

State of New Mexico

Catron County  
**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S**  
**REPORT THEREON**

For The Fiscal Year Ended June 30, 2017

Catron County  
**TABLE OF CONTENTS**  
 June 30, 2017

	<u>PAGE</u>
<b>INTRODUCTORY SECTION:</b>	
Directory of officials	1
<b>FINANCIAL SECTION:</b>	
INDEPENDENT AUDITORS' REPORT	2-4
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	5-6
Statement of Activities	7-8
<i>Fund Financial Statements:</i>	
Balance Sheet--Governmental Funds	9-10
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	12-13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis)	
General Fund	15
Statement of Net Position--Proprietary Funds	16-17
Statement of Revenues, Expenses and Changes in Fund Net Position--Proprietary Funds	18
Statement of Cash Flows--Proprietary Funds	19-20
Statement of Fiduciary Assets and Liabilities--Agency Funds	21
Notes to Basic Financial Statements	22-45

Fund Descriptions	46-48
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#### REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability of the Public Employees Retirement Association - Municipal General	49
Schedule of Proportionate Share of Net Pension Liability of the Public Employees Retirement Association - Municipal Police	50
Schedule of Contributions to the Public Employees Retirement Association - Municipal General	51
Schedule of Contributions to the Public Employees Retirement Association - Municipal Police	52
Notes to Required Supplemental Information	53

#### OTHER SUPPLEMENTARY INFORMATION:

Combining Balance Sheet--Nonmajor Governmental Funds	54-58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Nonmajor Governmental Funds	59-63
Combining Balance Sheet--Nonmajor Fire Funds	64-66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Nonmajor Fire Funds	67-69
Schedule of Changes in Assets and Liabilities--Agency Funds	70
Schedule of Depository Collateral	71
Schedule of Individual Deposit Accounts and Investments	72
Schedule of Expenditures of Federal Awards	73
Notes to Schedule of Expenditures of Federal Awards	74
Tax Roll Reconciliation	75
Schedule of Legislative Allocations	76

#### ADDITIONAL REPORTING REQUIREMENTS:

Summary Schedule of Prior Audit Findings	77
Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78-79
Independent Auditors Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	80-81
Schedule of Findings and Questioned Costs	82-86

Catron County  
**Directory of Officials**  
June 30, 2017

**Elected Officials**

Glyn Griffin

Chairman

Van J. (Bucky) Allred

Commissioner

Anita A. Hand

Commissioner

Susan Griffin

Assessor

M. Keith Riddle

Clerk

Ian Fletcher

Sheriff

Connie Shipley

Treasurer

Ed Wehrheim

Probate Judge

**Administrative Staff**

Kate Fletcher

County Manager

MIKE STONE, C.P.A.  
LINDA STONE MCGEE, C.P.A.  
KAY STONE, C.P.A.  
KELLEY WYATT, C.P.A.

RYAN MONTROYA, C.P.A.

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SILVER CITY, NEW MEXICO 88062  
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### INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor  
And  
Board of Commissioners  
Catron County  
Reserve, New Mexico

#### Report on Financial Statements

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 of Catron County, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise Catron County's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

#### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud

or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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 Catron County as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that information related to the County's pension plan presented on pages 49 to 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on Catron County's financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*, and the other schedules presented as other

supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2017, on our consideration of Catron County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catron County's internal control over financial reporting and compliance.

*Stone, McGee & Co., CPAs*

Silver City, New Mexico  
November 25, 2017

**Stone, McGee & Co.**  
Certified Public Accountants

Catron County  
**STATEMENT OF NET POSITION**  
June 30, 2017

<b>ASSETS</b>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current:			
Cash and investments	\$ 8,515,324	\$ 495,800	\$ 9,011,124
Prepays	53,248	5,406	58,654
Receivables, net	886,235	516,492	1,402,727
Interfund receivable	580,699		580,699
Total current assets	<u>\$ 10,035,506</u>	<u>\$ 1,017,698</u>	<u>\$ 11,053,204</u>
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -		\$ -
Capital assets, net	12,428,585	1,232,311	13,660,896
Total noncurrent assets	<u>\$ 12,428,585</u>	<u>\$ 1,232,311</u>	<u>\$ 13,660,896</u>
Total assets	<u>\$ 22,464,091</u>	<u>\$ 2,250,009</u>	<u>\$ 24,714,100</u>
<b>Deferred Outflows of Resources</b>			
Related to pensions	<u>\$ 1,168,245</u>	<u>\$ 118,317</u>	<u>\$ 1,286,562</u>
<b>LIABILITIES</b>			
Current:			
Accounts payable	\$ 394,566	\$ 340,336	\$ 734,902
Accrued liabilities	63,317	8,041	71,358
Interest payable			-
Interfund payable		580,699	580,699
Current maturities of long-term debt	112,825		112,825
Estimated liability for landfill postclosure costs			-
Total current liabilities	<u>\$ 570,708</u>	<u>\$ 929,076</u>	<u>\$ 1,499,784</u>
Noncurrent:			
Net pension liability	\$ 2,989,764	\$ 223,787	\$ 3,213,551
Estimated liability for landfill postclosure costs		979,235	979,235
Notes payable	1,407,819		1,407,819



Catron County  
**STATEMENT OF NET POSITION (concluded)**  
June 30, 2017

	Governmental Activities	Business- Type Activities	Total
Compensated absences	\$ 77,010	\$ 7,802	\$ 84,812
Total noncurrent liabilities	\$ 4,474,593	\$ 1,210,824	\$ 5,685,417
Total liabilities	\$ 5,045,301	\$ 2,139,900	\$ 7,185,201
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	\$ 95,786	\$ 7,376	\$ 103,162
Unavailable revenue	966,370	468,149	1,434,519
Total deferred inflows of resources	\$ 1,062,156	\$ 475,525	\$ 1,537,681
<b>NET POSITION</b>			
Net investment in capital assets	\$ 10,907,941	\$ 1,232,311	\$ 12,140,252
Restricted for:			
Capital projects	95,309		95,309
Debt service	114,059		114,059
Other purposes	5,664,345		5,664,345
Unrestricted	743,225	(1,479,410)	(736,185)
Total net position	\$ 17,524,879	\$ (247,099)	\$ 17,277,780

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

Catron County  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 1,991,454	\$ 87,483	\$ 570,489
Public safety	2,255,516	24,946	1,253,057
Public works	1,500,820		94,800
Health and welfare	251,316		85,587
Culture-recreation	168,266		6,139
Reversion	28,043		
Unallocated interest expense	16,137		
	<hr/>	<hr/>	<hr/>
Total governmental activities	\$ 6,211,552	\$ 112,429	\$ 2,010,072
	<hr/>	<hr/>	<hr/>
Business-type activities:			
Landfill	\$ 420,721	\$ 375,397	\$ 369,681
Ambulance	143,120	122,963	
Airport	3,380		
	<hr/>	<hr/>	<hr/>
Total business-type activities	\$ 567,221	\$ 498,360	\$ 369,681
	<hr/>	<hr/>	<hr/>
Total government	\$ 6,778,773	\$ 610,789	\$ 2,379,753
	<hr/>	<hr/>	<hr/>
General revenues:			
Property taxes			
Gross receipts taxes			
Gas taxes			
Motor vehicle taxes			
Interest and investment earnings			
Miscellaneous			
Payment in lieu of taxes			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position--beginning of year			
Net position--end of year			

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

Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position		
	Governmental Activities	Business -Type Activities	Total
\$ -	\$ (1,333,482)	\$ -	\$ (1,333,482)
	(977,513)		(977,513)
398,517	(1,007,503)		(1,007,503)
	(165,729)		(165,729)
23,913	(138,214)		(138,214)
	(28,043)		(28,043)
	(16,137)		(16,137)
<u>\$ 422,430</u>	<u>\$ (3,666,621)</u>	<u>\$ -</u>	<u>\$ (3,666,621)</u>
\$ -	\$ -	\$ 324,357	\$ 324,357
		(20,157)	(20,157)
63,660		60,280	60,280
<u>\$ 63,660</u>	<u>\$ -</u>	<u>\$ 364,480</u>	<u>\$ 364,480</u>
<u>\$ 486,090</u>	<u>\$ (3,666,621)</u>	<u>\$ 364,480</u>	<u>\$ (3,302,141)</u>
	\$ 1,329,908	\$ -	\$ 1,329,908
	192,818	81,935	274,753
	167,437		167,437
	352,051		352,051
	13,345		13,345
	153,130	12,758	165,888
	617,372		617,372
	(111,521)	111,521	-
	<u>\$ 2,714,540</u>	<u>\$ 206,214</u>	<u>\$ 2,920,754</u>
	\$ (952,081)	\$ 570,694	\$ (381,387)
	18,476,960	(817,793)	17,659,167
	<u>\$ 17,524,879</u>	<u>\$ (247,099)</u>	<u>\$ 17,277,780</u>

Catron County  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
June 30, 2017

	<u>General Fund</u>
<b>Assets</b>	
Cash and investments	\$ 5,234,040
Interest receivable	5,088
Taxes receivable	291,094
Accounts receivable	3,356
Prepaid expenses	26,125
Due from other governments	380,745
Interfund receivable	<u>852,272</u>
Total assets	<u><u>\$ 6,792,720</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 70,571
Salaries payable	60,761
Interfund payable	<u>          </u>
Total liabilities	<u>\$ 131,332</u>
<b>Deferred Inflows of Resources</b>	
Unavailable revenue	<u>\$ 498,896</u>
Total deferred inflows of resources	<u>\$ 498,896</u>
Fund balance:	
Nonspendable	
Prepaid expenses	\$ 26,125
Restricted:	
Capital projects	
Debt service	
Public safety	
Health and welfare	
Public works	2,740,464
General government	659,784
Equipment purchases	
Culture and recreation	
Assigned:	
Culture and recreation	
Unassigned	<u>2,736,119</u>
Total fund balance	<u>\$ 6,162,492</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 6,792,720</u></u>

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

<u>Road Improvements</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 731,516	\$ 2,549,768	\$ 8,515,324
	222	5,310
	12,658	303,752
		3,356
	27,123	53,248
169,159	23,913	573,817
		852,272
<u>\$ 900,675</u>	<u>\$ 2,613,684</u>	<u>\$ 10,307,079</u>
\$ 283,288	\$ 40,707	\$ 394,566
	-	60,761
128,721	142,852	271,573
<u>\$ 412,009</u>	<u>\$ 183,559</u>	<u>\$ 726,900</u>
<u>\$ 602,795</u>	<u>\$ -</u>	<u>\$ 1,101,691</u>
<u>\$ 602,795</u>	<u>\$ -</u>	<u>\$ 1,101,691</u>
	\$ 27,123	\$ 53,248
	95,309	95,309
	116,615	116,615
	1,714,413	1,714,413
	371,306	371,306
		2,740,464
	107,691	767,475
	18,040	18,040
	52,647	52,647
	-	-
(114,129)	(73,019)	2,548,971
<u>\$ (114,129)</u>	<u>\$ 2,430,125</u>	<u>\$ 8,478,488</u>
<u>\$ 900,675</u>	<u>\$ 2,613,684</u>	<u>\$ 10,307,079</u>

Catron County  
**RECONCILIATION OF TOTAL GOVERNMENTAL  
 FUND BALANCE TO NET POSITION OF  
 GOVERNMENTAL ACTIVITIES**  
 June 30, 2017

Total governmental fund balances	\$	8,478,488
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,428,585
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred inflows of resources related to pensions		1,168,245
Deferred outflows of resources related to pensions		(95,786)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes subject to the 60 day availability period		135,321
Receivables subject to the 60 day availability period		
Long-term liabilities are not reported in the funds:		
Net pension liability		(2,989,764)
Notes payable		(1,520,644)
Accrued interest payable		(2,556)
Compensated absences		(77,010)
		(77,010)
 <i>Net position of governmental activities</i>	 \$	 <u><u>17,524,879</u></u>

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

Catron County  
**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**  
For The Fiscal Year Ended June 30, 2017

	General Fund	Road Improvements
Revenues:		
Property taxes	\$ 1,335,227	\$ -
Gross receipts taxes	98,197	
Gas taxes	167,437	
Motor vehicle taxes	352,051	
Federal intergovernmental	682,031	
State intergovernmental	600,630	359,188
Fines, licenses and permits		
Charges for services	63,770	
Miscellaneous	159,695	
Total revenues	\$ 3,459,038	\$ 359,188
Expenditures:		
Current:		
General government	\$ 1,399,365	\$ -
Public safety	1,035,093	
Public works	1,267,283	
Health and welfare	23,320	
Culture recreation	103,880	
Debt service:		
Principal		
Interest		
Loan issue costs		
Capital outlay	840,160	479,850
Total expenditures	\$ 4,669,101	\$ 479,850
Revenues over (under) expenditures	\$ (1,210,063)	\$ (120,662)
Other financing sources (uses):		
Transfer in	-	6,533
Transfer out	(335,020)	
Reversion		
Net change in fund balances	\$ (1,545,083)	\$ (114,129)
Fund balance, July 1, 2016	7,707,575	-
Fund balance, June 30, 2017	\$ 6,162,492	\$ (114,129)

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

<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ -	\$ 1,335,227
94,621	192,818
	167,437
	352,051
22,622	704,653
1,385,403	2,345,221
16,384	16,384
32,275	96,045
6,780	166,475
<u>\$ 1,558,085</u>	<u>\$ 5,376,311</u>
\$ 6,177	\$ 1,405,542
617,756	1,652,849
	1,267,283
170,048	193,368
-	103,880
122,739	122,739
16,935	16,935
-	-
463,122	1,783,132
<u>\$ 1,396,777</u>	<u>\$ 6,545,728</u>
\$ 161,308	\$ (1,169,417)
216,966	223,499
	(335,020)
(28,043)	(28,043)
<u>\$ 350,231</u>	<u>\$ (1,308,981)</u>
2,079,894	9,787,469
<u>\$ 2,430,125</u>	<u>\$ 8,478,488</u>



Catron County  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**  
For The Fiscal Year Ended June 30, 2017

Net change in fund balances-total governmental funds \$ (1,308,981)

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

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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	495,408
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change for the year.	(5,319)
Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	
Pension contributions	151,404
Cost of benefits earned net of employee contributions	(399,410)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	122,739
Bond and loan proceeds are reported as financing sources in the funds, In the Statement of Activities, however, issuing debt increased long term liabilities	-
In the Statement of Activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This is the net change for the year.	798
Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change for the year.	<u>(8,720)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ (952,081)</u></u>

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

Catron County  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,893,080	\$ 1,893,080	\$ 1,931,430	\$ 38,350
State sources	2,135,368	2,135,368	600,630	(1,534,738)
Federal sources	1,921,000	1,921,000	664,861	(1,256,139)
Fines, licenses and permits				-
Charges for services	40,000	40,000	63,770	23,770
Miscellaneous	22,700	22,700	155,322	132,622
Total revenues	\$ 6,012,148	\$ 6,012,148	\$ 3,416,013	\$ (2,596,135)
Expenditures:				
Current:				
General government	\$ 1,546,245	\$ 1,535,745	\$ 1,342,153	\$ 193,592
Public safety	1,380,582	1,279,682	1,029,080	250,602
Public works	1,910,650	1,780,650	1,971,464	(190,814)
Health and welfare	46,105	46,605	22,577	24,028
Culture and recreation	138,385	145,385	102,797	42,588
Capital outlay	188,206	422,106	383,622	38,484
Total expenditures	\$ 5,210,173	\$ 5,210,173	\$ 4,851,693	\$ 358,480
Revenues over (under) expenditures	\$ 801,975	\$ 801,975	\$ (1,435,680)	\$ (2,237,655)
Other financing sources (uses):				
Transfer in				-
Transfer out	(174,968)	(174,968)	(281,109)	(106,141)
Net change in fund balance	\$ 627,007	\$ 627,007	\$ (1,716,789)	\$ (2,343,796)
Fund balance, July 1, 2016	7,072,808	6,950,829	6,950,829	-
Fund balance, June 30, 2017	\$ 7,699,815	\$ 7,577,836	\$ 5,234,040	\$ (2,343,796)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (1,545,083)	
Revenue accruals (net)			(43,025)	
Expenditure accruals (net)			(182,592)	
Other financing sources (uses)			53,911	
Net change in fund balance, NON-GAAP budgetary basis			\$ (1,716,789)	

The accompanying notes are an integral part of these financial statements

Catron County  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
June 30, 2017

<b>Assets</b>	<u>Landfill</u>	<u>Ambulance</u>	<u>Airport</u>	<u>Total</u>
Current:				
Cash and investments	\$ 221,801	\$ 228,527	\$ 45,472	\$ 495,800
Prepays	2,260	2,260	886	5,406
Receivables, net of allowances:				
Intergovernmental grants			388,131	388,131
Accounts	56,966	58,735		115,701
Taxes	6,330	6,330		12,660
	<u>\$ 287,357</u>	<u>\$ 295,852</u>	<u>\$ 434,489</u>	<u>\$ 1,017,698</u>
Total current assets				
Noncurrent assets:				
Restricted:				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Capital assets (net)	483,097	1	749,213	1,232,311
	<u>\$ 483,097</u>	<u>\$ 1</u>	<u>\$ 749,213</u>	<u>\$ 1,232,311</u>
Total noncurrent assets				
	<u>\$ 483,097</u>	<u>\$ 1</u>	<u>\$ 749,213</u>	<u>\$ 1,232,311</u>
Total assets	<u>\$ 770,454</u>	<u>\$ 295,853</u>	<u>\$ 1,183,702</u>	<u>\$ 2,250,009</u>
<b>Deferred Outflows of Resources</b>				
Related to pensions	<u>\$ 118,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,317</u>
<b>Liabilities</b>				
Current:				
Accounts payable	\$ 2,946	\$ 639	\$ 336,751	\$ 340,336
Accrued liabilities	6,526	1,515		8,041
Interfund payable	496,793	57,611	26,295	580,699
Estimated liability for landfill postclosure costs				-
	<u>\$ 506,265</u>	<u>\$ 59,765</u>	<u>\$ 363,046</u>	<u>\$ 929,076</u>
Total current liabilities				
Noncurrent liabilities:				
Estimated liability for landfill postclosure costs	\$ 979,235	\$ -	\$ -	\$ 979,235
Net pension liability	223,787			223,787
Compensated absences	7,802			7,802
	<u>\$ 1,210,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,210,824</u>
Total noncurrent liabilities				
	<u>\$ 1,210,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,210,824</u>
Total liabilities	<u>\$ 1,717,089</u>	<u>\$ 59,765</u>	<u>\$ 363,046</u>	<u>\$ 2,139,900</u>

Catron County  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS (concluded)**  
June 30, 2017

	Landfill	Ambulance	Airport	Total
<b>Deferred Inflows of Resources</b>				
Related to pensions	\$ 7,376	\$ -	\$ -	\$ 7,376
Unavailable revenue	80,018		388,131	468,149
Total deferred inflows of resources	\$ 87,394	\$ -	\$ 388,131	\$ 475,525
<b>Net Position</b>				
Net investment in capital assets	\$ 483,097	\$ 1	\$ 749,213	\$ 1,232,311
Restricted for:				
Debt service				-
Unrestricted	(1,398,809)	236,087	(316,688)	(1,479,410)
Total net position	\$ (915,712)	\$ 236,088	\$ 432,525	\$ (247,099)

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

Catron County  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2017

	<u>Landfill</u>	<u>Ambulance</u>	<u>Airport</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 375,397	\$ 122,963	\$ -	\$ 498,360
Operating expenses:				
Personnel	\$ 196,520	\$ 46,483	\$ -	\$ 243,003
Operating	161,507	85,163	3,380	250,050
Depreciation	62,694	11,474		74,168
Total operating expenses	\$ 420,721	\$ 143,120	\$ 3,380	\$ 567,221
Net operating income	\$ (45,324)	\$ (20,157)	\$ (3,380)	\$ (68,861)
Nonoperating revenue (expense):				
Investment income	\$ -	\$ -	\$ -	\$ -
Gross receipts taxes	40,967	40,968		81,935
State grants	369,681			369,681
Federal grants			63,660	63,660
Miscellaneous revenue	12,740	18		12,758
Interest expense				-
Total nonoperating revenue (expense)	\$ 423,388	\$ 40,986	\$ 63,660	\$ 528,034
Net income before operating transfers	\$ 378,064	\$ 20,829	\$ 60,280	\$ 459,173
Transfers:				
In			111,521	111,521
Out				-
Change in net position	\$ 378,064	\$ 20,829	\$ 171,801	\$ 570,694
Net position, beginning of year	(1,293,776)	215,259	260,724	(817,793)
Net position, end of year	<u>\$ (915,712)</u>	<u>\$ 236,088</u>	<u>\$ 432,525</u>	<u>\$ (247,099)</u>

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

Catron County  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2017

	<u>Landfill</u>	<u>Ambulance</u>	<u>Airport</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 330,389	\$ 125,770	\$ -	\$ 456,159
Payments to suppliers	(626,055)	(57,206)	(3,410)	(686,671)
Payments to employees	(168,433)	(47,317)		(215,750)
Net cash provided (used) by operating activities	<u>\$ (464,099)</u>	<u>\$ 21,247</u>	<u>\$ (3,410)</u>	<u>\$ (446,262)</u>
Cash flows from noncapital financing activities:				
Dedicated tax receipts	\$ 47,328	\$ 47,329	\$ -	\$ 94,657
Intergovernmental grants	80,018		163,498	243,516
Miscellaneous revenue	12,740	18		
Transfers from other funds			111,521	111,521
Transfers to other funds				-
Net cash provided (used) by noncapital financing activities	<u>\$ 140,086</u>	<u>\$ 47,347</u>	<u>\$ 275,019</u>	<u>\$ 449,694</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	\$ (200,579)	\$ -	\$ (114,616)	\$ (315,195)
Borrowings on capital debt				-
Principal paid on capital debt				-
Interest paid on capital debt				-
Net cash provided (used) by capital and related financing activities	<u>\$ (200,579)</u>	<u>\$ -</u>	<u>\$ (114,616)</u>	<u>\$ (315,195)</u>
Cash flows from investing activities:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net increase (decrease) in cash and equivalents	\$ (524,592)	\$ 68,594	\$ 156,993	\$ (311,763)
Cash and equivalents, beginning of year	<u>746,393</u>	<u>159,933</u>	<u>(111,521)</u>	<u>794,805</u>
Cash and equivalents, end of year	<u><u>\$ 221,801</u></u>	<u><u>\$ 228,527</u></u>	<u><u>\$ 45,472</u></u>	<u><u>\$ 495,800</u></u>

Catron County  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (concluded)**  
For the Fiscal Year Ended June 30, 2017

	<u>Landfill</u>	<u>Ambulance</u>	<u>Airport</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (45,324)	\$ (20,157)	\$ (3,380)	\$ (68,861)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	62,694	11,474		74,168
Changes in assets and liabilities:				
Prepaid expenses	(2,260)	29,591		27,331
Receivables, net	(45,008)	2,807		(42,201)
Accounts payable	(92,607)	(1,634)	(30)	(94,271)
Accrued expenses	27,253	(834)		26,419
Landfill postclosure	(369,681)			(369,681)
Compensated absences	834			834
Net cash provided (used) by operating activities	<u>\$ (464,099)</u>	<u>\$ 21,247</u>	<u>\$ (3,410)</u>	<u>\$ (446,262)</u>

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

Catron County  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2017

**Assets**

Cash and investments	\$ 13,544
Taxes receivable	<u>89,769</u>
Total assets	<u><u>\$ 103,313</u></u>

**Liabilities**

Due to others	<u>\$ 103,313</u>
Total liabilities	<u><u>\$ 103,313</u></u>

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



Catron County  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

Note 1 Summary of Significant Accounting Policies

**A. GENERAL**

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

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for State and Local Governments, through its pronouncements (Statements and Interpretations). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**B. FINANCIAL REPORTING ENTITY**

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

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

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

**C. BASIS OF PRESENTATION**

*Governmental-wide Financial Statements*

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

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

### *Fund Financial Statements*

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

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

The funds of the financial reporting entity are described below:

### **Governmental Funds**

#### *General Fund*

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

#### *Special Revenue Funds*

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

#### *Capital Project Fund*

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

### *Debt Service Fund*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general obligation bonds of the County other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the County's general obligation bonds. The County currently has no general obligation bonds outstanding.

### **Proprietary Fund**

#### *Enterprise Fund*

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

### **Fiduciary Funds (Note included in government-wide statements)**

#### *Agency Funds*

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

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

#### *Major Funds*

These funds classified as major are as follows:

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

Capital Projects – to account for the revenues and expenditures associated with construction and renovation or maintenance of the Road Improvements Fund.

#### *Non-major Funds*

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

## **D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

## **Measurement Focus**

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

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

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

## **Basis of Accounting**

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Revenues that are not available are recorded as deferred outflows of resources. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported when due.

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

## **E. BUDGETS**

Budgets for the General, Special Revenue, Capital Projects, and Enterprise Funds are prepared by management and approved by the local governing body and the New Mexico Department of Finance and Administration. Phase II Rancho Grande and Road Improvements are funded directly through NMFA and, therefore, are not budgeted.

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

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

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

## **F. CASH AND INVESTMENTS**

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

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

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

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

## **G. INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term inter-fund loans are reported as “inter-fund receivables or payables”. Inter-fund receivables and

payables between funds within governmental activities are eliminated in the Statement of Net Position.

## H. RECEIVABLES

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

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

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

## I. CAPITAL ASSETS

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

### *Government-wide Statements*

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

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

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

- Buildings 25-50 years
- Improvements 10-50 years
- Machinery and Equipment 03-10 years
- Infrastructure 25-75 years

- Software and Library

5-10 years

*Fund Financial Statements*

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

**J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government has deferred outflows related to pensions as discussed in Note 8.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government has three types of items, one of which arises under the full accrual basis of accounting and all of which arise under the modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the item unavailable revenue, is reported in the statement of net position, the governmental funds balance sheet and the proprietary funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Government reports unavailable revenue from the following sources:

	<u>Governmental Funds</u>			
	<u>Statement Of Net Position</u>	<u>General Fund</u>	<u>Road Improvements</u>	<u>Total</u>
Advances under expenditure driven grants	\$1,434,519	\$ 363,575	\$ 602,795	\$ 966,370
Property taxes	_____	<u>135,321</u>	_____	<u>135,321</u>
Total	<u>\$1,434,519</u>	<u>\$ 498,896</u>	<u>\$ 602,795</u>	<u>\$1,101,691</u>

In addition, the landfill fund has deferred inflows of resources under expenditure driven grants of \$80,018, and the Airport has \$388,131, for a total of \$468,149.

Finally, the County has deferred inflows of resources related to pensions as disclosed in Note 8.

## **K. LONG-TERM DEBT**

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

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

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

## **L. COMPENSATED ABSENCES**

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

## **M. EQUITY CLASSIFICATIONS**

### *Government-wide Statements*

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

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

### *Fund Statements*

During the year ended June 30, 2011, the County implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:



- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Commissioners establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Commissioners through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures are normally made from the most highly constrained Group First.

## **N. REVENUES, EXPENDITURES, AND EXPENSES**

### *Gross Receipts Tax*

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

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

### *Property Tax*

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

The County is permitted to levy taxes for general operating purposes based on a state formula, per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the County is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the County. The County's total tax rate to finance general government services for the year ended June 30, 2017 was \$11.78 per \$1,000 for non-residential property and \$9.95 for residential property. The County's tax rate for debt service was \$.00 per \$1,000 for both residential and nonresidential property.

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

#### *Operating Revenues and Expenses*

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

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

#### *Expenditures/Expenses*

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

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

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

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

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

## **O. INTER-FUND TRANSFERS**

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

**P. USE OF ESTIMATES**

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the Governments deposits may not be returned to it. The County does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2017, \$1,585,552 of the County’s bank balance of \$8,277,694 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ 1,585,552</u>
	<u>Bank</u>	<u>Carrying</u>
	<u>Balance</u>	<u>Amount</u>
Deposits by custodial risk category:		
Insured	\$ 500,000	\$ 500,000
Collateral held by the pledging bank’s agent in the County’s name	6,192,142	6,192,142
Uninsured and uncollateralized	<u>1,585,552</u>	<u>1,415,486</u>
	<u>\$ 8,277,694</u>	<u>\$ 8,107,628</u>

The County does not have a risk policy beyond that required by State Statute.

The cash on deposit with NMFA is, in effect, loan proceeds or payments made by the County but not yet disbursed. Such deposits are subject to the collateral requirements of NMFA. Such deposits total \$866,171.

The County invests in the State Treasurer Local Governmental Investment Pool, a New Mexico sponsored investment alternative.

The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer, with the advice and consent of the State Board of Finance, is authorized to invest money held in the short-term investment fund in accordance with Sections 6-10-10-10P and Sections 6-10-10.1 A and E, NMSA 1978. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, 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 fund were invested.

Investments are valued at amortized cost Withdrawal from the pool is not restricted, and the pool does not impose liquidity fees or redemption gates.

Participation in the pool is voluntary. The County has \$49,869 on deposit in the pool at June 30, 2017, which is AAAM rated with a weighted average maturity of 44 days.

Note 3 Receivables

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accounts receivable:		
Services (net)	\$ -0-	\$ 115,701
Overpayment of gross receipts tax	<u>3,356</u>	<u>          </u>
Property taxes	\$ 194,375	\$
Gross receipts tax	18,988	12,660
Motor Vehicle Taxes	61,381	
Gas Tax	<u>29,008</u>	<u>          </u>
Total taxes receivable	<u>\$ 303,752</u>	<u>\$ 12,660</u>
Interest receivable	<u>\$ 5,310</u>	<u>\$ -0-</u>
Intergovernmental grants	<u>\$ 573,817</u>	<u>\$ 388,131</u>
Total	<u>\$ 886,235</u>	<u>\$ 516,492</u>

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

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 201,146	\$	\$	\$ 201,146
Construction in pro- gress	<u>1,658,464</u>	<u>986,412</u>	<u>1,210,798</u>	<u>1,434,078</u>
Total capital assets not being depre- ciated	<u>\$ 1,859,610</u>	<u>\$ 986,412</u>	<u>\$ 1,210,798</u>	<u>\$ 1,635,224</u>
Capital assets being depreciated:				
Infrastruction	\$ 10,174,894	\$ 1,210,798	\$	\$ 11,385,692
Improvements	1,278,877			1,278,877
Buildings	6,579,054			6,579,054

Equipment/vehicles/ machinery	<u>12,518,363</u>	<u>796,720</u>	<u>-</u>	<u>13,315,083</u>
Total capital assets being depreciated	<u>\$ 30,551,188</u>	<u>\$ 2,007,518</u>	<u>\$ -</u>	<u>\$ 32,558,706</u>
Less accumulated depreciation for:				
Infrastructure	\$ (8,847,612)	\$ (55,658)	\$ -	\$ (8,903,270)
Improvements	(689,099)	(55,640)	-	(744,739)
Buildings	(2,667,744)	(157,061)	-	(2,824,805)
Equipment/vehicles/ machinery	<u>(8,273,166)</u>	<u>(1,019,365)</u>	<u>-</u>	<u>(9,292,531)</u>
Total accumulated depreciation	<u>\$(20,477,621)</u>	<u>\$ (1,287,724)</u>	<u>\$ -</u>	<u>\$(21,765,345)</u>
Total capital assets being depreciated, net	<u>\$ 10,073,567</u>	<u>\$ 719,794</u>	<u>\$ -</u>	<u>\$ 10,793,361</u>
Governmental activity, capital assets, net	<u>\$ 11,933,177</u>	<u>\$ 1,706,206</u>	<u>\$ 1,210,798</u>	<u>\$ 12,428,585</u>
<b>Other business-type activity programs:</b>				
	Balance <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2017</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in progress	<u>122,260</u>	<u>436,625</u>	<u>-</u>	<u>558,885</u>
Total capital assets not being depre- ciated	<u>\$ 133,260</u>	<u>\$ 436,625</u>	<u>\$ -</u>	<u>\$ 569,885</u>
Capital assets being depreciated:				
Equipment	\$ 1,216,232	\$ 200,579	\$ -	\$ 1,416,811
Buildings	9,600	-	-	9,600
Infrastructure	613,243	-	-	613,243
Improvements	<u>291,205</u>	<u>-</u>	<u>-</u>	<u>291,205</u>
Total capital assets being depreciated	<u>\$ 2,130,280</u>	<u>\$ 200,579</u>	<u>\$ -</u>	<u>\$ 2,330,859</u>
Less accumulated depreciation:				
Equipment	\$ 1,026,108	\$ 59,224	\$ -	\$ 1,085,332
Buildings	1,920	384	-	2,304

Infrastructure	427,915	9,460		437,375
Improvements	<u>138,322</u>	<u>5,100</u>	<u>-</u>	<u>143,422</u>
Total accumulated depreciation	<u>\$ 1,594,265</u>	<u>\$ 74,168</u>	<u>\$ -</u>	<u>\$ 1,668,433</u>
Total capital assets being depreciated, net	<u>\$ 536,015</u>	<u>\$ 126,411</u>	<u>\$ -</u>	<u>\$ 662,426</u>
Other business-type activity programs capital assets, net	<u>\$ 669,275</u>	<u>\$ 563,036</u>	<u>\$ -</u>	<u>\$ 1,232,311</u>

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 502,212
Public Safety	510,844
Public Works	152,334
Health and welfare	57,948
Culture-recreation	<u>64,386</u>
	<u>\$ 1,287,724</u>

Note 5 Landfill Post-closure Costs

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

Estimated closure and post-closure costs	<u>\$ 1,887,031</u>
Landfill capacity utilized	100%
Cost incurred to date	<u>\$ 907,796</u>
Remaining post-closure liability	<u>\$ 979,235</u>

The County has received grants for the initial closure of its landfills, and continues to solicit funding sources for post-closure costs.

Note 6 Accrued Expenses

At June 30, 2017, accrued expenses consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accruals payroll and benefits	\$ 60,761	\$ 8,041
	<u>\$ 60,761</u>	<u>\$ 8,041</u>

Note 7 Long-Term Debt

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

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Notes payable	\$1,643,383	\$ -0-	\$ 122,739	\$1,520,644	\$ 112,825

Catron County has entered into several financing arrangements to purchase equipment and real property. The following are a synopsis of those loans.

*Fire Department Loans* – These loans are for equipment and real property. The loans are secured by the State Fire Allotments. The revenues pledged totaled \$1,512,215 at June 30, 2017, which is 25% of the future state fire allotments at their current rate. Interest rates range from 0% to 3.1% for individually scheduled retirements, and maturity dates range from 2018 through 2033. During the year ended June 30, 2017, the County recognized \$582,807 in pledged revenues, and retired \$109,008 in loan principal and interest.

*Jail Renovations* – These loans are for renovations to the jail facility. The loans are secured by gross receipts taxes. The revenues pledged totaled \$109,968 at June 30, 2017, which is 7% of gross receipts taxes at their current rate. Interest is not charged, and maturity rates range from 2018-2028. During the year ended June 30, 2017, the County recognized \$192,818 in pledged revenues, and retired \$9,139 in loan principal and interest.

Certain of these loans have covenants and restrictions related to pledged revenues and reserve balance requirements. The County is in compliance with these provisions at June 30, 2017.

The annual principal payment requirements for notes outstanding as of June 30, 2017 are summarized as follows:

	<u>Principal Payment</u>	<u>Interest Payment</u>
2018	\$ 112,825	\$ 15,342
2019	113,590	14,443
2020	104,371	13,367
2021	105,467	12,114
2022	106,761	10,671
2023-2027	531,646	30,350
2028-2032	384,126	4,894
2033-2038	<u>61,858</u>	<u>58</u>
	<u>\$ 1,520,644</u>	<u>\$ 101,239</u>

Compensated absences in governmental funds were as follows:

	<u>Balance July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2017</u>	<u>Due in One Year</u>
Compensated absences	\$ <u>68,290</u>	\$ <u>77,507</u>	\$ <u>(68,787)</u>	\$ <u>77,010</u>	\$ <u>-0-</u>

Changes in Proprietary Funds Long-Term Debt were as follows during the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2017</u>	<u>Due in One Year</u>
Compensated absences	\$ <u>6,968</u>	\$ <u>5,438</u>	\$ <u>(4,604)</u>	\$ <u>7,802</u>	\$ <u>-0-</u>

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

Note 8 Pension Plan – Public Employees Retirement Association

#### Summary of Significant Accounting Policies

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



## General Information about the Pension Plan

**Plan Description** – The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State, General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

**Benefits Provided** – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2016.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202016.pdf).

**Contributions** – The contribution requirements of defined benefit plan members and Catron County are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 48 of the PERA FY16 annual audit at <http://osanm.org/media/audits/366PublicEmployeesRetirementAssociation2016.pdf>. The PERA coverage options that apply to the County are the Municipal General, and Municipal Police. Statutorily required contributions to the pension plan from the County were \$163,827 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore the employer’s portion was established as of the measurement date June 30, 2016.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal

general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The County's proportion of the net pension liability for each member group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**For PERA Fund Division – Municipal General**, at June 30, 2017, the County reported a liability of \$2,139,271 for its proportionate share of the net pension liability. At June 30, 2016, the County's proportion was .1339 percent, and was .1194 percent measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized PERA Fund Division Municipal General pension expense of \$271,648. At June 30, 2017, the County reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 106,887	\$ 20,878
Changes of assumptions	125,443	356
Net difference between projected and actual earnings on pension plan investments	393,622	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	114,564	30,340
The County's contributions subsequent to the measurement date	<u>86,783</u>	<u>-</u>
Total	<u>\$ 827,299</u>	<u>\$ 51,574</u>

\$86,783 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date, June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 155,329
2019	155,329
2020	275,351
2021	102,933

**For PERA Fund Division** - Municipal Police, at June 30, 2017, the County reported a liability of \$1,074,280 for its proportionate share of the net pension liability. At June 30, 2016, the County's proportion was .1456 percent, and was .1680 percent as of June 30 2015.

For the year ended June 30, 2017, the County recognized PERA Fund Division – Municipal Police pension expense of \$166,608. At June 30, 2017, the County reported PERA Fund Division – Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 78,868	\$ -
Changes of assumptions	71,154	19,374
Net difference between projected and actual earnings on pension plan investments 1,707	169,904	-
Changes in proportion and differences between Catron County's contributions and proportionate share of contributions	62,293	32,214
Catron County's contributions subsequent to the measurement date	<u>77,044</u>	<u>-</u>
Total	<u>\$ 459,263</u>	<u>\$ 51,588</u>

\$77,044 reported as deferred outflows of resources related to pensions resulting from Catron County's contributions subsequent to the measurement date, June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	77,455
2019	77,455
2020	130,439
2021	45,282

**Actuarial Assumptions** – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value

Actuarial assumptions:

- Investment rate of return 7.48% annual rate, net of investment expense
- Payroll growth 2.25% for 10 years, then 2.75% thereafter
- Projected salary increases Up to 11.25%
- Includes inflation at 2.25% for 10 years, and 2.75% thereafter

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>ALL FUNDS – Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	43.50%	7.39%
Risk Reduction and Mitigation	21.5 %	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	<u>20.00%</u>	7.35%
Total	<u>100.0 %</u>	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.48 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the County’s net pension liability in each PERA Fund Division that the County participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

	1% Decrease	Current Discount Rate	1% Increase
<b>PERA Fund Division Municipal General</b>	<u>(6.48%)</u>	<u>(7.48%)</u>	<u>(8.48%)</u>
The County’s proportionate share of the net pension liability	<u>\$3,189,463</u>	<u>\$ 2,139,271</u>	<u>\$ 1,268,189</u>
<b>PERA Fund Division Municipal Police</b>			
The County’s proportionate share of the net pension liability	<u>\$1,580,532</u>	<u>\$ 1,074,280</u>	<u>\$ 660,224</u>

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Note 9 Operating Leases

The County has entered into operating leases for road maintenance equipment and copy machines. The County expended \$155,256 under the leases during the year ended June 30, 2017.

Future commitments under the leases are:

2018	\$ 79,986
2019	33,713
2020	<u>16,750</u>
	<u>\$ 130,449</u>

Note 10 Retiree Health Care Act Contributions

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

Note 11 Contingent Liabilities

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

Note 12 Future Commitments

The County has contracts and grant awards for construction projects in various stages of completion. Such contracts, funded principally by federal and state agencies, constitute future commitments, and approximate \$1,000,000 at June 30, 2017.

Note 13 Risk Management

The County is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined together with other agencies in the State and obtained insurance through the New Mexico Self Insurers Fund, a public risk pool currently operating as a common risk management and insurance program for local governments. The County pays an annual premium to New Mexico Self Insurers Fund for its general insurance coverage. No losses in excess of insurance coverage have been experienced.

Note 14 Expenditures in Excess of Budgetary Authority

Expenditures in Excess of Budgetary Authority

The County incurred expenditures in excess of budgetary authority in the following funds:

Farm and Range	\$ 5,500
Airport	118,173
DWI	25,513
20 Communities	64,404
Corrections	18,821
Law Enforcement	27,366
Confiscated Drugs	133

The County intends to reestablish its policy of reviewing expenditures prior to year-end, and making the appropriate budget adjustments.

Note 15 Fund Balance Deficits

The County had fund balance deficits in the following funds:

Road Improvements	\$ (114,129)
Enhanced 911	(65,594)
Clerks Equipment	(6,882)

These deficits are caused by the accrual of accounts payable, and the modified accrual basis limitation of 60 days on the accrual of revenue. As revenue is received and liabilities liquidated, the deficit fund balance will be reduced.

Note 16 Inter-fund Activity

Inter-fund balances at June 30, 2017, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Like Activities</u>					
	<u>Inter-Fund Payable</u>						
	<u>Road</u>						<u>Total</u>
	<u>Improvements</u>	<u>Other Funds</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Airport</u>		
<u>Inter-Fund Receivable</u>							
General	<u>\$ 128,721</u>	<u>\$ 142,852</u>	<u>\$ 496,793</u>	<u>\$ 57,611</u>	<u>\$ 26,295</u>		<u>\$ 852,272</u>

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

Inter-fund transfers were as follows during the year ended June 30, 2017:

	<u>Transfers To</u>				
<u>Transfers From</u>	<u>Airport</u>	<u>Road</u>	<u>Other</u>		<u>Total</u>
		<u>Improvement</u>	<u>Funds</u>		
General	<u>\$ 111,521</u>	<u>\$ 6,533</u>	<u>\$ 216,966</u>		<u>\$ 335,020</u>

The transfers were made to fund construction projects and provide operating funds.

Note 17 Restricted Net Position

Net position restricted for other purposes consist of fund balances which are restricted by legislation to specific purposes. The restricting legislation is listed in the fund descriptions appearing in Note 1 and pages 46-48. Major restrictions are as follows:

General	\$3,400,248
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Fairgrounds	37,591
Reappraisal	107,691
County Indigent Fund	313,833
Rural Fire Departments	1,723,059
Other	<u>81,923</u>
	<u>\$ 5,664,345</u>

The County reports \$5,873,713 in restricted assets, of which \$5,873,713 is restricted by enabling legislation.

Note 18 Evaluation of Subsequent Events

The County has evaluated subsequent events through November 25, 2017, the date which the financial statements were available to be issued.



## Special Revenue Funds

Farm and Range – to account for the maintenance, improvements and animal control of federal land under Section 10 of the Taylor Grazing Act of 6-28-34. The Taylor Grazing Co-Op agreement provides funds that are to be used strictly for the maintenance, improvements, and animal control of this federal land. The Authority for the fund is given by Section 6-11-6 NMSA 1978.

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

County Clerk's Equipment – to account for funds collected to be used for purchase of special equipment. The Authority for the fund is given by Section 14-8-12.2A, NMSA 1978.

Reappraisal – to account for recipients of revenue produced through ad valorem levies required to pay counties an administrative charge to offset collection costs. Expenditures are made pursuant to a property valuation program approved by the County Commissioners. The Authority for the fund is given by Section 7-38-38.1, NMSA 1978.

County Fairgrounds – to account for revenues and expenditures for the operations at the fairgrounds. The Authority for the fund is given by County resolution.

Emergency Medical Services – to account for the operations and maintenance of medical service equipment in the County. The Authority for the fund is given by Sections 24-10A-1 to 24-10A-10, NMSA 1978.

Indigent Fund – to account for the revenues received from state gross receipts taxes for hospital service for indigent citizens of the County. The Authority for the fund is given by Section 7-20E-9, NMSA 1978.

Enhanced 911 to account for the funding and expenditures of a regional 911 system. The Authority for the fund is given by Sections 63-9D-1 to 63-9D-9, NMSA 1978.

20 Communities to account for state revenues and the related expenditures under the Landowner Assistance Program. The Authority for the fund is given by County resolution.

Corrections – to account for revenues and expenditures for the operation and maintenance of the County's corrections facilities. The Authority for the fund is given by Section 35-3-25, NMSA 1978.

Law Enforcement to account for the County's state distribution of Law Enforcement Protection Funds to be used for the repair and/or replacement of law enforcement equipment. The Authority for the fund is given by Section 29-13-1, NMSA 1978.

Confiscated Drugs – to account for the revenues allocated to this fund from confiscated drug money. The Authority for the fund is given by County resolution.

COPS Grant – to account for the federal grant revenues from the Department of Justice and the related public safety expenditures. The Authority for the fund is given by County resolution.

Legal – to account for donations to the County to help defray the cost of legal expenditures. The Authority for the fund is given by County resolution.

DWI – to account for the state revenues to aid in education and prevention of DWI.

Safety Net – to account for state gross receipts revenues. Authority is County resolution.

Glenwood Library –to account for grant revenues to enhance the library in Glenwood. Authority is County resolution.

Quemado – to account for state fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

Datil Fire - to account for state fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

Glenwood Fire –to account for state fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

Pie Town Fire – to account for state fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-8, NMSA 1978.

Rancho Grande Fire – to account for state fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

Luna Fire Fund to account for state fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

Apache Creek – to account for state fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

Horse Mountain Fire to account for state fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

Quemado Lake Fire to account for state fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

Coyote Creek Fire – to account for state fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

Wild Horse Fire – to account for state fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

Catron County Fire – to account for fire protection revenues that are to be expended only for the maintenance of its fire department. The Authority for the fund is given by Sections 59A-53-5 and 59A-53-8, NMSA 1978.

### **Capital Projects Funds**

Capital Projects - to account for funds from federal, state and local sources for capital projects throughout the County. This includes co-operative agreements with the New Mexico Department of Transportation to construct or improve selected projects.

### **Proprietary Funds**

Airport – to account for federal, state and local match revenues and expenditures for the Glenwood and Reserve airports within the County. The Authority for the fund is given by Section 3-39-1, NMSA 1978.

Ambulance – to account for the operations and maintenance of the County ambulances. The Authority for the fund is given by Section 5-1-1, NMSA 1978.

Catron County  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF  
PERA FUND DIVISION MUNICIPAL GENERAL  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION )(PERA) PLAN  
LAST 10 FISCAL YEARS\***

	2017	2016	2015
Catron County's proportion of the net pension liability	.1339%	.1194%	.1247%
Catron County's proportionate share of the net pension liability	\$ 2,139,721	\$ 1,217,386	\$ 972,794
Catron County's covered payroll	\$ 1,099,528	\$ 915,137	\$ 1,048,224
Catron County's proportionate share of the net pension liability as a percentage of its covered payroll	195%	133%	93%
Plan fiduciary net position as a percentage of the total pension liability	69%	77%	81%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Catron County will present information for those years for which information is available.

Catron County  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF  
PERA FUND DIVISION MUNICIPAL POLICE  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION )(PERA) PLAN  
LAST 10 FISCAL YEARS\***

	2017	2016	2015
Catron County's proportion of the net pension liability	.1456%	.1280%	.1409%
Catron County's proportionate share of the net pension liability	\$ 1,074,280	\$ 615,496	\$ 459,319
Catron County's covered payroll	\$ 412,166	\$ 397,784	\$ 269,427
Catron County's proportionate share of the net pension liability as a percentage of its covered payroll	261%	155%	170%
Plan fiduciary net position as a percentage of the total pension liability	69%	77%	81%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Catron County will present information for those years for which information is available.

Catron County  
**SCHEDULE OF CONTRIBUTIONS-PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION (PERA) PLAN-PERA FUND DIVISION MUNICIPAL GENERAL  
\*LAST 10 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 86,783	\$ 80,782	\$ 91,975
Contributions in relation to contractually required contributions	<u>(86,783)</u>	<u>(80,782)</u>	<u>(91,975)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Catron County's covered payroll	\$ 1,099,528	\$ 915,137	\$ 1,048,824
Contributions as a percentage of covered payroll	7.89%	8.82%	8.77%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Catron County will present information for those years for which information is available.

Catron County  
**SCHEDULE OF CONTRIBUTIONS-PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION (PERA) PLAN-PERA FUND DIVISION MUNICIPAL POLICE  
\*LAST 10 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 77,044	\$ 66,855	\$ 49,844
Contributions in relation to contractually required contributions	<u>(77,044)</u>	<u>(66,855)</u>	<u>(49,844)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Catron County's covered payroll	\$ 412,166	\$ 397,784	\$ 269,427
Contributions as a percentage of covered payroll	18.69%	16.80%	18.50%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Catron County will present information for those years for which information is available.

Catron County  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
For the Fiscal Year Ended June 30, 2017

**Change in benefit terms** – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2016.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202016.pdf).

**Changes of valuation** – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at:

[http://www.pera.state.nm.us/pdf/Investment/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investment/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf).

The Summary of Financial Information for the PERA Fund (on page 9 of the report) states “The return on the actuarial value of assets was .7% compared to the expected return of 7.48%”. Page 89 of the report indicates the total increase to the unfunded actuarial accrued liability is \$189,854,044 and results in a decrease to the funded ratio from 76.99% to 69.18%. For details about the actuarial assumptions, see the actuarial section of the report.



Catron County  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2017

	Special Revenue Funds			
	Farm and Range	Recreation	Clerk's Equipment	Reappraisal
<b>Assets</b>				
Cash and investments	\$ 26,976	\$ 2,615	\$ 605	\$ 107,786
Interest receivable				160
Taxes receivable				
Due from other governments				
Prepaid expenses				
Total assets	\$ 26,976	\$ 2,615	\$ 605	\$ 107,946
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 255
Interfund payable			7,487	
Total liabilities	\$ -	\$ -	\$ 7,487	\$ 255
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ -
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenses	\$ -	\$ -	\$ -	\$ -
Restricted:				
Capital projects				
Debt service				
Public safety				
Health and welfare	26,976			
General government				107,691
Equipment purchases				
Culture and recreation		2,615		
Assigned:				
Culture and recreation				
Unassigned			(6,882)	
Total fund balance	\$ 26,976	\$ 2,615	\$ (6,882)	\$ 107,691
Total liabilities, deferred inflows of resources, and fund balances	\$ 26,976	\$ 2,615	\$ 605	\$ 107,946

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

Special Revenue Funds

<u>Fairgrounds</u>	<u>EMS</u>	<u>Indigent</u>	<u>Enhanced 911</u>	<u>20 Communities</u>	<u>Corrections</u>
\$ 38,985	\$ 9,885	\$ 307,504	\$ 8,995	\$ 7,646	\$ 11,980
		6,329			
<u>\$ 38,985</u>	<u>\$ 9,885</u>	<u>\$ 313,833</u>	<u>\$ 8,995</u>	<u>\$ 7,646</u>	<u>\$ 11,980</u>
\$ -	\$ 10,428	\$ -	\$ -	\$ -	\$ 2,319
1,394			74,589	366	
<u>\$ 1,394</u>	<u>\$ 10,428</u>	<u>\$ -</u>	<u>\$ 74,589</u>	<u>\$ 366</u>	<u>\$ 2,319</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		313,833		7,280	9,248 413
37,591					
	(543)		(65,594)		
<u>\$ 37,591</u>	<u>\$ (543)</u>	<u>\$ 313,833</u>	<u>\$ (65,594)</u>	<u>\$ 7,280</u>	<u>\$ 9,661</u>
<u>\$ 38,985</u>	<u>\$ 9,885</u>	<u>\$ 313,833</u>	<u>\$ 8,995</u>	<u>\$ 7,646</u>	<u>\$ 11,980</u>

Catron County  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS (continued)**  
June 30, 2017

	Special Revenue Funds			
	Law Enforcement	Confiscated Drugs	Cops	Legal
<b>Assets</b>				
Cash and investments	\$ -	\$ 764	\$ 2,601	\$ 2,395
Interest receivable				
Taxes receivable				
Due from other governments				
Prepaid expenses				
Total assets	\$ -	\$ 764	\$ 2,601	\$ 2,395
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -		
Interfund payable		40		
Total liabilities	\$ -	\$ 40	\$ -	\$ -
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ -
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenses	\$ -	\$ -	\$ -	\$ -
Restricted:				
Capital projects				
Debt service				
Public safety		724	2,601	2,395
Health and welfare				
General government				
Equipment purchases				
Culture and recreation				
Assigned:				
Culture and recreation				
Unassigned				
Total fund balance	\$ -	\$ 724	\$ 2,601	\$ 2,395
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 764	\$ 2,601	\$ 2,395

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

Special Revenue Funds

DWI	Safety Net	Glenwood Library	Rural Fire Departments
\$ 3,419	\$ 16,888	\$ 12,441	\$ 1,892,974 62
	6,329		27,123
<u>\$ 3,419</u>	<u>\$ 23,217</u>	<u>\$ 12,441</u>	<u>\$ 1,920,159</u>
\$ 158		\$ -	\$ 5,634 56,976
<u>\$ 158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,610</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 27,123
3,261	23,217	12,441	107,367 1,705,019
			18,040
<u>\$ 3,261</u>	<u>\$ 23,217</u>	<u>\$ 12,441</u>	<u>\$ 1,857,549</u>
<u>\$ 3,419</u>	<u>\$ 23,217</u>	<u>\$ 12,441</u>	<u>\$ 1,920,159</u>

Catron County  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS (concluded)**  
June 30, 2017

	Capital Projects Funds			Total
	Phase III Rancho Grande	Kiehne Middle Frisco	Capital Projects	
<b>Assets</b>				
Cash and investments	\$ -	\$ 10,580	\$ 84,729	\$ 2,549,768
Interest receivable				222
Taxes receivable				12,658
Due from other governments			23,913	23,913
Prepaid expenses				27,123
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 10,580</b>	<b>\$ 108,642</b>	<b>\$ 2,613,684</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 21,913	\$ 40,707
Interfund payable			2,000	142,852
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,913</b>	<b>\$ 183,559</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
<b>Total deferred inflows of resources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenses	\$ -	\$ -	\$ -	\$ 27,123
Restricted:				
Capital projects		10,580	84,729	95,309
Debt service				116,615
Public safety				1,714,413
Health and welfare				371,306
General government				107,691
Equipment purchases				18,040
Culture and recreation				52,647
Assigned:				
Culture and recreation				-
Unassigned				(73,019)
<b>Total fund balance</b>	<b>\$ -</b>	<b>\$ 10,580</b>	<b>\$ 84,729</b>	<b>\$ 2,430,125</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ -</b>	<b>\$ 10,580</b>	<b>\$ 108,642</b>	<b>\$ 2,613,684</b>

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

Catron County  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
For The Fiscal Year Ended June 30, 2017

	Special Revenue Funds			
	Farm and Range	Recreation	Clerk's Equipment	Reappraisal
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts taxes				
Federal sources	20,622			
State sources				
Fines and forfeitures				
Charges for services			8,596	23,679
Miscellaneous				240
Total revenues	<u>\$ 20,622</u>	<u>\$ -</u>	<u>\$ 8,596</u>	<u>\$ 23,919</u>
Expenditures:				
Current:				
General government				\$ 6,177
Public safety				
Health and welfare	18,500			
Culture recreation				
Debt service:				
Principle				
Interest				
Loan issue costs				
Capital outlay			15,844	
Total expenditures	<u>\$ 18,500</u>	<u>\$ -</u>	<u>\$ 15,844</u>	<u>\$ 6,177</u>
Revenues over (under) expenditures	\$ 2,122	\$ -	\$ (7,248)	\$ 17,742
Other financing sources (uses):				
Transfer in	25,000			
Reversion				
Net changes in fund balances	\$ 27,122	\$ -	\$ (7,248)	\$ 17,742
Fund balance, July 1, 2016	<u>(146)</u>	<u>2,615</u>	<u>366</u>	<u>89,949</u>
Fund balance, June 30, 2017	<u><u>\$ 26,976</u></u>	<u><u>\$ 2,615</u></u>	<u><u>\$ (6,882)</u></u>	<u><u>\$ 107,691</u></u>

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

Special Revenue Funds

<u>Fairgrounds</u>	<u>EMS</u>	<u>Indigent</u>	<u>Enhanced 911</u>	<u>20 Communities</u>	<u>Corrections</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	78,021	40,965			16,384
			1,504		117
<u>\$ -</u>	<u>\$ 78,021</u>	<u>\$ 40,965</u>	<u>\$ 1,504</u>	<u>\$ -</u>	<u>\$ 16,501</u>
	86,645				44,885
		20,058			9,139
<u>\$ -</u>	<u>\$ 86,645</u>	<u>\$ 20,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,024</u>
\$ -	\$ (8,624)	\$ 20,907	\$ 1,504	\$ -	\$ (37,523)
					100,000
<u>\$ -</u>	<u>\$ (8,624)</u>	<u>\$ 20,907</u>	<u>\$ 1,504</u>	<u>\$ -</u>	<u>\$ 62,477</u>
37,591	8,081	292,926	(67,098)	7,280	(52,816)
<u>\$ 37,591</u>	<u>\$ (543)</u>	<u>\$ 313,833</u>	<u>\$ (65,594)</u>	<u>\$ 7,280</u>	<u>\$ 9,661</u>

Catron County  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (continued)**  
For The Fiscal Year Ended June 30, 2017

	Special Revenue Funds		
	Law Enforcement	Confiscated Drugs	Cops
Revenues:			
Property taxes	\$ -	\$ -	\$ -
Gross receipts taxes			
Federal sources			
State sources	24,200		
Fines and forfeitures			
Charges for services			
Miscellaneous			
Total revenues	\$ 24,200	\$ -	\$ -
Expenditures:			
Current:			
General government	\$ -	\$ -	\$ -
Public safety	51,366	133	
Health and welfare			
Culture recreation			
Debt service			
Principle			
Interest			
Loan issue costs			
Capital outlay			
Total expenditures	\$ 51,366	\$ 133	\$ -
Revenues over (under) expenditures	\$ (27,166)	\$ (133)	\$ -
Other financing sources (uses):			
Transfer in			
Reversion			
Net changes in fund balances	\$ (27,166)	\$ (133)	\$ -
Fund balance, July 1, 2016	27,166	857	2,601
Fund balance, June 30, 2017	\$ -	\$ 724	\$ 2,601

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



Special Revenue Funds

Legal	DWI	Safety Net	Glenwod Library	Rural Fire Departments
\$ -	\$ -	\$ -	\$ -	\$ -
		53,656		
	64,965		6,139	1,150,836
				4,919
<u>\$ -</u>	<u>\$ 64,965</u>	<u>\$ 53,656</u>	<u>\$ 6,139</u>	<u>\$ 1,155,755</u>
\$ -	\$ -	\$ -	\$ -	\$ -
	88,622	42,868		434,727
				113,600
				16,935
				266,816
<u>\$ -</u>	<u>\$ 88,622</u>	<u>\$ 42,868</u>	<u>\$ -</u>	<u>\$ 832,078</u>
\$ -	\$ (23,657)	\$ 10,788	\$ 6,139	\$ 323,677
		30,000	6,302	
<u>\$ -</u>	<u>\$ (23,657)</u>	<u>\$ 40,788</u>	<u>\$ 12,441</u>	<u>\$ 323,677</u>
2,395	26,918	(17,571)	-	1,533,872
<u>\$ 2,395</u>	<u>\$ 3,261</u>	<u>\$ 23,217</u>	<u>\$ 12,441</u>	<u>\$ 1,857,549</u>

Catron County  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (concluded)**  
For The Fiscal Year Ended June 30, 2017

	Capital Projects Funds			Total
	Phase III Rancho Grande	Kiehne Middle Frisco	Capital Projects	
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts taxes				94,621
Federal sources			2,000	22,622
State sources		39,329	21,913	1,385,403
Fines and forfeitures				16,384
Charges for services				32,275
Miscellaneous				6,780
Total revenues	\$ -	\$ 39,329	\$ 23,913	\$ 1,558,085
Expenditures:				
Current:				
General government	\$ -	\$ -	\$ -	\$ 6,177
Public safety				617,756
Health and welfare				170,048
Culture recreation				-
Debt service				
Principle				122,739
Interest				16,935
Loan issue costs				-
Capital outlay		36,461	144,001	463,122
Total expenditures	\$ -	\$ 36,461	\$ 144,001	\$ 1,396,777
Revenues over (under) expenditures	\$ -	\$ 2,868	\$ (120,088)	\$ 161,308
Other financing sources (uses):				
Transfer in	47,952	7,712		216,966
Reversion	(28,043)			(28,043)
Net changes in fund balances	\$ 19,909	\$ 10,580	\$ (120,088)	\$ 350,231
Fund balance, July 1, 2016	(19,909)	-	204,817	2,079,894
Fund balance, June 30, 2017	\$ -	\$ 10,580	\$ 84,729	\$ 2,430,125

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

Catron County  
**NONMAJOR SPECIAL REVENUE FUNDS - RURAL FIRE DEPARTMENTS**  
**COMBINING BALANCE SHEET**  
For the Fiscal Year Ended June 30, 2017

	Quemado Fire	Datil Fire	Glenwood Fire	Pie Town Fire
<b>Assets</b>				
Cash	\$ 125,324	\$ 146,754	\$ 100,530	\$ 311,384
Interest receivable		25	37	
Prepaid expenses	2,260	2,260	2,261	2,260
Total assets	<u>\$ 127,584</u>	<u>\$ 149,039</u>	<u>\$ 102,828</u>	<u>\$ 313,644</u>
<b>Liabilities</b>				
Accounts payable	\$ 998	\$ 739	\$ 482	\$ 976
Interfund payable	273	16,084		
Total liabilities	<u>\$ 1,271</u>	<u>\$ 16,823</u>	<u>\$ 482</u>	<u>\$ 976</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenses	\$ 2,260	\$ 2,260	\$ 2,261	\$ 2,260
Restricted:				
Capital projects				
Public safety	106,224	129,918	82,012	310,408
Equipment purchase			18,040	
Debt service	17,829	38	33	
Unassigned				
Total fund balance	<u>\$ 126,313</u>	<u>\$ 132,216</u>	<u>\$ 102,346</u>	<u>\$ 312,668</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 127,584</u>	<u>\$ 149,039</u>	<u>\$ 102,828</u>	<u>\$ 313,644</u>

<u>Rancho Grande Fire</u>	<u>Luna Fire</u>	<u>Apache Creek Fire</u>	<u>Horse Mountain Fire</u>	<u>Quemado Lake Fire</u>	<u>Coyote Creek Fire</u>
\$ 306,949	\$ 159,256	\$ 206,956	\$ 153,378	\$ 69,569	\$ 142,516
<u>2,260</u>	<u>2,261</u>	<u>2,260</u>	<u>2,260</u>	<u>2,261</u>	<u>2,260</u>
<u>\$ 309,209</u>	<u>\$ 161,517</u>	<u>\$ 209,216</u>	<u>\$ 155,638</u>	<u>\$ 71,830</u>	<u>\$ 144,776</u>
\$ 331	\$ 99	\$ 518	\$ 139	\$ 296	\$ 336
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>29,427</u>
<u>\$ 331</u>	<u>\$ 99</u>	<u>\$ 518</u>	<u>\$ 139</u>	<u>\$ 296</u>	<u>\$ 29,763</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,260	\$ 2,261	\$ 2,260	\$ 2,260	\$ 2,261	\$ 2,260
306,511	84,509	206,438	153,188	69,185	112,753
107	74,648		51	88	
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>\$ 308,878</u>	<u>\$ 161,418</u>	<u>\$ 208,698</u>	<u>\$ 155,499</u>	<u>\$ 71,534</u>	<u>\$ 115,013</u>
<u>\$ 309,209</u>	<u>\$ 161,517</u>	<u>\$ 209,216</u>	<u>\$ 155,638</u>	<u>\$ 71,830</u>	<u>\$ 144,776</u>

Catron County  
**NONMAJOR SPECIAL REVENUE FUNDS - RURAL FIRE DEPARTMENTS**  
**COMBINING BALANCE SHEET (concluded)**  
For the Fiscal Year Ended June 30, 2017

	Wild Horse Fire	Catron County Fire	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash	\$ 70,830	\$ 99,528	\$ 1,892,974
Interest receivable			62
Prepaid expenses	<u>2,260</u>	<u>2,260</u>	<u>27,123</u>
Total assets	<u><u>\$ 73,090</u></u>	<u><u>\$ 101,788</u></u>	<u><u>\$ 1,920,159</u></u>
<b>Liabilities</b>			
Accounts payable	\$ 264	\$ 456	\$ 5,634
Interfund payable	<u>11,192</u>	<u>                    </u>	<u>56,976</u>
Total liabilities	<u><u>\$ 11,456</u></u>	<u><u>\$ 456</u></u>	<u><u>\$ 62,610</u></u>
<b>Deferred inflows of resources</b>			
Unavailable revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred inflows of resources	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Fund balances:</b>			
Nonspendable:			
Prepaid expenses	\$ 2,260	\$ 2,260	\$ 27,123
Restricted:			
Capital projects			-
Public safety	44,801	99,072	1,705,019
Equipment purchase			18,040
Debt service	14,573		107,367
Unassigned	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balance	<u><u>\$ 61,634</u></u>	<u><u>\$ 101,332</u></u>	<u><u>\$ 1,857,549</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 73,090</u></u>	<u><u>\$ 101,788</u></u>	<u><u>\$ 1,920,159</u></u>

Catron County  
**NONMAJOR SPECIAL REVENUE FUNDS - RURAL FIRE DEPARTMENTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2017

	<u>Quemado Fire</u>	<u>Datil Fire</u>	<u>Glenwood Fire</u>
Revenues:			
Federal sources	\$ -	\$ -	\$ -
State sources	159,300	50,448	70,371
Charges for services			
Miscellaneous	148	1,107	245
	<u>159,448</u>	<u>51,555</u>	<u>70,616</u>
Total revenues	<u>\$ 159,448</u>	<u>\$ 51,555</u>	<u>\$ 70,616</u>
Expenditures:			
Current			
Public safety	\$ 97,619	\$ 34,621	\$ 23,247
Debt service:			
Principal	22,729	7,585	9,704
Interest	5,011	19	2,435
Loan issue costs			
Capital outlay	29,078		
	<u>154,437</u>	<u>42,225</u>	<u>35,386</u>
Total expenditures	<u>\$ 154,437</u>	<u>\$ 42,225</u>	<u>\$ 35,386</u>
Revenues over (under) expenditures	\$ 5,011	\$ 9,330	\$ 35,230
Other financing sources (uses):			
Transfer in			
Transfer (out)			
Loan proceeds			
	<u>5,011</u>	<u>9,330</u>	<u>35,230</u>
Net change in fund balances	\$ 5,011	\$ 9,330	\$ 35,230
Fund balance, July 1, 2016	<u>121,302</u>	<u>122,886</u>	<u>67,116</u>
Fund balance, June 20, 2017	<u>\$ 126,313</u>	<u>\$ 132,216</u>	<u>\$ 102,346</u>

<u>Pie Town Fire</u>	<u>Rancho Grande Fire</u>	<u>Luna Fire</u>	<u>Apache Creek Fire</u>	<u>Horse Mountain Fire</u>	<u>Quemado Lake Fire</u>	<u>Coyote Creek Fire</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
175,667	100,896	50,448	256,611	50,448	68,048	50,448
<u>1,070</u>	<u>63</u>	<u>354</u>		<u>27</u>	<u>52</u>	<u>932</u>
<u>\$ 176,737</u>	<u>\$ 100,959</u>	<u>\$ 50,802</u>	<u>\$ 256,611</u>	<u>\$ 50,475</u>	<u>\$ 68,100</u>	<u>\$ 51,380</u>
\$ 69,507	\$ 20,795	\$ 18,299	\$ 52,205	\$ 14,980	\$ 20,705	\$ 18,787
	19,945	13,614		9,410	17,007	
	2,627	4,667		161	1,698	
			<u>190,632</u>		<u>22,000</u>	
<u>\$ 69,507</u>	<u>\$ 43,367</u>	<u>\$ 36,580</u>	<u>\$ 242,837</u>	<u>\$ 24,551</u>	<u>\$ 61,410</u>	<u>\$ 18,787</u>
\$ 107,230	\$ 57,592	\$ 14,222	\$ 13,774	\$ 25,924	\$ 6,690	\$ 32,593
\$ 107,230	\$ 57,592	\$ 14,222	\$ 13,774	\$ 25,924	\$ 6,690	\$ 32,593
<u>205,438</u>	<u>251,286</u>	<u>147,196</u>	<u>194,924</u>	<u>129,575</u>	<u>64,844</u>	<u>82,420</u>
<u>\$ 312,668</u>	<u>\$ 308,878</u>	<u>\$ 161,418</u>	<u>\$ 208,698</u>	<u>\$ 155,499</u>	<u>\$ 71,534</u>	<u>\$ 115,013</u>

Catron County  
**NONMAJOR SPECIAL REVENUE FUNDS - RURAL FIRE DEPARTMENTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (concluded)**  
For the Fiscal Year Ended June 30, 2017

	Wild Horse Fire	Catron County Fire	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
Federal sources	\$ -	\$ -	\$ -
State sources	50,448	67,703	1,150,836
Charges for services			-
Miscellaneous	756	165	4,919
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	\$ 51,204	\$ 67,868	\$ 1,155,755
Expenditures:			
Current			
Public safety	\$ 22,276	\$ 41,686	\$ 434,727
Debt service:			
Principal	13,606		113,600
Interest	317		16,935
Loan issue costs			-
Capital outlay		25,106	266,816
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	\$ 36,199	\$ 66,792	\$ 832,078
Revenues over (under) expenditures	\$ 15,005	\$ 1,076	\$ 323,677
Other financing sources (uses):			
Transfer in			-
Transfer (out)			-
Loan proceeds			-
	<u>          </u>	<u>          </u>	<u>          </u>
Net change in fund balances	\$ 15,005	\$ 1,076	\$ 323,677
Fund balance, July 1, 2016	46,629	100,256	1,533,872
	<u>          </u>	<u>          </u>	<u>          </u>
Fund balance, June 20, 2017	<u>\$ 61,634</u>	<u>\$ 101,332</u>	<u>\$ 1,857,549</u>



Catron County  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Property Tax Fund</b>				
<b>Assets</b>				
Cash and investments	\$ 20,706	\$ 958,523	\$ 965,685	\$ 13,544
Taxes receivable	<u>91,778</u>	<u>963,675</u>	<u>965,684</u>	<u>89,769</u>
Total assets	<u>\$ 112,484</u>	<u>\$ 1,922,198</u>	<u>\$ 1,931,369</u>	<u>\$ 103,313</u>
<b>Liabilities</b>				
Due to others	<u>\$ 112,484</u>	<u>\$ 1,922,198</u>	<u>\$ 1,931,369</u>	<u>\$ 103,313</u>

Catron County  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
June 30, 2017

	First State Bank	Total
Checking, Savings and CD's	\$ 8,277,694	\$ 8,277,694
Total on deposit	\$ 8,277,694	\$ 8,277,694
Less: FDIC insurance	(500,000)	(500,000)
Total uninsured public funds	\$ 7,777,694	\$ 7,777,694
 50% collateralization requirement (Section 6-10-17 NMSA)	 \$ 3,888,847	 \$ 3,888,847
 Pledged Securities:		
FHLB non CBL #3133SN4B2, 2/1/2020	\$ 2,374,499	\$ 2,374,499
FHLB non CBL #3133S8EW8, 3/22/2022	2,079,933	2,079,933
FHLB Cusip 3133XV5J6 5/1/2024	1,224,014	1,224,014
FFCB non CBL #31331VKU9, 7/8/2019	513,697	513,697
Total pledged securities	\$ 6,192,142	\$ 6,192,142
 Pledged securities over (under) requirement	 \$ 2,303,296	 \$ 2,303,296

Securities pledged are held by the First State Bank trust department in Minneapolis, Minnesota.

Catron County  
**SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS**  
 June 30, 2017

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>First State Bank</u>			
Operational Checking	Checking	\$ 1,075,140	\$ 905,074
Operational Savings	Savings	\$ 5,002,554	\$ 5,002,554
Certificates of Deposit	CD	<u>2,200,000</u>	<u>2,200,000</u>
Total First State Bank		<u>\$ 8,277,694</u>	<u>\$ 8,107,628</u>
<u>LGIP</u>			
Operational	LGIP	<u>\$ 49,869</u>	<u>\$ 49,869</u>
Total LGIP		<u>\$ 49,869</u>	<u>\$ 49,869</u>
<u>NMFA</u>			
Cash on deposit with paying agent	NMFA	<u>\$ 866,171</u>	<u>\$ 866,171</u>
Cash on hand			<u>\$ 1,000</u>
Total cash and investments		<u>\$ 9,193,734</u>	<u>\$ 9,024,668</u>

Catron County  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For The Fiscal Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
 <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
Direct:				
Schools and Roads - Grants to States	10.665	N/A	\$ -	\$ 47,489
 <b><u>U.S. DEPARTMENT OF THE INTERIOR</u></b>				
Direct:				
Distribution of receipts	15.227	Taylor Grazing Act	\$ -	\$ 20,622
 <b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>				
Passed through NM Department of Homeland Security:				
Hazard Mitigation Grant	97.039	FEMA-4152-DR-NM	\$ -	\$ 17,170
Disaster Grants - Public Assistance	97.036	FEMA-4152-074	-	378,176
Total U.S. Department of Homeland Security			\$ -	\$ 395,346
 <b><u>U.S. DEPARTMENT OF TRASPORTATION</u></b>				
Passed through the NM Department of Transportation:				
Airport Improvement Program	20.106	T16-15-04	\$ -	\$ 436,625
 <b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
Passed through the NM Dept of Housing and Urban Development:				
Community Development Block Grant	14.228	16-C-RS-I-03-G-12	\$ -	\$ 2,000
Total expenditures of federal awards			\$ -	\$ 902,082

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

Catron County  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2017

Note 1    Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Catron County, under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Catron County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Catron County.

Note 2    Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Note 3    Catron County has elected not to use the de Minimis indirect cost rate allowed under the Uniform Guidance.

Catron County  
**TAX ROLL RECONCILIATION**  
 For the Fiscal Year Ended June 30, 2017

Property taxes receivable, July 1, 2016	\$	266,227
Net taxes charged to the Treasurer for 2016		2,293,583
Collections/Distributions/Changes		<u>(2,275,666)</u>
Property taxes receivable, June 30, 2017	\$	<u><u>284,144</u></u>
Property taxes receivable, by year		
2016	\$	134,397
2015		49,242
2014		23,565
2013		11,159
2012		2,629
2011		2,028
2010		35,233
2009		15,317
2008		9,597
2007		<u>977</u>
	\$	<u><u>284,144</u></u>

Catron County  
**SCHEDULE OF LEGISLATIVE ALLOCATIONS**  
June 30, 2017

	Communication Repeater 16-A4029	Fair Building 14-L-1888	Court House Improvements 16-A2398	Health Clinic 12-L-G-1424	CC Senior Citizens Vehicles A14-1107
Original appropriation	\$ 175,000	\$ 143,000	\$ 148,500	\$ 200,000	\$ 125,000
Funds reverted	-	(1,430)		(2,000)	
Appropriation remaining	<u>\$ 175,000</u>	<u>\$ 141,570</u>	<u>\$ 148,500</u>	<u>\$ 198,000</u>	<u>\$ 125,000</u>
Expended through June 30, 2017	<u>\$ -</u>	<u>\$ 21,913</u>	<u>\$ -</u>	<u>\$ 187,200</u>	<u>\$ 115,597</u>
Total committed	<u>\$ 175,000</u>	<u>\$ 141,570</u>	<u>\$ -</u>	<u>\$ 198,000</u>	<u>\$ 115,597</u>
Project expiration date	6/30/2020	6/30/2018	6/30/2020	6/30/2018	6/30/2018

Catron County  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Fiscal Year Ended June 30, 2017

<b>Findings – Financial Statement Audit</b>	<u>Current Status</u>
2006-008 Tax roll reconciliation not in required format	Repeated
2014-001 IPA recommendation and audit contract submitted late	Repeated
2016-001 Purchases through credit cards lack evidence	Repeated
2016-002 Reconciled cash does not balance to general ledger	Repeated
2016-003 Ineligible expenditures in fire funds	Resolved
2016-004 Grants received by fire departments not approved	Resolved
2016-005 Non-cash transactions not recorded in general ledger	Resolved

**Findings – Major Federal Award Programs**

None



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REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor  
And  
Board of Commissioners  
Catron County  
Reserve, New Mexico

We have audited, in accordance with the 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, the 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 of Catron County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Catron County's basic financial statements, and have issued our report thereon dated November 25, 2017.

**Internal Control Over financial Reporting**

In planning and performing our audit of the financial statements, we considered Catron County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of Catron County's internal control.

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 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. A *significant deficiency* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Catron County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2017-001 through 2017-006.

### **Catron County's Responses to Findings**

Catron County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stone, McGee & Co., CPAs*

Silver City, New Mexico  
November 25, 2017

**Stone, McGee & Co.**  
Certified Public Accountants

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

Timothy Keller, State Auditor  
And  
Board of Commissioners  
Catron County  
Reserve, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited Catron County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Catron County's major federal programs for the year ended June 30, 2017. Catron County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Catron County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Catron County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Catron County's compliance.

#### Opinion on Each Major Federal Program

In our opinion, Catron County complied, in all material respects, with the types of 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, 2017.

#### Report on Internal Control over Compliance

Management of Catron County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catron County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Catron County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Stone, McGee & Co., CPAs*

Silver City, New Mexico  
November 25, 2017

**Stone, McGee & Co.**  
Certified Public Accountants

Catron County  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2017

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Catron County were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Catron County, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs for Catron County expresses an unmodified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) were noted during the audit.
7. The programs tested as major programs were: Airport Improvement Program, CFDA No. 20.106.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. Catron County was a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

2017-001 (2006-008) Property Tax Schedule (Other Noncompliance)

Condition – The County Treasurer's property tax schedule does not include ten years of information in the format required by the New Mexico State Auditor. The County has been unable to implement a corrective action plan due to lack of personnel availability, and the limitations of the software currently in use.

Criteria – Section 2.2.2.12D(1) of NMAC 2017 requires property tax information be presented in a specific format, and presented in that format in the audited financial statements.

Effect – Records relating to amounts due to other taxing entities is not available in a by-year format, and the County has not complied with 2.2.2 NMAC 2017.

Cause – The County has been unable to compile the information in the requested format, due to computer vendor problems, and the availability of staff to compile this information.

Recommendation – We recommend that the County compile the information necessary to comply with 2.2.2 NMAC 2017.

Agency Response – The County's is in the process of acquiring new software, which is expected to be able to compile the reports required by 2.2.2 NMAC. The County Manager and the County Treasurer are responsible for working with the software vendor, and it is expected to be complete by June 30, 2018.

#### 2017-002 (2014-001) Submission of Audit Contract and Recommendation (Other Noncompliance)

Condition - The County did not submit the signed IPA recommendation form for audits and the completed audit contract to the New Mexico State Auditor by May 1, 2017. The County's had enacted a corrective action plan, however, the County was unaware that even though they were in the midst of a three year proposal, they were still required to present a recommendation by May 1, 2017.

Criteria – As per Section 2.2.2.8(G)(6)c of the New Mexico Administrative Code Audit Rule, counties shall deliver the fully completed and signed IPA form and the completed contract to the State Auditor by May 1, 2017.

Effect – Delays in submission of these documents could lead to a delay in delivery of the completed audit report.

Cause – The County was unaware of the need to notify the State Auditor when they already had a proposal in place to perform the audit.

Recommendation – The County should develop an audit schedule which includes timelines for delivery of the appropriate documents to the State Auditor. Such timelines should be followed to ensure the timely delivery of the IPA recommendation and audit contract.

Agency Response – The timelines have already been established by the County Manager, and we will submit the appropriate documents in a timely fashion in the future, starting with year ending June 30, 2018.

#### 2017-003 (2016-001) Procurement of Goods and Services (Other Noncompliance)

Condition – The County utilizes purchasing cards, which allow department heads to purchase up to specified amounts without going through the central purchasing office. We noted the following during our review related to these purchasing cards:

1. Receipts for items purchased with these purchasing cards were not always available to compare to the billing.
2. Purchases of Christmas cards totaling \$117, which is not an allowable expenditure, were made during the year.
3. Gross receipts tax was paid on goods purchased in some instances.

Although the County had implemented a corrective action plan, personnel changeover and in some instances, non-cooperation from elected officials, led to a continuance of this finding.

Criteria – Section 13-1-97 of NMSA 1978 requires, in part, that expenditures be properly evidenced by verifiable receipts, and that expenditures be made only for allowable and eligible purchases.

Effect – There is an increased likelihood of expenditures that are not for eligible and allowable purchases.

Cause – The County employees using purchasing cards have not been properly instructed in their use, and have not in all instances followed direction of the central purchasing office.

Recommendation – We recommend that the certified purchasing officer provide instruction to County personnel in the use of purchasing cards. We further recommend that use of these cards be discontinued if the central purchasing officer's instructions are not followed.

Agency Response – The County will pursue reimbursement for the unallowable expenditures, and will discontinue purchasing card use if cooperation is not obtained from the user. The County Manager and the certified purchasing officer are responsible for plan implementation, which will occur during the year ending June 30, 2018.

#### 2017-004 (2016-002) Financial Reporting (Other Noncompliance)

Condition – The County does not currently have a procedure in place to reconcile cash in the bank to general ledger cash by individual fund on a monthly basis. Although cash is reconciled monthly, minor discrepancies exist between the actual reconciled cash and the general ledger.

The County's corrective action plan was not fully enacted due to personnel changeover.

Criteria – Sound internal control requires that cash in bank be reconciled to general ledger cash monthly.

Effect – There is an increased likelihood that the County's general ledger will not reflect the actual cash balances.

Cause – The County Treasurer and the County Manager have not been able to implement the corrective action plan, and since the County is currently without a finance director, no one has been charged with performing this reconciliation.

Recommendation – We recommend that reconciled cash be compared to general ledger balances monthly, and any reconciling items be properly investigated and adjustments made. We further recommend that the County Commission require this reconciliation as a part of the monthly financial statement review.

Agency Response – The County Manager and the County Treasurer will perform this function monthly, and now believe they have the appropriate personnel in place to complete this reconciliation monthly.

#### 2017-005 Completion of Payroll Documents (Other Noncompliance)

Condition – In a total of 25 payroll files tested, we noted 16 instances where the I-9 documentation was incomplete.

Criteria – Federal regulations require that documentation be maintained regarding employee citizenship and authorization for withholding on each employee.

Effect – Federal regulations have been violated, and the County has exposed itself to possible significant penalties if an Internal Revenue Service audit is conducted.

Cause – The County has undergone significant employee turnover, and the required documents were not obtained or properly filed for all employees.

Recommendation – The County should conduct a review of all current employee files to ensure that the proper documentation is on file for each employee, and develop a process to ensure that new hires provide the required information.

Agency Response – The recommendation will be adopted, and the County Manager will be responsible for overseeing the receipt of appropriate documentation. The process has already begun, and it is expected to be complete by December 31, 2017.

#### 2017-006 Expenditures in excess of Budgetary Authority (Other Noncompliance)

Condition – The County incurred expenditures in excess of budgetary authority in the following funds:

Farm and Range	\$ 5,500
Airport	118,173
DWI	25,513
20Communities	64,404
Corrections	18,821
Law Enforcement	27,366
Confiscated Drugs	133

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

Effect – The internal controls established by adherence to budgets has been compromised, and excess spending could result. In addition, New Mexico statutes have been violated.

Cause – The County did not request the budget adjustments to alleviate these budget overruns.

Recommendation – We recommend that the County adhere to their policy of reviewing expenditures and requesting budget adjustments where necessary.

Agency Response – We will continue to adhere to our policy of reviewing expenditures and making the appropriate budgetary adjustments. These were unusual circumstances where expenditures were made late in the year, and budget adjustments were overlooked.



## FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

## OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s, with substantial assistance from County personnel. County personnel have approved and accepted responsibility for the financial statements.

## EXIT CONFERENCE

The contents of this report were discussed in a meeting on November 16, 2017. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Van J. (Bucky) Allred	Commissioner	Catron County
Kate Fletcher	County Manager	Catron County
Mike Stone	Shareholder	Stone, McGee & Co., CPA's
Kay Stone	Shareholder	Stone, McGee & Co., CPAs