <u>\$ 33,757,181</u>                             | <u>\$ 242,629</u>      | <u>\$ 188,571</u>                | <u>\$ 34,188,381</u> |

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



**CITY OF AZTEC, NEW MEXICO**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

|   | <b>Business-type Activities-Enterprise Funds</b> |                        |                                  |                      |
|---|--|------------------------|----------------------------------|----------------------|
|   | <b>Joint<br/>Utility</b>                         | <b>Solid<br/>Waste</b> | <b>Irrigation<br/>Assessment</b> | <b>Totals</b>        |
| <b>Operating revenues:</b>                      |  |                        |                                  |                      |
| Charges for services                            | \$ 9,522,366                                     | \$ 676,222             | \$ 13,159                        | \$ 10,211,747        |
| Miscellaneous                                   | 47,257   | 2,418                  | -                                | 49,675               |
| <b>Total Operating Revenues</b>                 | <b>9,569,623</b>                                 | <b>678,640</b>         | <b>13,159</b>                    | <b>10,261,422</b>    |
| <b>Operating expenses:</b>                      |  |                        |                                  |                      |
| Salaries and fringe benefits                    | 1,455,039  | 20,438                 | -                                | 1,475,477            |
| Purchased power, fuel and chemicals             | 3,471,747  | -                      | -                                | 3,471,747            |
| Other operating expenses                        | 2,885,443  | 634,984                | 3,685                            | 3,524,112            |
| Payments in lieu of taxes                       | 370,000  | -                      | -                                | 370,000              |
| Depreciation and amortization                   | 968,783  | 5,220                  | 4,331                            | 978,334              |
| <b>Total Operating Expenses</b>                 | <b>9,151,012</b>                                 | <b>660,642</b>         | <b>8,016</b>                     | <b>9,819,670</b>     |
| <b>Operating income (loss)</b>                  | <b>418,611</b>                                   | <b>17,998</b>          | <b>5,143</b>                     | <b>441,752</b>       |
| <b>Nonoperating revenues (expenses):</b>        |  |                        |                                  |                      |
| Intergovernmental                               | 1,348,035  | -                      | -                                | 1,348,035            |
| Investment earnings                             | 79,970   | 1,435                  | 890                              | 82,295               |
| Gross receipts tax                              | 85,308   | -                      | -                                | 85,308               |
| Interest expense                                | (216,446)  | -                      | -                                | (216,446)            |
| <b>Total Nonoperating Revenues (Expenses)</b>   | <b>1,296,867</b>                                 | <b>1,435</b>           | <b>890</b>                       | <b>1,299,192</b>     |
| <b>Income (Loss) Before Operating Transfers</b> | <b>1,715,478</b>                                 | <b>19,433</b>          | <b>6,033</b>                     | <b>1,740,944</b>     |
| Capital contributions                           | 4,341,462  | -                      | -                                | 4,341,462            |
| Operating transfers, in                         | 1,610,290  | 9,246                  | -                                | 1,619,536            |
| Operating transfers, out                        | (1,080,282)                                      | -                      | -                                | (1,080,282)          |
| <b>Change in net assets</b>                     | <b>6,586,948</b>                                 | <b>28,679</b>          | <b>6,033</b>                     | <b>6,621,660</b>     |
| <b>Total net assets - beginning</b>             | <b>27,170,233</b>                                | <b>213,950</b>         | <b>182,538</b>                   | <b>27,566,721</b>    |
| <b>Total net assets - ending</b>                | <b>\$ 33,757,181</b>                             | <b>\$ 242,629</b>      | <b>\$ 188,571</b>                | <b>\$ 34,188,381</b> |

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

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

|  | <b>Business-type Activities-Enterprise Funds</b> |                        |                                  | <b>Totals</b>        |
|--|--|------------------------|----------------------------------|----------------------|
|  | <b>Joint<br/>Utility</b>                         | <b>Solid<br/>Waste</b> | <b>Irrigation<br/>Assessment</b> |                      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |  |                        |                                  |                      |
| Receipts from customers/users  | \$ 9,563,019                                     | \$ 668,055             | \$ 12,793                        | \$10,243,867         |
| Payments to suppliers  | (7,240,327)                                      | (633,899)              | (4,434)                          | (7,878,660)          |
| Payments to employees  | (1,425,843)                                      | (20,438)               | -                                | (1,446,281)          |
| Net cash provided by operating activities                            | <u>896,849</u>                                   | <u>13,718</u>          | <u>8,359</u>                     | <u>918,926</u>       |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>               |  |                        |                                  |                      |
| Transfer to other funds  | (1,080,282)                                      | -                      | -                                | (1,080,282)          |
| Transfer from other funds  | 1,610,290  | 9,246                  | -                                | 1,619,536            |
| Advances from / to other funds                                       | (278,123)  | -                      | -                                | (278,123)            |
| Net cash provided (used) by noncapital financing activities          | <u>251,885</u>                                   | <u>9,246</u>           | <u>-</u>                         | <u>261,131</u>       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |  |                        |                                  |                      |
| Intergovernmental  | 1,348,035  | -                      | -                                | 1,348,035            |
| Capital contributions  | 4,341,462  | -                      | -                                | 4,341,462            |
| Gross receipts tax   | 85,308   | -                      | -                                | 85,308               |
| Purchases of capital assets  | (6,113,488)                                      | -                      | -                                | (6,113,488)          |
| Debt issued or assumed   | 860,447  | -                      | -                                | 860,447              |
| Principal paid on capital debt                                       | (534,764)  | -                      | -                                | (534,764)            |
| Interest paid on capital debt  | (216,446)  | -                      | -                                | (216,446)            |
| Net cash provided (used) by capital and related financing activities | <u>(229,446)</u>                                 | <u>-</u>               | <u>-</u>                         | <u>(229,446)</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |  |                        |                                  |                      |
| Investment income received   | 79,970   | 1,435                  | 890                              | 82,295               |
| Net increase in cash and cash equivalents                            | 999,258  | 24,399                 | 9,249                            | 1,032,906            |
| Cash and cash equivalents, July 1, 2009                              | <u>9,925,347</u>                                 | <u>178,859</u>         | <u>116,201</u>                   | <u>10,220,407</u>    |
| Cash and cash equivalents, June 30, 2010                             | <u>\$ 10,924,605</u>                             | <u>\$ 203,258</u>      | <u>\$ 125,450</u>                | <u>\$ 11,253,313</u> |

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

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

|  | <u>Business-type Activities-Enterprise Funds</u> |                        |                                  | <u>Totals</u> |
|--|--|------------------------|----------------------------------|---------------|
|  | <u>Joint<br/>Utility</u>                         | <u>Solid<br/>Waste</u> | <u>Irrigation<br/>Assessment</u> |               |
| Reconciliation of operating income to net cash provided (used) by operating activities:        |  |                        |                                  |               |
| Operating income (loss)  | 418,611  | 17,998                 | 5,143                            | 441,752       |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |  |                        |                                  |               |
| Depreciation expense   | 968,783  | 5,220                  | 4,331                            | 978,334       |
| (Increase) decrease in:  |  |                        |                                  |               |
| Accounts receivable  | 40,653   | (10,585)               | (366)                            | 29,702        |
| Interest receivable  | 41,613   | -                      | -                                | 41,613        |
| Intergovernmental receivable   | (365,149)  | -                      | -                                | (365,149)     |
| Inventories  | 155,099  | -                      | -                                | 155,099       |
| Prepaid items  | 1  | -                      | -                                | 1             |
| Increase (decrease) in:  |  |                        |                                  |               |
| Accounts payable   | (480,512)  | 297                    | (749)                            | (480,964)     |
| Accrued payroll, taxes and benefits  | 29,196   | 583                    | -                                | 29,779        |
| Accrued interest payable   | 21,925   | -                      | -                                | 21,925        |
| Unearned revenue   | 46,327   | -                      | -                                | 46,327        |
| Customer deposits  | 23,045   | -                      | -                                | 23,045        |
| Compensated absences   | (2,743)  | 205                    | -                                | (2,538)       |
| Total adjustments  | 478,238  | (4,280)                | 3,216                            | 477,174       |
| Net cash provided by operating activities  | 896,849  | 13,718                 | 8,359                            | 918,926       |

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

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2010**

|                           | <u>Employee<br/>Association</u> |
|---------------------------|---------------------------------|
| <b>ASSETS:</b>            |                                 |
| Cash and cash equivalents | <u>\$ 5,087</u>                 |
| Total assets              | <u><u>\$ 5,087</u></u>          |
| <b>LIABILITIES:</b>       |                                 |
| Deposits held for others  | <u>\$ 5,087</u>                 |
| Total liabilities         | <u><u>\$ 5,087</u></u>          |

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

CITY OF AZTEC, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

The City had no blended or discrete component units during the fiscal year ended June 30, 2010.

**B. Government-wide and fund financial statements**

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following agency fund type:

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

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

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

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

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

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

#### **D. Assets, liabilities and net assets or equity**

##### ***1. Deposits and investments***

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

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

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

##### ***2. Receivables and payables***

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

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

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

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

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

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

### ***3. Inventories and prepaid items***

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

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

### ***4. Capital assets***

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



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

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

### **5. *Compensated absences***

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

### **6. *Long-term obligations***

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

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

### **7. *Fund equity***

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

### **8. *Net Assets***

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

## **9. Use of Estimates**

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

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

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

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

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

1. Prior to June 1, the City Manager submits to the City Commission a proposed preliminary operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. The budget is prepared by fund, department, and function.
2. Counties and municipalities must develop and submit a final budget, including a formal resolution approved by the governing body, to Local Government Division (LGD) no later than July 31<sup>st</sup> for analysis, any necessary corrections, and approval. The final budget submittal is comprised of, at a minimum, a revised *Budget Request Recapitulation Form* (Recap) with updated (reconciled) *Unaudited Beginning Cash Balances* and any supporting documents of the interim budget that changed from the interim to the final budget submission.
3. After the budget is adopted any supplemental appropriations must be approved by the City Commission.

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

Encumbrance accounting is employed by the City. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are carried forward to the new fiscal year and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. The fund balances are reserved for outstanding encumbrances because the resources are not available for new spending. The City had the following encumbrances outstanding at June 30, 2010:

|                       |    |                  |
|-----------------------|----|------------------|
| General fund          | \$ | 164,894          |
| Municipal Road Fund   |    | 1,488,384        |
| Recreation Fund       |    | 3,962            |
| Capital Projects Fund |    | 73,023           |
| Joint Utility Fund    |    | 213,946          |
|                       |    | <hr/>            |
| Total                 | \$ | <u>1,944,209</u> |

**B. Excess of Expenditures over Appropriations**

As of June 30, 2010, there were no funds reported with excess expenditures over appropriations.

**C. Deficit Fund Equity**

As of June 30, 2010, there were no funds reported with a deficit fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

As of June 30, 2010, the City had the following investments:

|                                     | <u>Fair Value</u>    | <u>Weighted Average Maturity (Years)</u> |
|-------------------------------------|----------------------|--|
| Certificates of deposit             | \$ 6,250,000         | 1.00                                     |
| State Treasurer's LGIP              | 9,766,077            | 0.14                                     |
| State Treasurer's LGIP - reserve    | <u>33,923</u>        | <u>N/A</u>                               |
| Total Fair Value                    | <u>\$ 16,050,000</u> |  |
| Portfolio weighted average maturity |                      | <u>0.45</u>                              |

The City has investments in the State Treasurer external investment pool (the Local Government Investment Pool). The investments are valued at fair value based on quoted market prices as of June 30, 2010. The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary. The LGIP has been rated by Standard & Poor's and has received an AAAM rating.

**Interest rate risk.** The risk that interest rate variations may adversely affect the fair value of an investment. An acceptable method for reporting interest rate risk is weighted average maturity (WAM). The State Treasurer's Office uses this method for reporting purposes for the Local Government Investment Pool. The weighted average maturity at June 30, 2010 was 50 days.

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

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

**Custodial credit risk – deposits.** This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statute requires that the bank deposits be 50% collateralized and repurchase agreements be 102% collateralized. As of June 30, 2010, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2010 was \$8,077,678 and the bank balance was \$8,118,083. Of the bank balance, \$750,000 was covered by federal depository insurance, \$4,980,383 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and \$2,387,700 was uncollateralized, and subject to custodial credit risk.

**Custodial credit risk – investments.** In the case of investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The LGIP is exempt from this reporting requirement.

**Collateral.** Only securities backed by the full faith and credit of the United States Government will be accepted as collateral. The City may make an exception and accept as collateral securities from a governmental entity within the State of New Mexico as described by State Statute 6-10-16, B. All securities pledged as collateral shall be held by a third-party financial institution approved by the City Manager or his/her designee. Any change in the institution holding the collateral must have prior approval of the City Manager or his/her designee.

## **B. Receivables**

Receivables as of June 30, 2010 are as follows:

|                   | <u>General</u>      | <u>Municipal Road</u> | <u>Capital Projects</u> | <u>Other Governmental</u> | <u>Total Governmental</u> |
|-------------------|---------------------|-----------------------|-------------------------|---------------------------|---------------------------|
| Receivable, net   |                     |                       |                         |                           |                           |
| Intergovernmental | \$ 1,299,852        | \$ 263,610            | \$ 1,511,793            | \$ 77,823                 | \$ 3,153,078              |
| Other receivables | 52,638              | -                     | -                       | 2,801                     | 55,439                    |
| Total             | <u>\$ 1,352,490</u> | <u>\$ 263,610</u>     | <u>\$ 1,511,793</u>     | <u>\$ 80,624</u>          | <u>\$ 3,208,517</u>       |

|                                      | <u>Joint Utility</u> | <u>Solid Waste</u> | <u>Irrigation Assessment</u> | <u>Total Enterprise Funds</u> |
|--------------------------------------|----------------------|--------------------|------------------------------|-------------------------------|
| Receivable, net                      |                      |                    |                              |                               |
| Accounts receivable                  | \$ 953,676           | \$ 76,589          | \$ 7,209                     | \$ 1,037,474                  |
| Unbilled receivable                  | 417,304              | -                  | -                            | 417,304                       |
| Less allowance for doubtful accounts | <u>(308,552)</u>     | <u>-</u>           | <u>(6,635)</u>               | <u>(315,187)</u>              |
| Accounts receivable, net             | 1,062,428            | 76,589             | 574                          | 1,139,591                     |
| Interest receivable                  | 36,970               | -                  | -                            | 36,970                        |
| Intergovernmental                    | 548,229              | -                  | -                            | 548,229                       |
| Total                                | <u>\$ 1,647,627</u>  | <u>\$ 76,589</u>   | <u>\$ 574</u>                | <u>\$ 1,724,790</u>           |

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

|   | <u>Unavailable</u> | <u>Unearned</u> |
|---|--------------------|-----------------|
| Property taxes                                | \$ 529,780         | \$ -            |
| Grant proceeds not yet earned                 | -                  | 1,390           |
| Total deferred revenue for governmental funds | <u>\$ 529,780</u>  | <u>\$ 1,390</u> |

### C. Capital assets

Capital asset activity for the year ended June 30, 2010 was as follows:

| <u>Governmental activities</u>               | <u>Balance<br/>July 1, 2009</u> | <u>Transfers</u>      | <u>Additions</u>    | <u>Deletions</u>   | <u>Balance<br/>June 30, 2010</u> |
|--|---------------------------------|-----------------------|---------------------|--------------------|----------------------------------|
| <b>Non-Depreciable Assets:</b>               |                                 |                       |                     |                    |                                  |
| Land   | \$ 638,435                      | \$ -                  | \$ -                | \$ -               | \$ 638,435                       |
| Construction in progress                     | 2,292,686                       | (4,573,643)           | 3,103,468           | -                  | 822,511                          |
| Total non-depreciable assets                 | <u>2,931,121</u>                | <u>(4,573,643)</u>    | <u>3,103,468</u>    | <u>-</u>           | <u>1,460,946</u>                 |
| <b>Depreciable Assets</b>                    |                                 |                       |                     |                    |                                  |
| Buildings                                    | 6,825,908                       | (133,013)             | 578,773             | -                  | 7,271,668                        |
| Improvements other than buildings            | 1,540,109                       | 298,698               | 23,273              | -                  | 1,862,080                        |
| Machinery and equipment                      | 4,607,854                       | 13,617                | 233,075             | (183,700)          | 4,670,846                        |
| Infrastructure                               | 10,230,066                      | 106,645               | 895,647             | -                  | 11,232,358                       |
| Total depreciable assets                     | <u>23,203,937</u>               | <u>285,947</u>        | <u>1,730,768</u>    | <u>(183,700)</u>   | <u>25,036,952</u>                |
| <b>Accumulated Depreciation</b>              |                                 |                       |                     |                    |                                  |
| Buildings                                    | (1,709,986)                     | -                     | (181,793)           | -                  | (1,891,779)                      |
| Improvements other than buildings            | (392,990)                       | 47,155                | (126,691)           | -                  | (472,526)                        |
| Equipment                                    | (3,070,088)                     | (7,317)               | (470,414)           | 183,700            | (3,364,119)                      |
| Infrastructure                               | (4,688,280)                     | (39,838)              | (380,414)           | -                  | (5,108,532)                      |
| Total accumulated depreciation               | <u>(9,861,344)</u>              | <u>-</u>              | <u>(1,159,312)</u>  | <u>183,700</u>     | <u>(10,836,956)</u>              |
| Total capital assets being depreciated, net  | <u>13,342,593</u>               | <u>285,947</u>        | <u>571,456</u>      | <u>-</u>           | <u>14,199,996</u>                |
| Governmental activities capital assets, net  | <u>\$ 16,273,714</u>            | <u>\$ (4,287,696)</u> | <u>\$ 3,674,924</u> | <u>\$ -</u>        | <u>\$ 15,660,942</u>             |
| <b><u>Business-type activities</u></b>       |                                 |                       |                     |                    |                                  |
|  | <u>July 1, 2009</u>             | <u>Transfers</u>      | <u>Additions</u>    | <u>Deletions</u>   | <u>June 30, 2010</u>             |
| <b>Non-Depreciable Assets:</b>               |                                 |                       |                     |                    |                                  |
| Land   | \$ 694,402                      | \$ -                  | \$ -                | \$ -               | \$ 694,402                       |
| Construction in progress                     | 7,391,688                       | (7,382,724)           | 38,044              | -                  | 47,008                           |
| Total non-depreciable assets                 | <u>8,086,090</u>                | <u>(7,382,724)</u>    | <u>38,044</u>       | <u>-</u>           | <u>741,410</u>                   |
| <b>Depreciable Assets</b>                    |                                 |                       |                     |                    |                                  |
| Building and systems                         | 24,062,916                      | 11,670,420            | 1,738,590           | (1,545,085)        | 35,926,841                       |
| Equipment                                    | 2,830,210                       | -                     | 49,157              | (2,052)            | 2,877,315                        |
| Total depreciable assets                     | <u>26,893,126</u>               | <u>11,670,420</u>     | <u>1,787,747</u>    | <u>(1,547,137)</u> | <u>38,804,156</u>                |
| <b>Accumulated Depreciation</b>              |                                 |                       |                     |                    |                                  |
| Buildings and systems                        | (9,175,190)                     | 16,328                | (794,091)           | 1,545,085          | (8,407,868)                      |
| Equipment                                    | (1,831,031)                     | (16,328)              | (184,243)           | 2,052              | (2,029,550)                      |
| Total accumulated depreciation               | <u>(11,006,221)</u>             | <u>-</u>              | <u>(978,334)</u>    | <u>1,547,137</u>   | <u>(10,437,418)</u>              |
| Total capital assets being depreciated, net  | <u>15,886,905</u>               | <u>11,670,420</u>     | <u>809,413</u>      | <u>-</u>           | <u>28,366,738</u>                |
| Business-type activities capital assets, net | <u>\$ 23,972,995</u>            | <u>\$ 4,287,696</u>   | <u>\$ 847,457</u>   | <u>\$ -</u>        | <u>\$ 29,108,148</u>             |

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

| <b>Governmental activities:</b>                              |                     |
|--|---------------------|
| General government   | \$ 74,473           |
| Public safety  | 294,093             |
| Public works   | 540,454             |
| Culture and recreation                                       | 250,292             |
| <b>Total depreciation expense - governmental activities</b>  | <b>\$ 1,159,312</b> |
| <b>Business-type activities:</b>                             |                     |
| Joint utility  | \$ 968,783          |
| Solid waste  | 5,220               |
| Irrigation assessment  | 4,331               |
| <b>Total depreciation expense - business-type activities</b> | <b>\$ 978,334</b>   |

**Construction commitments**

The City has active construction projects as of June 30, 2010. At June 30, 2010, the City's commitments with contractors were as follows:

|                            | <b>Expended<br/>to-date</b> | <b>Remaining<br/>Commitment</b> |
|----------------------------|-----------------------------|---------------------------------|
| Wastewater Treatment Plant | \$ 268,204                  | \$ 1,488,384                    |

**D. Interfund receivables, payables and transfers**

Interfund transfers and advances consisted of the following as of June 30, 2010:

| <b>TRANSFERS</b>                            |                     |                     |
|---|---------------------|---------------------|
| <b>Governmental Funds</b>                   | <b>In</b>           | <b>Out</b>          |
| General fund - operating transfers          | \$ 434,430          | \$ 125,069          |
| Municipal Road - operating transfers        | 121,500             | -                   |
| Local Government Correction - operating     | 125,069             | -                   |
| Development Fees - operating transfer       | -                   | 121,500             |
| Capital Equipment Replacement - operating   | -                   | 973,684             |
| <b>Total governmental funds transfers</b>   | <b>\$ 680,999</b>   | <b>\$ 1,220,253</b> |
| <b>Net governmental funds transfers</b>     |                     | <b>\$ 539,254</b>   |
| <b>Business-type funds</b>                  |                     |                     |
| Joint Utility Fund - operating transfer     | \$ 1,610,290        | \$ 1,080,282        |
| Solid Waste Fund - operating transfer       | 9,246               | -                   |
| <b>Total business-type funds transfers</b>  | <b>\$ 1,619,536</b> | <b>\$ 1,080,282</b> |
| <b>Net business-type transfers</b>          | <b>\$ 539,254</b>   |                     |
| <b>INTERFUND RECEIVABLE/PAYABLE</b>         |                     |                     |
| <b>Governmental Funds</b>                   | <b>Receivable</b>   | <b>Payable</b>      |
| General fund - advance                      | \$ 250,000          | \$ 4,500            |
| Municipal Road - advance                    | 13,963              | -                   |
| Local Government Correction - advance       | 4,500               | -                   |
| Community Development Block Grant - advance | -                   | 5,218               |
| Municipal Road - advance                    | -                   | 263,963             |
| <b>Total governmental funds advances</b>    | <b>\$ 268,463</b>   | <b>\$ 273,681</b>   |
| <b>Net governmental interfund</b>           |                     | <b>\$ 5,218</b>     |
| <b>Business-type funds</b>                  |                     |                     |
| Joint Utility Fund - advance                | \$ 255,218          | \$ 250,000          |
| <b>Net enterprise interfund</b>             | <b>\$ 5,218</b>     |                     |

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

## **E. Long-term debt**

### **General Obligation Bonds**

The City has the capacity to issue general obligation bonds to provide funds for the acquisition and/or construction of major capital projects, but as of June 30, 2010 no general obligation bonds had been issued.

### **Revenue Bonds**

The City has the capacity to issue bonds where the City pledges gross receipts tax and environmental tax revenues derived from the acquired or constructed assets to pay debt service, but as of June 30, 2010 no revenue bonds had been issued.

### **Contracts and Loans Payable**

The City entered into a long-term loan agreement with the State of New Mexico (RIP 91-11) for construction projects totalling \$149,555, payable in annual instalments of \$14,063, including interest at 3%, through 2015. The Joint Utility Enterprise Fund reports the outstanding principal due as of June 30, 2010 of \$65,384, with a current portion of \$12,131.

The City entered into a long-term loan agreement with the State of New Mexico Finance Authority for construction and acquisition of improvements to the City's water and wastewater treatment facilities totalling \$1,919,192. The loan is payable in semi-annual instalments. Annual repayments range between \$155,000 and \$160,000 per year, including interest at 5.32%, through May 2017. The Joint Utilities Enterprise Fund reports the outstanding principal due as of June 30, 2010 of \$888,225, with a current portion of \$108,199.

The City has entered into a long-term loan agreement with the New Mexico Environmental Department (RIP 2002-07) in the original amount of \$500,000 dated June 2002. The loan is payable in annual payments of \$33,608, including interest at 3%, through May 2024. The Joint Utilities Enterprise Fund reports the outstanding principal as of June 30, 2010 of \$379,456, with a current portion of \$22,219.

The City has entered into a long-term loan agreement with the New Mexico Environmental Department (RIP 2003-02) in the original amount of \$500,000 dated March 2003. The loan is payable in annual payments of \$33,608, including interest at 3%, through May 2024. The Joint Utilities Enterprise Fund reports the outstanding principal as of June 30, 2010 of \$379,456, with a current portion of \$22,219.

The City has entered into a long-term loan agreement with the State of New Mexico Finance Authority to construct, purchase, furnish and equip a public library totalling \$1,679,942 dated September 2004. The loan is payable in semi-annual payments averaging \$146,461 per year, including interest at 3.966%, through May 2020. The General Governmental Fund on the government-wide statement of net assets reports the outstanding principal due as of June 30, 2010 of \$1,176,572, with a current portion of \$98,583.

The City has entered into a long-term loan agreement with the State of New Mexico Finance Authority for capital improvements (including a raw water reservoir) totalling \$3,367,380 dated October 24, 2008. The loan is payable in variable annual principal payments, and semi-annual interest payments with interest rate ranging from 2.03% to 4.89%, through May 2031. The General Governmental Fund on the government-wide statement of net assets reports the outstanding principal due as of June 30, 2010 of \$3,249,338, with a current portion of \$45,770.

The City has entered into a long-term loan agreement with the New Mexico Environmental Department (CWRP 2009) in the original amount of \$5,000,000 dated December 5, 2008. The loan is payable in annual payments of \$305,784, including interest at 2%, through December 2028. The Joint Utilities Enterprise Fund reports the outstanding principal as of June 30, 2010 of \$4,794,216, with a current portion of \$209,899.

The City has entered into a long-term loan agreement with the USDA Rural Utilities Service in the original amount of \$860,447 dated November 25, 2008 (funded during the fiscal year ended June 30, 2010). The loan is payable in annual payments of approximately \$45,000, including interest at 4.2%, through June 2048, and is secured by GRT Environmental Tax proceeds. The Joint Utilities Enterprise Fund reports the outstanding principal as of June 30, 2010 of \$851,447, with a current portion of \$9,000.

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

**Governmental activities**

| Fiscal year ended:                     | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|--|---------------------|---------------------|---------------------|
| June 30, 2011                          | \$ 144,353          | \$ 195,545          | \$ 339,898          |
| June 30, 2012                          | 149,400             | 190,680             | 340,080             |
| June 30, 2013                          | 153,943             | 185,372             | 339,315             |
| June 30, 2014                          | 158,826             | 179,684             | 338,510             |
| June 30, 2015                          | 165,939             | 173,644             | 339,583             |
| June 30, 2016-2020                     | 931,643             | 762,000             | 1,693,643           |
| June 30, 2021-2025                     | 1,037,429           | 552,480             | 1,589,909           |
| June 30, 2026-2030                     | 1,368,325           | 283,105             | 1,651,430           |
| June 30, 2031                          | 316,052             | 15,470              | 331,522             |
| Debt service requirements              | <u>4,425,910</u>    | <u>\$ 2,537,980</u> | <u>\$ 6,963,890</u> |
| Less current portion                   | <u>(144,353)</u>    |                     |                     |
| Long-term debt, net of current portion | <u>\$ 4,281,557</u> |                     |                     |

**Business-type activities**

| Fiscal year ended:                     | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|--|---------------------|---------------------|---------------------|
| June 30, 2011                          | \$ 383,667          | \$ 205,593          | \$ 589,260          |
| June 30, 2012                          | 396,201             | 193,431             | 589,632             |
| June 30, 2013                          | 408,222             | 180,728             | 588,950             |
| June 30, 2014                          | 421,702             | 167,551             | 589,253             |
| June 30, 2015                          | 435,339             | 153,779             | 589,118             |
| June 30, 2016-2020                     | 1,828,881           | 573,067             | 2,401,948           |
| June 30, 2021-2025                     | 1,658,385           | 365,156             | 2,023,541           |
| June 30, 2026-2030                     | 1,259,341           | 189,788             | 1,449,129           |
| June 30, 2031-2035                     | 115,000             | 109,108             | 224,108             |
| June 30, 2036-2040                     | 143,000             | 82,418              | 225,418             |
| June 30, 2041-2045                     | 176,000             | 49,310              | 225,310             |
| June 30, 2046-2048                     | 132,447             | 10,555              | 143,002             |
| Debt service requirements              | <u>7,358,185</u>    | <u>\$ 2,280,484</u> | <u>\$ 9,638,669</u> |
| Less current portion                   | <u>(383,667)</u>    |                     |                     |
| Long-term debt, net of current portion | <u>\$ 6,974,518</u> |                     |                     |



## Changes in Long-term Liabilities

During the year ended June 30, 2010, the following changes occurred in long-term liabilities:

| <u>Governmental activities</u>          | Balance<br>June 30, 2009 | Additions  | Reductions   | Balance<br>June 30, 2010 | Due Within<br>One Year |
|---|--------------------------|------------|--------------|--------------------------|------------------------|
| Contracts and loans payable:            |                          |            |              |                          |                        |
| NM Finance Authority                    | \$ 1,271,999             | \$ -       | \$ (95,427)  | \$ 1,176,572             | \$ 98,583              |
| NM Retiree Health Care                  | 24,470                   | -          | (24,470)     | -                        | -                      |
| NM Finance Authority - Capital Projects | 3,286,588                | -          | (36,950)     | 3,249,638                | 45,770                 |
| Total contracts and loans payable       | 4,583,057                | -          | (156,847)    | 4,426,210                | 144,353                |
| Compensated absences                    | 322,070                  | 225,289    | (272,465)    | 274,894                  | 273,000                |
| Total Governmental Activities           | \$ 4,905,127             | \$ 225,289 | \$ (429,312) | \$ 4,701,104             | \$ 417,353             |
| <br>                                    |                          |            |              |                          |                        |
| <u>Business-type Activities</u>         |                          |            |              |                          |                        |
| Contracts and loans payable:            |                          |            |              |                          |                        |
| State Rural Infrastructure              | \$ 77,162                | \$ -       | \$ (11,778)  | \$ 65,384                | \$ 12,131              |
| State Rural Infrastructure              | 401,208                  | -          | (21,752)     | 379,456                  | 22,219                 |
| State Rural Infrastructure              | 401,208                  | -          | (21,752)     | 379,456                  | 22,219                 |
| NM Finance Authority                    | 991,156                  | -          | (102,931)    | 888,225                  | 108,199                |
| NM Finance Authority                    | 150,588                  | -          | (150,588)    | -                        | -                      |
| NM Retiree Health Care                  | 11,180                   | -          | (11,180)     | -                        | -                      |
| NM Environmental Department             | 5,000,000                | -          | (205,783)    | 4,794,217                | 209,899                |
| USDA RUS Loan                           | -                        | 860,447    | (9,000)      | 851,447                  | 9,000                  |
| Total contracts and loans payable       | 7,032,502                | 860,447    | (534,764)    | 7,358,185                | 383,667                |
| Compensated absences                    | 113,716                  | 82,440     | (85,415)     | 110,741                  | 84,737                 |
| Total Business-type Activities          | \$ 7,146,218             | \$ 942,887 | \$ (620,179) | \$ 7,468,926             | \$ 468,404             |

### F. Reserved fund balances

Fund equity was reserved for the following purposes:

**Subsequent years expenditures:** The New Mexico Department of Finance and Administration (DFA) requires that 1/12<sup>th</sup> of the general fund budgeted expenditures (\$588,192) be reserved as subsequent year expenditures to maintain an adequate cash flow until the next significant property tax collection.

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

## V. OTHER INFORMATION

### A. Risk management

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

## **B. Contingent liabilities**

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

## **C. Jointly governed organizations**

***Joint Powers Agreement for Consolidated Communications Authority.*** The City is a participant with San Juan County, the City of Farmington and the City of Bloomfield in a joint powers agreement to build, maintain, and operate a centralized communications system for dispatch and emergency response. The City was obligated to contribute \$7,500 per year until the Capital Equipment Fund reached a balance of \$250,000. Thereafter, the City is obligated to contribute 6% of an amount necessary to maintain that balance. During the year ended June 30, 2010, the City contributed \$0 to the Authority. Complete financial statements for the Consolidated Communications Authority can be obtained from San Juan County, New Mexico.

***Joint Powers Agreement for the San Juan Water Commission.*** The City is a participant with the cities of Farmington and Bloomfield, the County of San Juan, and the San Juan Rural Waters Users Association in a joint powers agreement to create a countywide entity responsible for water planning and use. Much of the impetus to form the Commission came from the Animas La Plata water project and the subsequent need to develop methods to equitably share the related costs and benefits. In addition to this specific project the Commission is also authorized to acquire additional water rights and provide for the equitable distribution of such water. The Commission is financed by a San Juan County mill levy on real and personal property of approximately 3 mills. During the year ended June 30, 2010 the City did not make any financial contribution to the Commission. Complete financial statements may be obtained by contacting the San Juan Water Commission.

## **D. Employee Retirement Systems and Plans**

### ***Pension Plan – Public Employees Retirement Association***

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

***Funding Policy.*** Plan members are required to contribute from 9.15% to 16.30%, depending upon the plan (i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute from 9.15% to 21.25% (depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2010, 2009, and 2008 were \$409,714, \$425,728, and \$406,664, respectively, which equal the amount of the required contributions for each fiscal year.

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

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

**Funding Policy.** The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://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. During the fiscal year ended June 30, 2010, 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. For employees who are not members of an enhanced retirement plan the contribution rates will be:

| <b>Fiscal Year</b> | <b>Employer Contribution Rate</b> | <b>Employee Contribution Rate</b> |
|--------------------|-----------------------------------|-----------------------------------|
| FY2011             | 1.666%                            | .833%                             |
| FY2012             | 1.834%                            | .917%                             |
| FY2013             | 2.000%                            | 1.000%                            |

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

| <b>Fiscal Year</b> | <b>Employer Contribution Rate</b> | <b>Employee Contribution Rate</b> |
|--------------------|-----------------------------------|-----------------------------------|
| FY2011             | 2.084%                            | 1.042%                            |
| FY2012             | 2.292%                            | 1.146%                            |
| FY2013             | 2.500%                            | 1.250%                            |

Also, employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The City's contributions to the RCHA for the years ended June 30, 2010, 2009 and 2008 were \$46,556, \$49,245, and \$46,018, respectively, which equal the required employer contributions for each year.

**F. Subsequent Events**

In September 2008, the State Treasurer Local Government Investment Pool (LGIP) portfolio, like many investment funds throughout the country, experienced significant market volatility. One of the LGIP investments, the Reserve Primary money market fund was downgraded from "AAA" to "D" on September 16, 2008. The LGIP shares in the Reserve Primary Fund were initially frozen until the fund's liquidation process could begin. In order to maintain the LGIP's "AAA" rating, the LGIP temporarily sold this security to the State's General Fund investment pool at par under a put agreement. By June 30, 2011, 97.3% of the LGIP Reserve Primary Fund holding had been recovered (carrying value of \$25,698).

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

**G. Subsequent Accounting Standard Pronouncements**

In February 2009, the GASB adopted Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010. This statement establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The City is analyzing the effect that this statement will have on its financial statements.

## **Combining and Individual Fund Statements and Schedules**

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## **MAJOR GOVERNMENTAL FUNDS**

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### **Capital Projects Fund**

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

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**CITY OF AZTEC, NEW MEXICO**  
**Capital Projects Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|                             | Budgeted Amounts |              | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------|------------------|--------------|-------------------|---|
|                             | Original         | Final        |                   |   |
| <b>REVENUES:</b>            |                  |              |                   |   |
| Taxes:                      |                  |              |                   |   |
| Gross receipts tax          | \$ 531,000       | \$ 531,000   | \$ 511,782        | \$ (19,218)   |
| Intergovernmental           | 1,600,000        | 1,600,000    | 1,595,398         | (4,602)   |
| Investment earnings         | 35,000           | 35,000       | 5,958             | (29,042)  |
| Total Revenues              | 2,166,000        | 2,166,000    | 2,113,138         | (52,862)  |
| <b>EXPENDITURES:</b>        |                  |              |                   |   |
| Current:                    |                  |              |                   |   |
| General government          | 519,500          | 519,500      | 14,573            | 504,927   |
| Public works                | -                | -            | -                 | -   |
| Capital outlay              | 3,508,077        | 3,508,077    | 3,127,359         | 380,718   |
| Debt service:               |                  |              |                   |   |
| Principal payments          | 140,579          | 140,579      | 140,007           | 572   |
| Interest payments           | 199,205          | 199,205      | 199,704           | (499)   |
| Total Expenditures          | 4,367,361        | 4,367,361    | 3,481,643         | 885,718   |
| Net change in fund balances | (2,201,361)      | (2,201,361)  | (1,368,505)       | 832,856   |
| Fund balances - beginning   | 4,017,085        | 4,017,085    | 4,017,085         | -   |
| Fund balances - ending      | \$ 1,815,724     | \$ 1,815,724 | \$ 2,648,580      | \$ 832,856  |

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

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## **NONMAJOR GOVERNMENTAL FUNDS**

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### **Special Revenue Funds**

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

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

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

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

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

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

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

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

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

### **Capital Projects Funds**

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

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

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**CITY OF AZTEC, NEW MEXICO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**

|  | <b>Special Revenue Funds</b>              |  |                                 |                             |                        |                       |                   |
|--|---|--|---------------------------------|-----------------------------|------------------------|-----------------------|-------------------|
|  | <b>Law<br/>Enforcement<br/>Protection</b> | <b>Local<br/>Government<br/>Correction</b> | <b>Economic<br/>Development</b> | <b>Development<br/>Fees</b> | <b>Lodgers<br/>Tax</b> | <b>State<br/>Fire</b> | <b>Recreation</b> |
| <b>ASSETS:</b>                                 |   |  |                                 |                             |                        |                       |                   |
| Cash and cash equivalents                      | \$ 1,865                                  | \$ 8,123                                   | \$ 111,294                      | \$ 35,741                   | \$ 20,680              | \$ 544,928            | \$ 40,198         |
| Intergovernmental receivable                   | -   | -  | -                               | -                           | -                      | -                     | 1,341             |
| Other receivables                              | -   | -  | -                               | -                           | 1,388                  | -                     | -                 |
| Prepaid and other assets                       | -   | -  | -                               | -                           | -                      | -                     | -                 |
| Due from other funds                           | -   | 4,500                                      | -                               | -                           | -                      | -                     | -                 |
| <b>Total Assets</b>                            | <b>\$ 1,865</b>                           | <b>\$ 12,623</b>                           | <b>\$ 111,294</b>               | <b>\$ 35,741</b>            | <b>\$ 22,068</b>       | <b>\$ 544,928</b>     | <b>\$ 41,539</b>  |
| <b>LIABILITIES:</b>                            |   |  |                                 |                             |                        |                       |                   |
| Accounts payable                               | \$ 1,229                                  | \$ 12,104                                  | \$ -                            | \$ -                        | \$ 1,511               | \$ -                  | \$ -              |
| Other current liabilities                      | 10  | -  | -                               | -                           | -                      | -                     | -                 |
| Unearned revenue                               | -   | -  | -                               | -                           | -                      | -                     | -                 |
| Due to other funds                             | -   | -  | -                               | -                           | -                      | -                     | -                 |
| <b>Total Liabilities</b>                       | <b>1,239</b>                              | <b>12,104</b>                              | <b>-</b>                        | <b>-</b>                    | <b>1,511</b>           | <b>-</b>              | <b>-</b>          |
| <b>FUND BALANCES:</b>                          |   |  |                                 |                             |                        |                       |                   |
| Reserved for encumbrances                      | -   | -  | -                               | -                           | -                      | -                     | -                 |
| Unreserved, undesignated                       | 626                                       | 519  | 111,294                         | 35,741                      | 20,557                 | 544,928               | 41,539            |
| <b>Total Fund Balances</b>                     | <b>626</b>                                | <b>519</b>                                 | <b>111,294</b>                  | <b>35,741</b>               | <b>20,557</b>          | <b>544,928</b>        | <b>41,539</b>     |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 1,865</b>                           | <b>\$ 12,623</b>                           | <b>\$ 111,294</b>               | <b>\$ 35,741</b>            | <b>\$ 22,068</b>       | <b>\$ 544,928</b>     | <b>\$ 41,539</b>  |

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

**CITY OF AZTEC, NEW MEXICO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**

|  |   |                  |                                      | <b>Capital Projects Funds</b>                |  |                                       | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|--|---|------------------|--------------------------------------|--|--|---------------------------------------|--|
|  | <b>Emergency<br/>Medical<br/>Services</b> | <b>Airport</b>   | <b>Total<br/>Special<br/>Revenue</b> | <b>Capital<br/>Equipment<br/>Replacement</b> | <b>Community<br/>Development<br/>Block Grant</b> | <b>Total<br/>Capital<br/>Projects</b> |  |
| <b>ASSETS:</b>                                 |   |                  |                                      |  |  |                                       |  |
| Cash and cash equivalents                      | \$ 654                                    | \$ 29,481        | \$ 792,964                           | \$ 1,721                                     | \$ 11,166  | \$ 12,887                             | \$ 805,851   |
| Intergovernmental receivable                   | -   | 47,345           | 48,686                               | -  | 29,137   | 29,137                                | 77,823   |
| Other receivables                              | -   | 1,413            | 2,801                                | -  | -  | -                                     | 2,801  |
| Prepaid and other assets                       | -   | 1,333            | 1,333                                | -  | -  | -                                     | 1,333  |
| Due from other funds                           | -   | -                | 4,500                                | -  | -  | -                                     | 4,500  |
| <b>Total Assets</b>                            | <b>\$ 654</b>                             | <b>\$ 79,572</b> | <b>\$ 850,284</b>                    | <b>\$ 1,721</b>                              | <b>\$ 40,303</b>                                 | <b>\$ 42,024</b>                      | <b>\$ 892,308</b>                                    |
| <b>LIABILITIES:</b>                            |   |                  |                                      |  |  |                                       |  |
| Accounts payable                               | \$ -                                      | \$ 27,652        | \$ 42,496                            | \$ -   | \$ 30,740  | \$ 30,740                             | \$ 73,236  |
| Other current liabilities                      | 210                                       | 500              | 720                                  | -  | -  | -                                     | 720  |
| Unearned revenue                               | -   | 1,333            | 1,333                                | -  | -  | -                                     | 1,333  |
| Due to other funds                             | -   | -                | -                                    | -  | 5,218  | 5,218                                 | 5,218  |
| <b>Total Liabilities</b>                       | <b>210</b>                                | <b>29,485</b>    | <b>44,549</b>                        | <b>-</b>                                     | <b>35,958</b>                                    | <b>35,958</b>                         | <b>80,507</b>  |
| <b>FUND BALANCES:</b>                          |   |                  |                                      |  |  |                                       |  |
| Reserved for encumbrances                      | -   | -                | -                                    | -  | -  | -                                     | -  |
| Unreserved, undesignated                       | 444                                       | 50,087           | 805,735                              | 1,721  | 4,345  | 6,066                                 | 811,801  |
| <b>Total Fund Balances</b>                     | <b>444</b>                                | <b>50,087</b>    | <b>805,735</b>                       | <b>1,721</b>                                 | <b>4,345</b>                                     | <b>6,066</b>                          | <b>811,801</b>                                       |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 654</b>                             | <b>\$ 79,572</b> | <b>\$ 850,284</b>                    | <b>\$ 1,721</b>                              | <b>\$ 40,303</b>                                 | <b>\$ 42,024</b>                      | <b>\$ 892,308</b>                                    |

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

**CITY OF AZTEC, NEW MEXICO**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2010**

|  | <b>Special Revenue Funds</b>              |  |                                 |                             |                        |                       |                   |
|--|---|--|---------------------------------|-----------------------------|------------------------|-----------------------|-------------------|
|  | <u>Law<br/>Enforcement<br/>Protection</u> | <u>Local<br/>Government<br/>Correction</u> | <u>Economic<br/>Development</u> | <u>Development<br/>Fees</u> | <u>Lodgers<br/>Tax</u> | <u>State<br/>Fire</u> | <u>Recreation</u> |
| <b>REVENUES:</b>   |   |  |                                 |                             |                        |                       |                   |
| Taxes:   |   |  |                                 |                             |                        |                       |                   |
| Gross receipts tax   | \$ -                                      | \$ -                                       | \$ -                            | \$ -                        | \$ -                   | \$ -                  | \$ -              |
| Other taxes  | -   | -  | -                               | -                           | 12,816                 | -                     | 11,304            |
| Licenses and permits   | -   | -  | -                               | 7,500                       | -                      | -                     | -                 |
| Intergovernmental  | 29,600                                    | -  | -                               | -                           | -                      | 203,819               | -                 |
| Charges for services   | -   | 77,662                                     | -                               | -                           | -                      | -                     | -                 |
| Investment earnings  | 174                                       | -  | 832                             | 240                         | 168                    | 4,111                 | 308               |
| Miscellaneous  | -   | -  | -                               | -                           | -                      | -                     | 219               |
| Total Revenues   | <u>29,774</u>                             | <u>77,662</u>                              | <u>832</u>                      | <u>7,740</u>                | <u>12,984</u>          | <u>207,930</u>        | <u>11,831</u>     |
| <b>EXPENDITURES:</b>   |   |  |                                 |                             |                        |                       |                   |
| Current:   |   |  |                                 |                             |                        |                       |                   |
| General government   | -   | -  | -                               | -                           | -                      | -                     | -                 |
| Public safety  | 32,602                                    | 203,284                                    | -                               | -                           | -                      | 9,674                 | -                 |
| Public works   | -   | -  | -                               | -                           | -                      | -                     | -                 |
| Culture and recreation                                       | -   | -  | -                               | -                           | 15,218                 | -                     | 2,292             |
| Capital outlay   | -   | -  | -                               | -                           | -                      | -                     | 13,788            |
| Debt service:  |   |  |                                 |                             |                        |                       |                   |
| Principal payments   | -   | -  | -                               | -                           | -                      | -                     | -                 |
| Interest payments  | -   | -  | -                               | -                           | -                      | -                     | -                 |
| Total Expenditures   | <u>32,602</u>                             | <u>203,284</u>                             | <u>-</u>                        | <u>-</u>                    | <u>15,218</u>          | <u>9,674</u>          | <u>16,080</u>     |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(2,828)</u>                            | <u>(125,622)</u>                           | <u>832</u>                      | <u>7,740</u>                | <u>(2,234)</u>         | <u>198,256</u>        | <u>(4,249)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |   |  |                                 |                             |                        |                       |                   |
| Transfers in   | -   | 125,069                                    | -                               | -                           | -                      | -                     | -                 |
| Transfers out  | -   | -  | -                               | (121,500)                   | -                      | -                     | -                 |
| Total other financing sources (uses)                         | <u>-</u>                                  | <u>125,069</u>                             | <u>-</u>                        | <u>(121,500)</u>            | <u>-</u>               | <u>-</u>              | <u>-</u>          |
| Net change in fund balances                                  | <u>(2,828)</u>                            | <u>(553)</u>                               | <u>832</u>                      | <u>(113,760)</u>            | <u>(2,234)</u>         | <u>198,256</u>        | <u>(4,249)</u>    |
| Fund balances - beginning                                    | 3,454                                     | 1,072                                      | 110,462                         | 149,501                     | 22,791                 | 346,672               | 45,788            |
| Fund balances - ending                                       | <u>\$ 626</u>                             | <u>\$ 519</u>                              | <u>\$ 111,294</u>               | <u>\$ 35,741</u>            | <u>\$ 20,557</u>       | <u>\$ 544,928</u>     | <u>\$ 41,539</u>  |

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

**CITY OF AZTEC, NEW MEXICO**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2010**

|  |                                  |                  | Total<br>Special<br>Revenue | Capital Projects Funds              |   |                              | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|----------------------------------|------------------|-----------------------------|-------------------------------------|---|------------------------------|--|
|  | Emergency<br>Medical<br>Services | Airport          |                             | Capital<br>Equipment<br>Replacement | Community<br>Development<br>Block Grant | Total<br>Capital<br>Projects |  |
| <b>REVENUES:</b>   |                                  |                  |                             |                                     |   |                              |  |
| Taxes:   |                                  |                  |                             |                                     |   |                              |  |
| Gross receipts tax   | \$ -                             | \$ -             | \$ -                        | \$ -                                | \$ -                                    | \$ -                         | \$ -                                       |
| Other taxes  | -                                | -                | 24,120                      | -                                   | -                                       | -                            | 24,120                                     |
| Licenses and permits   | -                                | -                | 7,500                       | -                                   | -                                       | -                            | 7,500                                      |
| Intergovernmental  | -                                | 160,189          | 393,608                     | -                                   | 434,945                                 | 434,945                      | 828,553                                    |
| Charges for services   | -                                | -                | 77,662                      | -                                   | -                                       | -                            | 77,662                                     |
| Investment earnings  | -                                | 335              | 6,168                       | -                                   | -                                       | -                            | 6,168                                      |
| Miscellaneous  | -                                | 4,528            | 4,747                       | -                                   | -                                       | -                            | 4,747                                      |
| <b>Total Revenues</b>  | <b>-</b>                         | <b>165,052</b>   | <b>513,805</b>              | <b>-</b>                            | <b>434,945</b>                          | <b>434,945</b>               | <b>948,750</b>                             |
| <b>EXPENDITURES:</b>   |                                  |                  |                             |                                     |   |                              |  |
| Current:   |                                  |                  |                             |                                     |   |                              |  |
| General government   | -                                | 3,009            | 3,009                       | -                                   | -                                       | -                            | 3,009                                      |
| Public safety  | -                                | -                | 245,560                     | -                                   | -                                       | -                            | 245,560                                    |
| Public works   | -                                | -                | -                           | -                                   | -                                       | -                            | -  |
| Culture and recreation                                       | -                                | -                | 17,510                      | -                                   | -                                       | -                            | 17,510                                     |
| Capital outlay   | -                                | 169,741          | 183,529                     | -                                   | 434,945                                 | 434,945                      | 618,474                                    |
| Debt service:  |                                  |                  |                             |                                     |   |                              |  |
| Principal payments   | -                                | -                | -                           | -                                   | -                                       | -                            | -  |
| Interest payments  | -                                | -                | -                           | -                                   | -                                       | -                            | -  |
| <b>Total Expenditures</b>                                    | <b>-</b>                         | <b>172,750</b>   | <b>449,608</b>              | <b>-</b>                            | <b>434,945</b>                          | <b>434,945</b>               | <b>884,553</b>                             |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                                | (7,698)          | 64,197                      | -                                   | -                                       | -                            | 64,197                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                                  |                  |                             |                                     |   |                              |  |
| Transfers in   | -                                | -                | 125,069                     | -                                   | -                                       | -                            | 125,069                                    |
| Transfers out  | -                                | -                | (121,500)                   | (973,684)                           | -                                       | (973,684)                    | (1,095,184)                                |
| <b>Total other financing sources (uses)</b>                  | <b>-</b>                         | <b>-</b>         | <b>3,569</b>                | <b>(973,684)</b>                    | <b>-</b>                                | <b>(973,684)</b>             | <b>(970,115)</b>                           |
| <b>Net change in fund balances</b>                           | <b>-</b>                         | <b>(7,698)</b>   | <b>67,766</b>               | <b>(973,684)</b>                    | <b>-</b>                                | <b>(973,684)</b>             | <b>(905,918)</b>                           |
| Fund balances - beginning                                    | 444                              | 57,785           | 737,969                     | 975,405                             | 4,345                                   | 979,750                      | 1,717,719                                  |
| <b>Fund balances - ending</b>                                | <b>\$ 444</b>                    | <b>\$ 50,087</b> | <b>\$ 805,735</b>           | <b>\$ 1,721</b>                     | <b>\$ 4,345</b>                         | <b>\$ 6,066</b>              | <b>\$ 811,801</b>                          |

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



**Governmental Funds**

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

**CITY OF AZTEC, NEW MEXICO**  
**Law Enforcement Protection Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|  | Budgeted Amounts |         | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|---------|-------------------|---|
|  | Original         | Final   |                   |   |
| <b>REVENUES:</b>   |                  |         |                   |   |
| Taxes:   |                  |         |                   |   |
| Gross receipts tax   | \$ -             | \$ -    | \$ -              | \$ -  |
| Intergovernmental  | 29,600           | 29,600  | 29,600            | -   |
| Investment earnings  | 120              | 120     | 174               | 54  |
| Total Revenues   | 29,720           | 29,720  | 29,774            | 54  |
| <b>EXPENDITURES:</b>   |                  |         |                   |   |
| Current:   |                  |         |                   |   |
| Public safety  | 27,603           | 32,603  | 32,602            | 1   |
| Capital outlay   | 5,000            | -       | -                 | -   |
| Total Expenditures   | 32,603           | 32,603  | 32,602            | 1   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (2,883)          | (2,883) | (2,828)           | 55  |
| Fund balances - beginning                                    | 3,454            | 3,454   | 3,454             | -   |
| Fund balances - ending                                       | \$ 571           | \$ 571  | \$ 626            | \$ 55   |

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

**CITY OF AZTEC, NEW MEXICO**  
**Local Government Correction Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|  | <u>Budgeted Amounts</u> |                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|------------------|-------------------|---|
|  | Original                | Final            |                   |   |
| <b>REVENUES:</b>   |                         |                  |                   |   |
| Taxes:   |                         |                  |                   |   |
| Gross receipts tax   | \$ -                    | \$ -             | \$ -              | \$ -  |
| Charges for services   | 90,000                  | 90,000           | 77,662            | (12,338)  |
| Total Revenues   | <u>90,000</u>           | <u>90,000</u>    | <u>77,662</u>     | <u>(12,338)</u>   |
| <b>EXPENDITURES:</b>   |                         |                  |                   |   |
| Current:   |                         |                  |                   |   |
| Public safety  | 255,000                 | 255,000          | 203,284           | 51,716  |
| Capital outlay   | -                       | -                | -                 | -   |
| Total Expenditures   | <u>255,000</u>          | <u>255,000</u>   | <u>203,284</u>    | <u>51,716</u>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(165,000)</u>        | <u>(165,000)</u> | <u>(125,622)</u>  | <u>39,378</u>   |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                         |                  |                   |   |
| Transfers in   | 165,000                 | 165,000          | 125,069           | (39,931)  |
| Transfers out  | -                       | -                | -                 | -   |
| Total other financing sources (uses)                         | <u>165,000</u>          | <u>165,000</u>   | <u>125,069</u>    | <u>(39,931)</u>   |
| Net change in fund balances                                  | -                       | -                | (553)             | (553)   |
| Fund balances - beginning                                    | 1,072                   | 1,072            | 1,072             | -   |
| Fund balances - ending                                       | <u>\$ 1,072</u>         | <u>\$ 1,072</u>  | <u>\$ 519</u>     | <u>\$ (553)</u>   |

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

**CITY OF AZTEC, NEW MEXICO**  
**Economic Development Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|                             | Budgeted Amounts |           | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------|------------------|-----------|-------------------|---|
|                             | Original         | Final     |                   |   |
| <b>REVENUES:</b>            |                  |           |                   |   |
| Taxes:                      |                  |           |                   |   |
| Gross receipts tax          | \$ -             | \$ -      | \$ -              | \$ -  |
| Investment earnings         | 2,000            | 2,000     | 832               | (1,168)   |
| Total Revenues              | 2,000            | 2,000     | 832               | (1,168)   |
| <b>EXPENDITURES:</b>        |                  |           |                   |   |
| Current:                    |                  |           |                   |   |
| General government          | 100,000          | 100,000   | -                 | 100,000   |
| Capital outlay              | -                | -         | -                 | -   |
| Total Expenditures          | 100,000          | 100,000   | -                 | 100,000   |
| Net change in fund balances | (98,000)         | (98,000)  | 832               | 98,832  |
| Fund balances - beginning   | 110,462          | 110,462   | 110,462           | -   |
| Fund balances - ending      | \$ 12,462        | \$ 12,462 | \$ 111,294        | \$ 98,832   |

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

**CITY OF AZTEC, NEW MEXICO**  
**Development Fees Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|  | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|-------------------|---|
|  | Original         | Final            |                   |   |
| <b>REVENUES:</b>   |                  |                  |                   |   |
| Taxes:   |                  |                  |                   |   |
| Gross receipts tax   | \$ -             | \$ -             | \$ -              | \$ -  |
| Licenses and permits   | -                | -                | 7,500             | 7,500   |
| Investment earnings  | 480              | 480              | 240               | (240)   |
| <b>Total Revenues</b>  | <b>480</b>       | <b>480</b>       | <b>7,740</b>      | <b>7,260</b>  |
| <b>EXPENDITURES:</b>   |                  |                  |                   |   |
| Current:   |                  |                  |                   |   |
| Public works   | -                | -                | -                 | -   |
| Capital outlay   | -                | -                | -                 | -   |
| <b>Total Expenditures</b>                                    | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 480              | 480              | 7,740             | 7,260   |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                  |                  |                   |   |
| Transfers out  | (121,500)        | (121,500)        | (121,500)         | -   |
| Net change in fund balances                                  | (121,020)        | (121,020)        | (113,760)         | 7,260   |
| Fund balances - beginning                                    | 149,501          | 149,501          | 149,501           | -   |
| <b>Fund balances - ending</b>                                | <b>\$ 28,481</b> | <b>\$ 28,481</b> | <b>\$ 35,741</b>  | <b>\$ 7,260</b>   |

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

**CITY OF AZTEC, NEW MEXICO**  
**Lodgers Tax Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|                               | Budgeted Amounts |           | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-------------------------------|------------------|-----------|-------------------|---|
|                               | Original         | Final     |                   |   |
| <b>REVENUES:</b>              |                  |           |                   |   |
| Taxes:                        |                  |           |                   |   |
| Gross receipts tax            | \$ -             | \$ -      | \$ -              | \$ -  |
| Other taxes                   | 17,000           | 17,000    | 12,816            | (4,184)   |
| Investment earnings           | 400              | 400       | 168               | (232)   |
| <b>Total Revenues</b>         | 17,400           | 17,400    | 12,984            | (4,416)   |
| <b>EXPENDITURES:</b>          |                  |           |                   |   |
| Current:                      |                  |           |                   |   |
| Culture and recreation        | 29,445           | 29,445    | 15,218            | 14,227  |
| Capital outlay                | -                | -         | -                 | -   |
| <b>Total Expenditures</b>     | 29,445           | 29,445    | 15,218            | 14,227  |
| Net change in fund balances   | (12,045)         | (12,045)  | (2,234)           | 9,811   |
| Fund balances - beginning     | 22,791           | 22,791    | 22,791            | -   |
| <b>Fund balances - ending</b> | \$ 10,746        | \$ 10,746 | \$ 20,557         | \$ 9,811  |

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

**CITY OF AZTEC, NEW MEXICO**  
**State Fire Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|  | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------|-------------------|---|
|  | Original         | Final      |                   |   |
| <b>REVENUES:</b>   |                  |            |                   |   |
| Taxes:   |                  |            |                   |   |
| Gross receipts tax   | \$ -             | \$ -       | \$ -              | \$ -  |
| Intergovernmental  | 154,169          | 154,169    | 203,819           | 49,650  |
| Investment earnings  | 12,000           | 12,000     | 4,111             | (7,889)   |
| Miscellaneous  | -                | -          | -                 | -   |
| Total Revenues   | 166,169          | 166,169    | 207,930           | 41,761  |
| <b>EXPENDITURES:</b>   |                  |            |                   |   |
| Current:   |                  |            |                   |   |
| Public safety  | 118,624          | 118,624    | 9,674             | 108,950   |
| Capital outlay   | 45,369           | 45,369     | -                 | 45,369  |
| Total Expenditures   | 163,993          | 163,993    | 9,674             | 154,319   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 2,176            | 2,176      | 198,256           | 196,080   |
| Fund balances - beginning                                    | 346,672          | 346,672    | 346,672           | -   |
| Fund balances - ending                                       | \$ 348,848       | \$ 348,848 | \$ 544,928        | \$ 196,080  |

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

**CITY OF AZTEC, NEW MEXICO**  
**Recreation Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|                                 | Budgeted Amounts |               | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------|------------------|---------------|-------------------|---|
|                                 | Original         | Final         |                   |   |
| <b>REVENUES:</b>                |                  |               |                   |   |
| Taxes:                          |                  |               |                   |   |
| Gross receipts tax              | \$ -             | \$ -          | \$ -              | \$ -  |
| Other taxes                     | 10,596           | 10,596        | 11,304            | 708   |
| Investment earnings             | 750              | 750           | 308               | (442)   |
| Miscellaneous                   | -                | -             | 219               | 219   |
| <b>Total Revenues</b>           | <b>11,346</b>    | <b>11,346</b> | <b>11,831</b>     | <b>485</b>  |
| <b>EXPENDITURES:</b>            |                  |               |                   |   |
| Current:                        |                  |               |                   |   |
| Culture and recreation          | 10,000           | 9,000         | 2,292             | 6,708   |
| Capital outlay                  | 17,640           | 18,640        | 13,788            | 4,852   |
| <b>Total Expenditures</b>       | <b>27,640</b>    | <b>27,640</b> | <b>16,080</b>     | <b>11,560</b>   |
| <br>Net change in fund balances | <br>(16,294)     | <br>(16,294)  | <br>(4,249)       | <br>12,045  |
| Fund balances - beginning       | 45,788           | 45,788        | 45,788            | -   |
| Fund balances - ending          | \$ 29,494        | \$ 29,494     | \$ 41,539         | \$ 12,045   |

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



**CITY OF AZTEC, NEW MEXICO**  
**Emergency Medical Services Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|                             | Budgeted Amounts |        | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------|------------------|--------|-------------------|---|
|                             | Original         | Final  |                   |   |
| <b>REVENUES:</b>            |                  |        |                   |   |
| Taxes:                      |                  |        |                   |   |
| Gross receipts tax          | \$ -             | \$ -   | \$ -              | \$ -  |
| Intergovernmental           | -                | -      | -                 | -   |
| Investment earnings         | -                | -      | -                 | -   |
| Total Revenues              | -                | -      | -                 | -   |
| <b>EXPENDITURES:</b>        |                  |        |                   |   |
| Current:                    |                  |        |                   |   |
| Public safety               | -                | -      | -                 | -   |
| Capital outlay              | -                | -      | -                 | -   |
| Total Expenditures          | -                | -      | -                 | -   |
| Net change in fund balances | -                | -      | -                 | -   |
| Fund balances - beginning   | 444              | 444    | 444               | -   |
| Fund balances - ending      | \$ 444           | \$ 444 | \$ 444            | \$ -  |

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

**CITY OF AZTEC, NEW MEXICO**  
**Airport Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|                             | <u>Budgeted Amounts</u> |                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------|-------------------------|------------------|-------------------|---|
|                             | Original                | Final            |                   |   |
| <b>REVENUES:</b>            |                         |                  |                   |   |
| Taxes:                      |                         |                  |                   |   |
| Gross receipts tax          | \$ -                    | \$ -             | \$ -              | \$ -  |
| Intergovernmental           | 175,000                 | 175,000          | 160,189           | (14,811)  |
| Investment earnings         | 600                     | 600              | 335               | (265)   |
| Miscellaneous               | 2,600                   | 2,600            | 4,528             | 1,928   |
| Total Revenues              | <u>178,200</u>          | <u>178,200</u>   | <u>165,052</u>    | <u>(13,148)</u>   |
| <b>EXPENDITURES:</b>        |                         |                  |                   |   |
| Current:                    |                         |                  |                   |   |
| General government          | 15,200                  | 15,200           | 3,009             | 12,191  |
| Capital outlay              | 175,000                 | 175,000          | 169,741           | 5,259   |
| Total Expenditures          | <u>190,200</u>          | <u>190,200</u>   | <u>172,750</u>    | <u>17,450</u>   |
| Net change in fund balances | (12,000)                | (12,000)         | (7,698)           | 4,302   |
| Fund balances - beginning   | 57,785                  | 57,785           | 57,785            | -   |
| Fund balances - ending      | <u>\$ 45,785</u>        | <u>\$ 45,785</u> | <u>\$ 50,087</u>  | <u>\$ 4,302</u>   |

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

**CITY OF AZTEC, NEW MEXICO**  
**Capital Equipment Replacement Capital Projects Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|  | Budgeted Amounts |           | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|-----------|-------------------|---|
|  | Original         | Final     |                   |   |
| <b>REVENUES:</b>   |                  |           |                   |   |
| Taxes:   |                  |           |                   |   |
| Gross receipts tax   | \$ -             | \$ -      | \$ -              | \$ -  |
| Investment earnings  | -                | -         | -                 | -   |
| Total Revenues   | -                | -         | -                 | -   |
| <b>EXPENDITURES:</b>   |                  |           |                   |   |
| Capital outlay   | -                | -         | -                 | -   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                | -         | -                 | -   |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                  |           |                   |   |
| Transfers in   | -                | -         | -                 | -   |
| Transfers out  | (973,684)        | (973,684) | (973,684)         | -   |
| Total other financing sources (uses)                         | (973,684)        | (973,684) | (973,684)         | -   |
| Net change in fund balances                                  | (973,684)        | (973,684) | (973,684)         | -   |
| Fund balances - beginning                                    | 975,405          | 975,405   | 975,405           | -   |
| Fund balances - ending                                       | \$ 1,721         | \$ 1,721  | \$ 1,721          | \$ -  |

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

**CITY OF AZTEC, NEW MEXICO**  
**Community Development Block Grant Capital Projects Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

|                             | <u>Budgeted Amounts</u> |                 | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|-----------------------------|-------------------------|-----------------|---------------------------|---|
|                             | <u>Original</u>         | <u>Final</u>    |                           |   |
| <b>REVENUES:</b>            |                         |                 |                           |   |
| Taxes:                      |                         |                 |                           |   |
| Gross receipts tax          | \$ -                    | \$ -            | \$ -                      | \$ -  |
| Intergovernmental           | 411,499                 | 411,499         | 434,945                   | 23,446  |
| <b>Total Revenues</b>       | <b>411,499</b>          | <b>411,499</b>  | <b>434,945</b>            | <b>23,446</b>   |
| <b>EXPENDITURES:</b>        |                         |                 |                           |   |
| Capital outlay              | 411,499                 | 411,499         | 434,945                   | (23,446)  |
| Net change in fund balances | -                       | -               | -                         | -   |
| Fund balances - beginning   | 4,345                   | 4,345           | 4,345                     | -   |
| Fund balances - ending      | <u>\$ 4,345</u>         | <u>\$ 4,345</u> | <u>\$ 4,345</u>           | <u>\$ -</u>   |

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

## **Enterprise Funds**

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

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

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

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

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**CITY OF AZTEC, NEW MEXICO**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Budget to Actual (Non-GAAP Budgetary Basis)**  
**Joint Utility Fund**  
**For the Year Ended June 30, 2010**

|   | Budgeted Amounts |               | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|---------------|-------------------|---|
|   | Original         | Final         |                   |   |
| Operating revenues:                       |                  |               |                   |   |
| Charges for Sales and Services:           |                  |               |                   |   |
| Joint utility                             | \$ 9,290,557     | \$ 9,290,557  | \$ 9,522,366      | \$ 231,809  |
| Other revenues                            | 45,700           | 45,700        | 47,257            | 1,557   |
| Total Operating Revenues                  | 9,336,257        | 9,336,257     | 9,569,623         | 233,366   |
| Operating expenses:                       |                  |               |                   |   |
| Salaries and fringe benefits              | 1,637,208        | 1,624,208     | 1,455,039         | 169,169   |
| Purchased power                           | 3,694,155        | 3,694,155     | 3,471,747         | 222,408   |
| Other operating expenses                  | 3,471,691        | 3,420,040     | 2,885,443         | 534,597   |
| Payments in lieu of taxes                 | 370,000          | 370,000       | 370,000           | -   |
| Capital outlay                            | 3,351,785        | 3,436,936     | 3,012,516         | 424,420   |
| Total Operating Expenses                  | 12,524,839       | 12,545,339    | 11,194,745        | 1,350,594   |
| Operating income                          | (3,188,582)      | (3,209,082)   | (1,625,122)       | 1,583,960   |
| Nonoperating revenues (expenses):         |                  |               |                   |   |
| Intergovernmental                         | 1,142,862        | 1,142,862     | 1,348,035         | 205,173   |
| Investment earnings                       | 144,200          | 144,200       | 79,970            | (64,230)  |
| Gross receipts tax                        | 80,000           | 80,000        | 85,308            | 5,308   |
| Issuance of loans payable                 | 797,399          | 797,399       | 855,192           | 57,793  |
| Principal payments                        | (626,123)        | (626,218)     | (534,951)         | 91,267  |
| Interest expense                          | (238,166)        | (238,071)     | (216,446)         | 21,625  |
| Total Nonoperating Revenues (Expenses)    | 1,300,172        | 1,300,172     | 1,617,108         | 316,936   |
| Income (Loss) Before Other Sources (Uses) | (1,888,410)      | (1,908,910)   | (8,014)           | 1,900,896   |
| Contributed capital                       | 250,000          | 250,000       | 4,341,462         | 4,091,462   |
| Operating transfers, in                   | 1,657,008        | 1,677,508     | 1,610,290         | (67,218)  |
| Operating transfers, out                  | (1,127,000)      | (1,147,500)   | (1,080,282)       | 67,218  |
| Change in net assets                      | (1,108,402)      | (1,128,902)   | 4,863,456         | 5,992,358   |
| Total net assets - beginning              | 27,170,233       | 27,170,233    | 27,170,233        | -   |
| Total net assets - ending                 | \$ 26,061,831    | \$ 26,041,331 | 32,033,689        | \$ 5,992,358  |
| RECONCILIATION TO GAAP BASIS:             |                  |               |                   |   |
| Add back capital expenditures             |                  |               | 3,012,516         |   |
| Less depreciation expense                 |                  |               | (968,783)         |   |
| Less issuance of loans payable            |                  |               | (855,192)         |   |
| Add back principal payments               |                  |               | 534,951           |   |
|   |                  |               | \$ 33,757,181     |   |

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

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Budget to Actual (Non-GAAP Budgetary Basis)**  
**Solid Waste Fund**  
**For the Year Ended June 30, 2010**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|-------------------|---------------------------|---|
|  | <u>Original</u>         | <u>Final</u>      |                           |   |
| Operating revenues:                      |                         |                   |                           |   |
| Charges for Sales and Services:          |                         |                   |                           |   |
| Solid waste                              | \$ 652,500              | \$ 652,500        | \$ 676,222                | \$ 23,722   |
| Other revenues                           | -                       | -                 | 2,418                     | 2,418   |
| Total Operating Revenues                 | <u>652,500</u>          | <u>652,500</u>    | <u>678,640</u>            | <u>26,140</u>   |
| Operating expenses:                      |                         |                   |                           |   |
| Salaries and fringe benefits             | 22,350                  | 22,350            | 20,438                    | 1,912   |
| Purchased power, fuel and chemicals      | -                       | -                 | -                         | -   |
| Other operating expenses                 | 658,560                 | 658,560           | 634,984                   | 23,576  |
| Capital outlay                           | -                       | -                 | -                         | -   |
| Total Operating Expenses                 | <u>680,910</u>          | <u>680,910</u>    | <u>655,422</u>            | <u>25,488</u>   |
| Operating income                         | <u>(28,410)</u>         | <u>(28,410)</u>   | <u>23,218</u>             | <u>51,628</u>   |
| Nonoperating revenues (expenses):        |                         |                   |                           |   |
| Investment earnings                      | 2,000                   | 2,000             | 1,435                     | (565)   |
| Interest expense                         | -                       | -                 | -                         | -   |
| Other fiscal charges                     | -                       | -                 | -                         | -   |
| Total Nonoperating Revenues (Expenses)   | <u>2,000</u>            | <u>2,000</u>      | <u>1,435</u>              | <u>(565)</u>  |
| Income (Loss) Before Operating Transfers | <u>(26,410)</u>         | <u>(26,410)</u>   | <u>24,653</u>             | <u>51,063</u>   |
| Capital contributions                    | -                       | -                 | -                         | -   |
| Payments in lieu of taxes                | -                       | -                 | -                         | -   |
| Operating transfers, in                  | 9,246                   | 9,246             | 9,246                     | -   |
| Operating transfers, out                 | <u>(13,413)</u>         | <u>(13,413)</u>   | <u>-</u>                  | <u>13,413</u>   |
| Change in net assets                     | <u>(30,577)</u>         | <u>(30,577)</u>   | <u>33,899</u>             | <u>64,476</u>   |
| Total net assets - beginning             | <u>213,950</u>          | <u>213,950</u>    | <u>213,950</u>            | <u>-</u>  |
| Total net assets - ending                | <u>\$ 183,373</u>       | <u>\$ 183,373</u> | <u>247,849</u>            | <u>\$ 64,476</u>  |
| RECONCILIATION TO GAAP BASIS:            |                         |                   |                           |   |
| Add back capital expenditures            |                         |                   | -                         |   |
| Less depreciation expense                |                         |                   | <u>(5,220)</u>            |   |
|  |                         |                   | <u>\$ 242,629</u>         |   |

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



**CITY OF AZTEC, NEW MEXICO**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Budget to Actual (Non-GAAP Budgetary Basis)**  
**Irrigation Assessment Fund**  
**For the Year Ended June 30, 2010**

|  | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------|-------------------|---|
|  | Original         | Final      |                   |   |
| Operating revenues:                      |                  |            |                   |   |
| Charges for Sales and Services:          |                  |            |                   |   |
| Irrigation                               | \$ 13,159        | \$ 13,159  | \$ 13,159         | \$ -  |
| Other revenues                           | -                | -          | -                 | -   |
| Total Operating Revenues                 | 13,159           | 13,159     | 13,159            | -   |
| Operating expenses:                      |                  |            |                   |   |
| Salaries and fringe benefits             | -                | -          | -                 | -   |
| Other operating expenses                 | 12,700           | 12,700     | 3,685             | 9,015   |
| Capital outlay                           | -                | -          | -                 | -   |
| Total Operating Expenses                 | 12,700           | 12,700     | 3,685             | 9,015   |
| Operating income (loss)                  | 459              | 459        | 9,474             | 9,015   |
| Nonoperating revenues (expenses):        |                  |            |                   |   |
| Investment earnings                      | 1,200            | 1,200      | 890               | (310)   |
| Interest expense                         | -                | -          | -                 | -   |
| Other fiscal charges                     | -                | -          | -                 | -   |
| Total Nonoperating Revenues (Expenses)   | 1,200            | 1,200      | 890               | (310)   |
| Income (Loss) Before Operating Transfers | 1,659            | 1,659      | 10,364            | 8,705   |
| Capital contributions                    | -                | -          | -                 | -   |
| Operating transfers, in                  | -                | -          | -                 | -   |
| Change in net assets                     | 1,659            | 1,659      | 10,364            | 8,705   |
| Total net assets - beginning             | 182,538          | 182,538    | 182,538           | -   |
| Total net assets - ending                | \$ 184,197       | \$ 184,197 | 192,902           | \$ 8,705  |
| RECONCILIATION TO GAAP BASIS:            |                  |            |                   |   |
| Add back capital expenditures            |                  |            | -                 |   |
| Less depreciation expense                |                  |            | (4,331)           |   |
|  |                  |            | \$ 188,571        |   |

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

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**Fiduciary Funds  
Agency Funds**

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

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

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**CITY OF AZTEC, NEW MEXICO**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**Year Ended June 30, 2010**

|                                 | <u>Balance</u><br><u>June 30,</u><br><u>2009</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u><br><u>June 30,</u><br><u>2010</u> |
|---------------------------------|--|------------------|-------------------|--|
| <b><u>ASSETS</u></b>            |  |                  |                   |  |
| <b><u>Cash:</u></b>             |  |                  |                   |  |
| Employee Association Trust Fund | \$ 4,194   | \$ 4,453         | \$ 3,560          | \$ 5,087   |
|                                 | <u>4,194</u>                                     | <u>4,453</u>     | <u>3,560</u>      | <u>5,087</u>                                     |
| Total assets                    | <u>\$ 4,194</u>                                  | <u>\$ 4,453</u>  | <u>\$ 3,560</u>   | <u>\$ 5,087</u>                                  |
| <b><u>LIABILITIES</u></b>       |  |                  |                   |  |
| Due to other funds              | \$ -   | \$ -             | \$ -              | \$ -   |
| Deposits held for others        | <u>4,194</u>                                     | <u>4,453</u>     | <u>3,560</u>      | <u>5,087</u>                                     |
| Total liabilities               | <u>\$ 4,194</u>                                  | <u>\$ 4,453</u>  | <u>\$ 3,560</u>   | <u>\$ 5,087</u>                                  |

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

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

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**CITY OF AZTEC, NEW MEXICO**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Source**  
**June 30, 2010**

|   | <b>2010</b>   |
|---|---------------|
| <b>Governmental Funds Capital Assets:</b>                             |               |
| Land  | \$ 638,435    |
| Buildings & Structures  | 7,271,668     |
| Improvements Other than Buildings                                     | 1,862,080     |
| Equipment & Machinery   | 4,670,846     |
| Infrastructure  | 11,232,358    |
| Construction (Projects) in Process                                    | 822,511       |
| Total Governmental Funds Capital Assets                               | \$ 26,497,898 |
| <br><b>Investment in Governmental Funds Capital Assets by Source:</b> |               |
| General Fund  | \$ 11,986,697 |
| Special revenue funds   | 6,186,973     |
| Capital projects funds  | 7,345,013     |
| Donations   | 979,215       |
| Total Governmental Funds Capital Assets                               | \$ 26,497,898 |

**CITY OF AZTEC, NEW MEXICO**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**For the Year Ended June 30, 2010**

| <b>FUNCTION AND ACTIVITY</b>        | <b>Land</b>       | <b>Buildings &amp; Improvements</b> | <b>Improvements Other than Buildings</b> | <b>Furniture &amp; Fixtures</b> | <b>Equipment &amp; Machinery</b> | <b>Vehicles &amp; Heavy Equip</b> | <b>Infrastructure</b> | <b>Construction in Progress</b> | <b>Total</b>         |
|-------------------------------------|-------------------|-------------------------------------|--|---------------------------------|----------------------------------|-----------------------------------|-----------------------|---------------------------------|----------------------|
| <b>General Government:</b>          |                   |                                     |  |                                 |                                  |                                   |                       |                                 |                      |
| Legislative                         | \$ -              | \$ 12,398                           | \$ 1,865                                 | \$ 2,018                        | \$ 7,995                         | \$ -                              | \$ -                  | \$ -                            | \$ 24,276            |
| Judicial                            | -                 | -                                   | -  | -                               | 47,200                           | -                                 | -                     | -                               | 47,200               |
| Executive                           | 63,587            | 149,933                             | 1,605                                    | 19,293                          | 9,473                            | 61,361                            | -                     | -                               | 305,252              |
| Finance Administration              | -                 | 402,118                             | -  | -                               | 125,431                          | -                                 | -                     | -                               | 527,549              |
| Motor Vehicle                       | -                 | 448,102                             | -  | -                               | 19,259                           | -                                 | -                     | -                               | 467,361              |
| Community Development               | -                 | -                                   | -  | 7,317                           | 7,865                            | 38,426                            | -                     | -                               | 53,608               |
| Information Systems                 | -                 | 2,412                               | -  | -                               | 145,524                          | 18,984                            | -                     | -                               | 166,920              |
| Municipal Building Maint            | -                 | 56,336                              | 20,880                                   | -                               | 16,494                           | 11,094                            | 5,226                 | -                               | 110,030              |
| Fleet Maintenance                   | -                 | -                                   | -  | -                               | -                                | -                                 | -                     | -                               | -                    |
| <b>Total General Government</b>     | <b>63,587</b>     | <b>1,071,299</b>                    | <b>24,350</b>                            | <b>28,628</b>                   | <b>379,241</b>                   | <b>129,865</b>                    | <b>5,226</b>          | <b>-</b>                        | <b>1,702,196</b>     |
| <b>Public Safety:</b>               |                   |                                     |  |                                 |                                  |                                   |                       |                                 |                      |
| Police                              | -                 | 568,383                             | 8,750                                    | 7,589                           | 368,151                          | 547,538                           | -                     | -                               | 1,500,411            |
| Fire                                | 35,051            | 411,471                             | 31,523                                   | -                               | 295,677                          | 1,352,354                         | -                     | -                               | 2,126,076            |
| Animal Control                      | -                 | 953,827                             | 32,656                                   | -                               | 35,236                           | 85,727                            | -                     | -                               | 1,107,446            |
| <b>Total Public Safety</b>          | <b>35,051</b>     | <b>1,933,681</b>                    | <b>72,929</b>                            | <b>7,589</b>                    | <b>699,064</b>                   | <b>1,985,619</b>                  | <b>-</b>              | <b>-</b>                        | <b>4,733,933</b>     |
| <b>Public Works:</b>                |                   |                                     |  |                                 |                                  |                                   |                       |                                 |                      |
| Streets                             | 103,153           | 77,149                              | 75,368                                   | -                               | 550,068                          | 204,670                           | 10,777,152            | 542,804                         | 12,330,364           |
| Electric                            | -                 | -                                   | -  | -                               | -                                | -                                 | 18,646                | 3,909                           | 22,555               |
| <b>Total Public Works</b>           | <b>103,153</b>    | <b>77,149</b>                       | <b>75,368</b>                            | <b>-</b>                        | <b>550,068</b>                   | <b>204,670</b>                    | <b>10,795,798</b>     | <b>546,713</b>                  | <b>12,352,919</b>    |
| <b>Culture and Recreation:</b>      |                   |                                     |  |                                 |                                  |                                   |                       |                                 |                      |
| Parks & Recreation                  | 426,644           | 259,752                             | 1,660,333                                | -                               | 365,823                          | 204,705                           | 132,847               | 103,858                         | 3,153,962            |
| Library                             | -                 | 1,947,936                           | -  | 37,156                          | 38,620                           | -                                 | -                     | -                               | 2,023,712            |
| Airport                             | 10,000            | 42,008                              | 9,040                                    | -                               | 11,676                           | -                                 | 298,487               | 171,940                         | 543,151              |
| <b>Total Culture and Recreation</b> | <b>436,644</b>    | <b>2,249,696</b>                    | <b>1,669,373</b>                         | <b>37,156</b>                   | <b>416,119</b>                   | <b>204,705</b>                    | <b>431,334</b>        | <b>275,798</b>                  | <b>5,720,825</b>     |
| <b>Health and Welfare:</b>          |                   |                                     |  |                                 |                                  |                                   |                       |                                 |                      |
| Community Center                    | -                 | 204,544                             | 20,060                                   | 2,135                           | 24,971                           | -                                 | -                     | -                               | 251,710              |
| NESJC Family Center                 | -                 | 1,735,299                           | -  | -                               | 1,016                            | -                                 | -                     | -                               | 1,736,315            |
| <b>Total Health and Welfare</b>     | <b>-</b>          | <b>1,939,843</b>                    | <b>20,060</b>                            | <b>2,135</b>                    | <b>25,987</b>                    | <b>-</b>                          | <b>-</b>              | <b>-</b>                        | <b>1,988,025</b>     |
| <b>Total Capital Assets</b>         | <b>\$ 638,435</b> | <b>\$ 7,271,668</b>                 | <b>\$ 1,862,080</b>                      | <b>\$ 75,508</b>                | <b>\$ 2,070,479</b>              | <b>\$ 2,524,859</b>               | <b>\$ 11,232,358</b>  | <b>\$ 822,511</b>               | <b>\$ 26,497,898</b> |

**CITY OF AZTEC, NEW MEXICO**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**For the Year Ended June 30, 2010**

| FUNCTION AND ACTIVITY          | <u>Capital Assets<br/>June 30, 2009</u> | <u>Additions/<br/>Reclassifications</u> | <u>Deductions/<br/>Reclassifications</u> | <u>Capital Assets<br/>June 30, 2010</u> |
|--------------------------------|---|---|--|---|
| <b>GENERAL GOVERNMENT:</b>     |   |   |  |   |
| Legislative                    | \$ 24,276                               | \$ -                                    | \$ -                                     | \$ 24,276                               |
| Judicial                       | 47,200                                  | -                                       | -  | 47,200                                  |
| Executive                      | 306,449                                 | -                                       | (1,197)                                  | 305,252                                 |
| Finance Administration         | 527,549                                 | -                                       | -  | 527,549                                 |
| Motor Vehicle                  | 461,375                                 | 5,987                                   | (1)                                      | 467,361                                 |
| Community Development          | 53,609                                  | -                                       | (1)                                      | 53,608                                  |
| Information Systems            | 168,696                                 | -                                       | (1,776)                                  | 166,920                                 |
| Municipal Building Maint       | 110,033                                 | -                                       | (3)                                      | 110,030                                 |
| Fleet Maintenance              | <u>159,637</u>                          | <u>-</u>                                | <u>(159,637)</u>                         | <u>-</u>                                |
| Total General Government       | <u>1,858,824</u>                        | <u>5,987</u>                            | <u>(162,615)</u>                         | <u>1,702,196</u>                        |
| <b>PUBLIC SAFETY:</b>          |   |   |  |   |
| Police                         | 1,493,267                               | 7,145                                   | (1)                                      | 1,500,411                               |
| Fire                           | 2,122,120                               | 3,955                                   | 1  | 2,126,076                               |
| Animal Control                 | <u>915,443</u>                          | <u>206,153</u>                          | <u>(14,150)</u>                          | <u>1,107,446</u>                        |
| Total Public Safety            | <u>4,530,830</u>                        | <u>217,253</u>                          | <u>(14,150)</u>                          | <u>4,733,933</u>                        |
| <b>PUBLIC WORKS:</b>           |   |   |  |   |
| Streets                        | 12,664,999                              | 3,801,865                               | (4,136,500)                              | 12,330,364                              |
| Electric                       | <u>18,646</u>                           | <u>3,909</u>                            | <u>-</u>                                 | <u>22,555</u>                           |
| Total Public Works             | <u>12,683,645</u>                       | <u>3,805,774</u>                        | <u>(4,136,500)</u>                       | <u>12,352,919</u>                       |
| <b>CULTURE AND RECREATION:</b> |   |   |  |   |
| Parks & Recreation             | 2,676,612                               | 477,349                                 | 1  | 3,153,962                               |
| Airport                        | 373,410                                 | 169,741                                 | -  | 543,151                                 |
| Library                        | <u>2,023,712</u>                        | <u>-</u>                                | <u>-</u>                                 | <u>2,023,712</u>                        |
| Total Culture and Recreation   | <u>5,073,734</u>                        | <u>647,090</u>                          | <u>1</u>                                 | <u>5,720,825</u>                        |
| <b>HEALTH AND WELFARE:</b>     |   |   |  |   |
| Community Center               | 251,710                                 | -                                       | -  | 251,710                                 |
| NESJC Family Center            | <u>1,736,315</u>                        | <u>-</u>                                | <u>-</u>                                 | <u>1,736,315</u>                        |
| Total Health and Welfare       | <u>1,988,025</u>                        | <u>-</u>                                | <u>-</u>                                 | <u>1,988,025</u>                        |
| <b>Total Capital Assets</b>    | <u>\$ 26,135,058</u>                    | <u>\$ 4,676,104</u>                     | <u>\$ (4,313,264)</u>                    | <u>\$ 26,497,898</u>                    |

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

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**CITY OF AZTEC, NEW MEXICO**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**June 30, 2010**

|  | <u>Wells</u>           | <u>Citizens</u>     | <u>Four Corners</u> |                             |
|--|------------------------|---------------------|---------------------|-----------------------------|
|  | <u>Farqo Bank</u>      | <u>Bank</u>         | <u>Community</u>    | <u>Total</u>                |
|  |                        |                     | <u>Bank</u>         |                             |
| Checking account                                     | \$ 583,650             | \$ 1,284,433        | \$ -                | \$ 1,868,083                |
| Certificates of deposit                              | -                      | 1,000,000           | 5,250,000           | 6,250,000                   |
| Deposits, at June 30, 2010                           | <u>583,650</u>         | <u>2,284,433</u>    | <u>5,250,000</u>    | <u>8,118,083</u>            |
| FDIC Insurance                                       | 250,000                | 250,000             | 250,000             | 750,000                     |
| Uninsured amount                                     | <u>333,650</u>         | <u>2,034,433</u>    | <u>5,000,000</u>    | <u>7,368,083</u>            |
| Less 50 percent                                      | 166,825                | 1,017,217           | 2,500,000           | 3,684,042                   |
| Amount requiring pledged collateral                  | <u>166,825</u>         | <u>1,017,217</u>    | <u>2,500,000</u>    | <u>3,684,042</u>            |
| Pledged collateral at June 30, 2010                  | <u>1,246,660</u>       | <u>2,875,412</u>    | <u>2,612,300</u>    | <u>6,734,372</u>            |
| <b>Excess (deficiency) of pledged collateral</b>     | <b>\$ 1,079,835</b>    | <b>\$ 1,858,196</b> | <b>\$ 112,300</b>   | <b>\$ 3,050,331</b>         |
| <br>   |                        |                     |                     |                             |
| <b>Pledged collateral (market value) located at:</b> | <b>Minneapolis, MN</b> | <b>Dallas, TX</b>   | <b>Dallas, TX</b>   |                             |
| FNCL; #31413SGT5; 11/01/2037                         | \$ 1,246,660           | \$ -                | \$ -                | \$ 1,246,660                |
| FHLB; #31417YBR7; 05/15/2015                         | -                      | 2,875,412           | -                   | 2,875,412                   |
| Fmgtn Mun Sch; #311441JD2; 09/01/2016                | -                      | -                   | 1,201,980           | 1,201,980                   |
| Fmgtn Mun Sch; #311441HM4; 09/01/2016                | -                      | -                   | 210,944             | 210,944                     |
| Aztec Mun Sch; #054879GD7; 10/01/2018                | -                      | -                   | 70,231              | 70,231                      |
| Fmgtn NM GRT Bonds; #311455EY1; 06/15/2013           | -                      | -                   | 214,144             | 214,144                     |
| Fmgtn NM GRT Bonds; #311455EZ8; 06/15/2013           | -                      | -                   | 211,560             | 211,560                     |
| Bloomfield NM GRT; #094072BQ7; 06/15/2013            | -                      | -                   | 114,787             | 114,787                     |
| Los Lunas NM Sch; #545562KL3; 06/01/2013             | -                      | -                   | 230,879             | 230,879                     |
| Los Lunas NM Sch; #545559CR5; 06/01/2013             | -                      | -                   | 255,045             | 255,045                     |
| Bloomfield NM GRT; #094072BM6; 06/15/2013            | -                      | -                   | 102,730             | 102,730                     |
| <b>Totals</b>  | <b>\$ 1,246,660</b>    | <b>\$ 2,875,412</b> | <b>\$ 2,612,300</b> | <b>\$ 6,734,372</b>         |
| <br>   |                        |                     |                     |                             |
| <b>Reconciliation to Financial Statements:</b>       |                        |                     |                     |                             |
| Total per banks                                      | \$ 583,650             | \$ 2,284,433        | \$ 5,250,000        | \$ 8,118,083                |
| Reconciling items:                                   |                        |                     |                     |                             |
| Deposits in transit                                  | 10                     | 38,200              | -                   | 38,210                      |
| Outstanding checks                                   | (130)                  | (78,485)            | -                   | (78,615)                    |
| Total per books                                      | <u>\$ 583,530</u>      | <u>\$ 2,244,148</u> | <u>\$ 5,250,000</u> | <u>8,077,678</u>            |
| NM Treasurer Investment Pool                         |                        |                     |                     | 9,766,077                   |
| NM Treasurer Investment Pool - Reserve               |                        |                     |                     | 33,923                      |
| Cash with fiscal agent                               |                        |                     |                     | 1,803,209                   |
| Cash on hand   |                        |                     |                     | <u>2,570</u>                |
| Total per financial statements                       |                        |                     |                     | <u><u>\$ 19,683,457</u></u> |
| <br>   |                        |                     |                     |                             |
| <b>Financial Statements:</b>                         |                        |                     |                     |                             |
| Cash and cash equivalents:                           |                        |                     |                     |                             |
| Governmental activities                              |                        |                     |                     | \$ 6,690,983                |
| Business-type activities                             |                        |                     |                     | 11,184,178                  |
| Fiduciary activities                                 |                        |                     |                     | 5,087                       |
| Cash with fiscal agent:                              |                        |                     |                     |                             |
| Governmental activities                              |                        |                     |                     | 1,734,074                   |
| Business-type activities                             |                        |                     |                     | 69,135                      |
| Total per financial statements                       |                        |                     |                     | <u><u>\$ 19,683,457</u></u> |

**CITY OF AZTEC, NEW MEXICO  
SCHEDULE OF JOINT POWER AGREEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010**

| <b>Participants<br/>(including City of Aztec)</b>   | <b>Responsible Party</b>                    | <b>Description</b>                                  | <b>Dates of<br/>Agreement</b> | <b>Total<br/>Project</b> | <b>City Share</b>   | <b>FY10<br/>Amount</b> | <b>Audit<br/>Responsibility</b>                |
|---|---|---|-------------------------------|--------------------------|---|------------------------|--|
| City of Bloomfield  | City of Aztec                               | Operation of Aztec Animal Shelter                   | b. 5/15/08<br>t. none         | t.<br>variable           | 1/4 of salary cost of animal control officer 1/4 of salary cost of vet tech/director 1/3 operation costs  | \$ 46,272              | City of Aztec                                  |
| San Juan County   | City of Aztec                               | Operation of Aztec Animal Shelter                   | b. 5/15/02<br>t. none         | variable                 | 1/4 of salary cost of animal control officer 1/4 of salary cost of vet tech/director 1/3 operation costs  | \$ 191,530             | City of Aztec                                  |
| San Juan County   | San Juan County                             | County jail operations                              | b. 10/05/04<br>t. none        | variable                 | \$63.23/day/prisoner through 6/30/10; rate recalculated July 1 in subsequent years  | \$ 203,284             | San Juan County                                |
| Cities of Bloomfield & Farmington,<br>San Juan County, San Juan County<br>Crimestoppers, Inc. | San Juan County<br>Crimestoppers, Inc.      | Crime prevention program                            | b. 9/16/96<br>t. None         | variable                 | pro-rata share of costs   | \$ 6,127               | San Juan County<br>Crimestoppers, Inc.         |
| Cities of Bloomfield & Farmington;<br>San Juan County; rural water<br>associations            | San Juan Water Commission                   | Water rights<br>protection/acquisition/distribution | b. 3/28/86<br>t. none         | variable                 | .5% of mill levy assessed on<br>property taxes  | \$4,143 est            | San Juan Water<br>Commission                   |
| Cities of Bloomfield & Farmington;<br>San Juan County   | San Juan County<br>Communications Authority | Unified dispatch service                            | b. 5/24/92<br>t. none         | variable                 | Once maximum Capital Equipment<br>Replacement Fund balance<br>reached, pro-rata share will be<br>assessed to maintain CERF<br>balance; Aztec share 6% | \$ -                   | San Juan County<br>Communications<br>Authority |
| Cities of Bloomfield & Farmington and<br>San Juan County                                      | City of Farmington                          | <u>Municipal Planning Organization</u>              | b. 10/09<br>t. 9/2012         | variable                 | pro-rata share (10%) of costs of<br>MPO (operational and special<br>projects)   | \$ 3,450               | City of Farmington                             |
| City Farmington   | City of Farmington                          | Operation of regional mass transit                  | b. 10/08<br>t. 9/09           | t.<br>variable           | agreement specific to amount<br>obligated   | \$ 17,657              | City of Farmington                             |



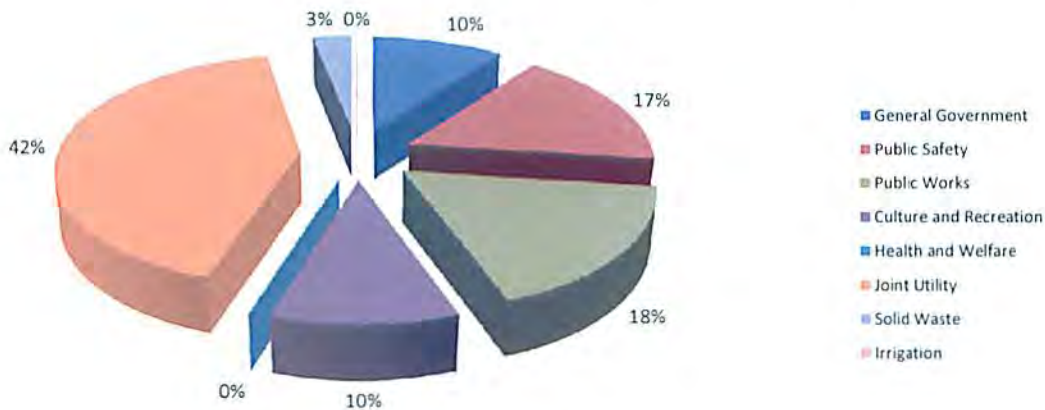
## **STATISTICAL SECTION**

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FISCAL YEARS 2003-2010

| Fiscal Year | General Government | Public Safety | Public Works | Culture and Recreation | Health and Welfare | Joint Utility | Solid Waste | Irrigation | Total        |
|-------------|--------------------|---------------|--------------|------------------------|--------------------|---------------|-------------|------------|--------------|
| 2003        | \$689,296          | \$1,523,840   | \$908,832    | \$657,178              | \$83,627           | \$4,961,298   | \$485,906   | \$28,963   | \$9,338,940  |
| 2004        | \$894,271          | \$1,297,823   | \$654,237    | \$840,454              | \$0                | \$5,395,009   | \$506,412   | \$28,467   | \$9,616,673  |
| 2005        | \$1,274,513        | \$1,905,168   | \$990,905    | \$668,126              | \$154,996          | \$5,743,024   | \$533,877   | \$24,550   | \$11,295,159 |
| 2006        | \$1,381,532        | \$2,135,358   | \$1,853,128  | \$1,012,513            | \$0                | \$5,972,592   | \$566,775   | \$25,108   | \$12,947,006 |
| 2007        | \$1,815,671        | \$2,229,695   | \$3,532,321  | \$1,055,677            | \$0                | \$7,866,973   | \$588,533   | \$6,812    | \$17,095,682 |
| 2008        | \$2,110,680        | \$2,733,897   | \$2,084,200  | \$1,285,597            | \$0                | \$8,177,753   | \$610,138   | \$7,008    | \$17,009,273 |
| 2009        | \$1,983,249        | \$2,862,497   | \$1,921,141  | \$1,414,843            | \$0                | \$7,995,060   | \$649,266   | \$7,159    | \$16,833,215 |
| 2010        | \$2,257,458        | \$3,755,435   | \$3,887,767  | \$2,289,542            | \$0                | \$9,367,458   | \$660,642   | \$8,016    | \$22,226,318 |

GOVERNMENT-WIDE EXPENSES BY FUNCTION - 6/30/10

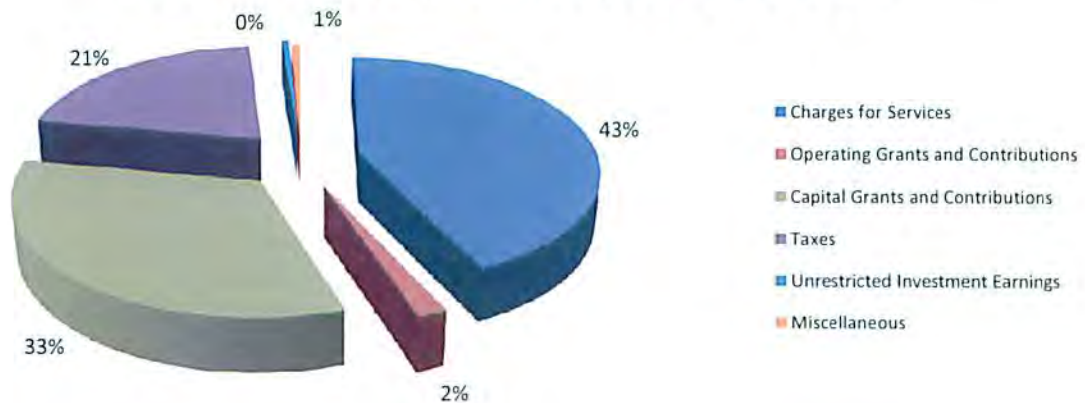


\* FY2003 is the first year government-wide information is presented

FISCAL YEARS 2003-2010

| Fiscal Year | PROGRAM REVENUES     |                                    |                                  | GENERAL REVENUES |                                  |               |               | Total |
|-------------|----------------------|------------------------------------|----------------------------------|------------------|----------------------------------|---------------|---------------|-------|
|             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Taxes            | Unrestricted Investment Earnings | Miscellaneous |               |       |
| 2003        | \$ 6,424,542         | \$ 1,105,994                       | \$ 1,055,236                     | \$ 3,100,672     | \$ 252,496                       | \$ 18,701     | \$ 11,957,641 |       |
| 2004        | \$ 6,611,231         | \$ 1,979,897                       | \$ 82,379                        | \$ 3,544,746     | \$ 185,475                       | \$ 284,536    | \$ 12,688,264 |       |
| 2005        | \$ 7,653,908         | \$ 388,499                         | \$ 480,962                       | \$ 4,869,374     | \$ 282,097                       | \$ 137,725    | \$ 13,812,565 |       |
| 2006        | \$ 9,018,379         | \$ 1,035,880                       | \$ 803,768                       | \$ 5,196,920     | \$ 487,632                       | \$ 123,171    | \$ 16,665,750 |       |
| 2007        | \$ 10,210,039        | \$ 1,296,919                       | \$ 2,117,376                     | \$ 5,862,344     | \$ 695,269                       | \$ 116,688    | \$ 20,298,635 |       |
| 2008        | \$ 11,249,454        | \$ 1,063,924                       | \$ 1,131,066                     | \$ 6,850,087     | \$ 662,879                       | \$ 107,739    | \$ 21,065,149 |       |
| 2009        | \$ 11,501,830        | \$ 429,943                         | \$ 3,001,015                     | \$ 6,708,147     | \$ 337,024                       | \$ 102,597    | \$ 22,080,556 |       |
| 2010        | \$ 11,083,916        | \$ 437,993                         | \$ 8,432,274                     | \$ 5,409,968     | \$ 141,211                       | \$ 176,437    | \$ 25,681,799 |       |

**GOVERNMENT-WIDE REVENUES 06/30/10**



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

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

Table 3

LAST TEN FISCAL YEARS

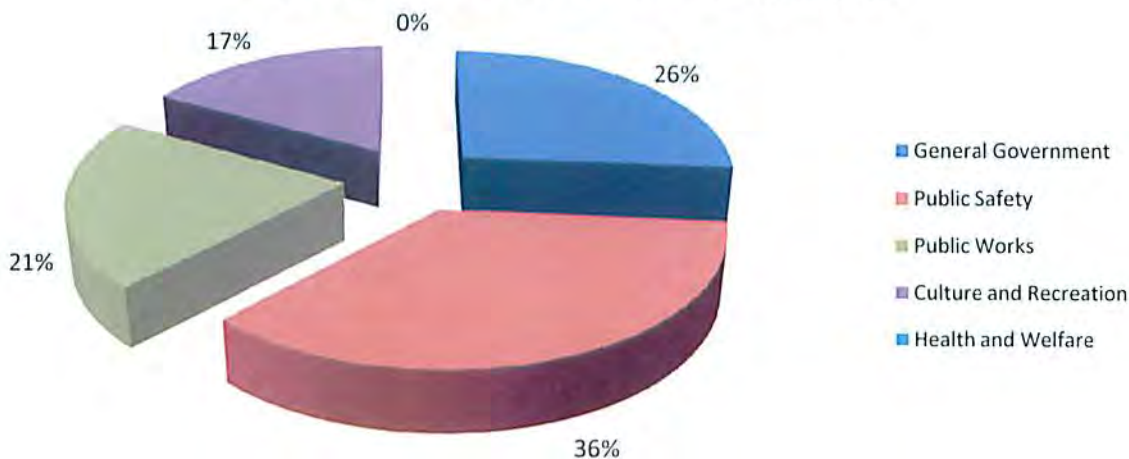
| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Culture and Recreation</u> | <u>Health and Welfare</u> | <u>Total</u> |
|--------------------|---------------------------|----------------------|---------------------|-------------------------------|---------------------------|--------------|
| 2001               | 655,360                   | 1,169,421            | 505,153             | 525,834                       | -                         | 2,855,768    |
| 2002               | 721,507                   | 1,224,225            | 444,515             | 498,457                       | 51,612                    | 2,940,316    |
| 2003               | 670,845                   | 1,424,983            | 526,260             | 529,051                       | 83,627                    | 3,234,766    |
| 2004               | 732,116                   | 1,672,449            | 556,468             | 714,856                       | -                         | 3,675,889    |
| 2005               | 1,169,293                 | 1,693,441            | 542,743             | 566,252                       | 153,691                   | 4,125,420    |
| 2006               | 1,169,572                 | 1,908,208            | 1,499,247           | 887,098                       | -                         | 5,464,125    |
| 2007               | 1,632,016                 | 1,967,451            | 3,123,766           | 910,885                       | -                         | 7,634,118    |
| 2008               | 1,665,357                 | 2,421,134            | 1,651,035           | 1,068,047                     | -                         | 6,805,573    |
| 2009               | 1,833,036                 | 2,651,381            | 1,625,807           | 1,205,663                     | -                         | 7,315,887    |
| 2010               | 1,763,356                 | 2,409,157            | 1,413,715           | 1,143,772                     | -                         | 6,730,000    |

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

(2) Excludes capital outlay and debt service expenditures.

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

**GOVERNMENTAL  
 FUND EXPENDITURES - 06/30/10**



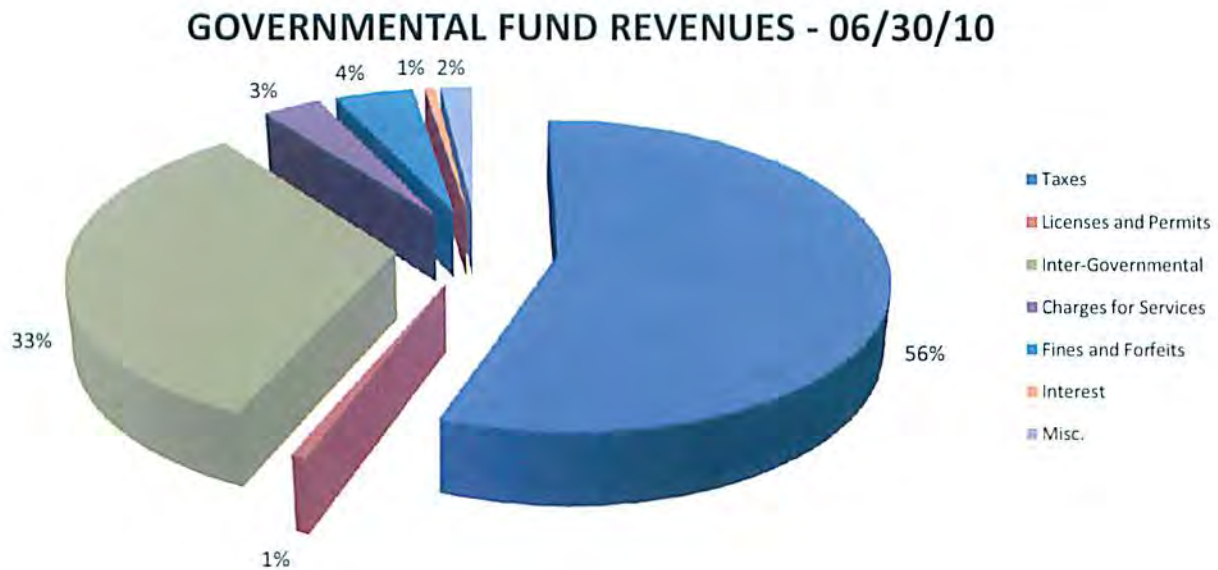
CITY OF AZTEC, NEW MEXICO  
 GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

Table 4

LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>Taxes</u> | <u>Licenses and Permits</u> | <u>Inter-Governmental</u> | <u>Charges for Services</u> | <u>Fines and Forfeits</u> | <u>Interest</u> | <u>Misc.</u> | <u>Total</u> |
|--------------------|--------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------|--------------|--------------|
| 2001               | 2,876,912    | 43,216                      | 635,913                   | 156,425                     | 282,744                   | 173,226         | 72,274       | 4,240,710    |
| 2002               | 2,957,743    | 47,126                      | 625,123                   | 200,881                     | 399,395                   | 122,285         | 63,345       | 4,415,898    |
| 2003               | 3,100,672    | 49,882                      | 1,157,418                 | 216,645                     | 429,043                   | 101,470         | 64,626       | 5,119,756    |
| 2004               | 3,528,837    | 51,725                      | 1,329,107                 | 260,505                     | 406,335                   | 104,229         | 60,051       | 5,740,789    |
| 2005               | 4,432,986    | 57,564                      | 904,050                   | 300,250                     | 523,400                   | 168,847         | 76,636       | 6,463,733    |
| 2006               | 5,073,253    | 143,461                     | 1,696,330                 | 331,608                     | 492,108                   | 277,530         | 123,171      | 8,137,461    |
| 2007               | 5,726,747    | 109,720                     | 3,190,059                 | 336,988                     | 475,466                   | 343,285         | 116,688      | 10,298,953   |
| 2008               | 6,690,398    | 162,575                     | 1,928,934                 | 380,726                     | 550,722                   | 333,053         | 107,739      | 10,154,147   |
| 2009               | 6,532,742    | 57,827                      | 3,122,308                 | 398,851                     | 565,712                   | 164,524         | 102,597      | 10,944,561   |
| 2010               | 5,311,666    | 62,683                      | 3,180,770                 | 324,776                     | 435,035                   | 58,916          | 176,437      | 9,550,283    |

(1) Includes general, special revenue and debt service funds.  
 Source: City of Aztec, New Mexico, Comprehensive Annual Financial Reports



## **SINGLE AUDIT SECTION**

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**CITY OF AZTEC, NEW MEXICO**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2010**

| <u>Federal Grantor/Pass - Through<br/>Grantor/Program or Cluster Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Entity Identifying<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| <u>U.S. Department of Housing and Urban Development:</u>                   |                                    |   |                                 |
| Pass-Through Program From:   |                                    |   |                                 |
| New Mexico Department of Finance and Administration                        |                                    |   |                                 |
| Community Development Block Grants - Entitlement Grants                    | 14.218                             | 07-C-NR-1-01-G-07                                     | \$ <u>434,945</u>               |
| <br><u>U.S. Federal Highway Administration</u>                             |                                    |   |                                 |
| Pass-Through Program From:   |                                    |   |                                 |
| New Mexico Department of Transportation                                    |                                    |   |                                 |
| ARRA - Highway Planning and Construction                                   | 20.205                             | ESF1050   | <u>202,666</u>                  |
| <br><u>U.S. Federal Aviation Administration</u>                            |                                    |   |                                 |
| Direct Program: Airport Improvement Program                                | 20.106                             | 3-35-0056-002-2009                                    | <u>161,254</u>                  |
| <br><u>U.S. Department of Agriculture</u>                                  |                                    |   |                                 |
| Direct Program: Disposal Systems for Rural Communities                     | 10.760                             |   | <u>704,002</u>                  |
| <br><u>U.S. Environmental Protection Agency</u>                            |                                    |   |                                 |
| Direct Program: Congressionally Mandated Projects - FY08 STAG Program      | 66.202                             | XP-96671901-0   | 212,711                         |
| Direct Program: Congressionally Mandated Projects - FY09 STAG Program      | 66.202                             | XP-96671901-1   | <u>488,000</u>                  |
|  |                                    |   | <u>700,711</u>                  |
| <br><u>U.S. Department of Justice</u>                                      |                                    |   |                                 |
| Direct program: ARRA - Edward Byrne Memorial Justice Assistance            |                                    |   |                                 |
| Grant (JAG) Programs/Grants to State and Territories                       | 16.803                             | 2009-SB-B9-2306                                       | <u>28,215</u>                   |
| <br>Total Expenditures of Federal Awards                                   |                                    |   | <br>\$ <u>2,231,793</u>         |

See accompanying notes to Schedule of  
Expenditures of Federal Awards.

**CITY OF AZTEC  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010**

**NOTE 1 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133**

All federal grant operations of the City of Aztec (the "City") are included in the scope of the Office of Management and Budget ("OMB") Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement. Compliance testing of all requirements as described in the Compliance Supplement was performed for the grant programs noted below. These programs represent all federal award programs and other grants with fiscal 2010 cash and non-cash expenditures to ensure coverage of at least 50 percent (high risk auditee) of federally granted funds. Actual coverage is 82% of total cash and non-cash federal award program expenditures.

|  | <u>Fiscal Year</u><br><u>2010</u><br><u>Expenditure</u> |
|--|---|
| Major Federal Award Program Description                          |   |
| 14.218 – Community Development Block Grants – Entitlement Grants | \$434,945   |
| 10.760 – Disposal Systems for Rural Communities                  | 704,002   |
| 66.202 – Congressionally Mandated Projects                       | 700,711   |

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of presentation*

The accompanying Schedule of Expenditures of Federal Awards includes all federal grants to the City that had activity during the fiscal year ended June 30, 2010. This schedule has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the City has met the qualifications for the respective grants.

*Accrued and deferred reimbursements*

Various reimbursement procedures are used for Federal awards received by the City. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represent an excess of reimbursable expenditures over receipts to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance With  
Government Auditing Standards**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, and the combining and individual funds and related budgetary comparison presented as supplemental information of the City of Aztec, New Mexico (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated June 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, as finding 2010-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

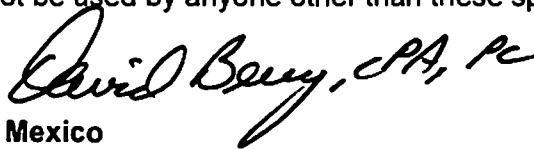
Compliance and Other Matters

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

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

The City'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 City's responses and, accordingly, we express no opinion on the responses.

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



Farmington, New Mexico  
June 5, 2012

**Report on Compliance  
With Requirements Applicable to Each  
Major Program and Internal Control Over  
Compliance in Accordance With  
OMB Circular A-133**

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

Compliance

We have audited the City of Aztec, New Mexico (City) compliance 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, 2010. The 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 City's management. Our responsibility is to express an opinion on the 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 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 City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-1.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the 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 City's internal control over compliance.

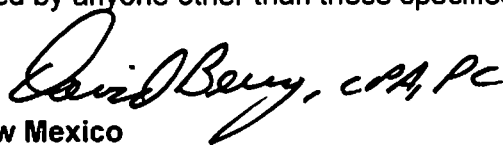
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal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

A material weakness is a significant deficiency, or 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 consider to be material weaknesses, as defined above.

The City'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 City's responses and, accordingly, we express no opinion on the responses.

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

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

Farmington, New Mexico  
June 5, 2012

**CITY OF AZTEC  
SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS  
Year Ended June 30, 2010**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Aztec.
2. One significant deficiency and no material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No significant deficiencies and no material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. One audit finding relative to the major federal award programs for the City is reported in Part C of this Schedule.
7. The program tested as major programs included:

|  | <u>Fiscal Year</u><br><u>2010</u> |
|--|-----------------------------------|
|  | <u>Expenditure</u>                |
| Major Federal Award Program Description                          |                                   |
| 14.218 – Community Development Block Grants – Entitlement Grants | \$434,945                         |
| 10.760 – Disposal Systems for Rural Communities                  | 704,002                           |
| 66.202 – Congressionally Mandated Projects                       | 700,711                           |

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined to be a high-risk auditee.

**CITY OF AZTEC  
SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

| <b>Prior Year Findings</b>   | <b>Status</b> |
|--|---------------|
| 2004-1            Failure to File Audit Report by Due Date         | Repeated      |
| 2009-1            Noncompliance with OMB Circular No. A-133.320(a) | Repeated      |

**Current Year Findings**

2004-1 Failure to File Audit Report by Due Date

Condition

The New Mexico State Auditor requires the audit to be completed and submitted by December 1<sup>st</sup> following the entity’s June 30<sup>th</sup> year end. The audited financial statements have been submitted late for the years ended June 30, 2004, 2005, 2006, 2007, 2008, 2009 and 2010. The June 30, 2004, 2005, 2006, 2007, 2008 and 2009 audits have been approved by the State Auditor. The June 30, 2010 audited financial statements have been submitted for approved in June 2012.

Criteria

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

Cause

The prior audit reports (years ended June 30, 2004, 2005, 2006, 2007, 2008, 2009 and 2010) have been submitted to the Office of the State Auditor late.

Effect

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

Recommendation

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

Management Response

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



## 2010-1 Capital Assets and Long-Term Debt Reconciliations

### Condition

Capital assets and long-term debt balances are not reconciled to detail records and the general ledger activity on a timely basis.

### Criteria

Good accounting controls require that adequate control be maintained over capital assets and long-term debt balances. The control balances should be reconciled to the detailed records and the general ledger activity on a timely basis.

### Effect

Errors could occur and not be detected on a timely basis. Also, the necessary information for footnote disclosures is not available on a timely basis to prepare the financial statements.

### Cause

The City has not established policies and procedures to properly reconcile the capital assets and long-term debt balances to detail records and the general ledger activity on a timely basis.

### Recommendation

The City should establish policies and procedures to properly reconcile the capital assets and long-term debt balances to detail records and the general ledger activity on a timely basis.

### Response

Governmental Long Term Debt: Monthly debt reserve payments were posted to principal and interest accounts through the course of the year. The reserve account is reconciled monthly to statements provided by NMFA.

NMFA draws interest and principal payments from the debt reserve account; the principal and interest paid to the reserve account are reflected in the accounts payable account within the Capital Projects Fund.

The City will change the posting of monthly payments to the debt reserve account, record principal and interest payments at the time the debt obligation is drawn from the reserve account and recognize the accrued interest through the fiscal year closing entries mirroring the process used in the enterprise funds.

Capital Assets: The City will establish a policy and procedure to ensure the accurate and timely reporting of capital assets.

## **C. FINDINGS – MAJOR FEDERAL AWARD PROGRAM**

### **Current Year Findings**

#### 2009-1 Noncompliance with OMB Circular No. A-133.320(a)

### Condition

The audit reporting package was not submitted in a timely manner.

**Criteria**

OMB Circular A-133.320(a) states that the reporting package shall be submitted to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report (July 5, 2012) or 9 months after the end of the audit period (March 31, 2011).

**Cause**

The City was required to perform a single audit for the year ended June 30, 2010. The City's audits have been submitted late for the last 6 years.

**Effect**

The City is not in compliance with OMB Circular A-133.320(a), requiring the audit report be submitted on a timely basis.

**Recommendation**

The City should complete its future audits on a timely basis and, if required, submit the reporting package to the Federal Audit Clearinghouse on a timely basis.

**Management Response**

The City will complete its future audits on a timely basis and, if required, will submit the reporting package to the Federal Audit Clearinghouse on a timely basis.

**Financial Statement Presentation**

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

**CITY OF AZTEC  
EXIT CONFERENCE  
Year Ended June 30, 2010**

An exit conference was held on July 9, 2012. In attendance were:

For the City of Aztec:

Jim Crowley  
Joshua Ray  
Kathy Lamb

Mayor Pro-Tem  
City Manager  
Finance Director

For David Berry, CPA, PC (auditors):

David Berry, CPA