

**State of New Mexico**  
**City of Aztec**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2017**



**CRI** CARR  
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**STATE OF NEW MEXICO**

City of Aztec  
Official Roster  
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<u>Name</u>	<u>City Commission</u>	<u>Title</u>
Sally Burbridge		Mayor
Sherry Sipe		Mayor ProTem
Katee McClure		Commissioner
Austin Randall		Commissioner
Sheri Rogers		Commissioner

**Administration**

Joshua Ray		City Manager
Kathy Lamb		Finance Director
Karla Saylor		City Clerk

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Wayne A. Johnson  
New Mexico State Auditor  
The United States Office of Management and Budget and  
The City Commission  
City of Aztec  
Aztec, 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 comparison for the General Fund and major special revenue funds of the City of Aztec, New Mexico (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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.

### Auditors' 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 the 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 the City of Aztec, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and major special revenue funds 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 the Management's Discussion and Analysis on pages 11 through 22 and Schedules I and II and the Notes to the Required Supplementary Information on pages 84 through 88 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 sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the City's financial statements that collectively comprise the City's basic financial statements. The introductory section, schedules VII through XXII, combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Supporting Schedules III through VI required by section 2.2.2 NMAC are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI required by section 2.2.2 NMAC 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 combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI required by section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and Schedules VII through XXII have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Albuquerque, New Mexico  
January 30, 2018

**STATE OF NEW MEXICO**  
City of Aztec  
Management's Discussion and Analysis  
June 30, 2017

As management of the City of Aztec, we offer readers of the City of Aztec's financial statements this narrative overview and analysis of the financial activities of the City of Aztec for the fiscal year ended June 30, 2017.

#### Financial Highlights

The assets and deferred outflows of resources of the City of Aztec exceeded its liabilities at the close of June 30, 2017 by \$61,844,067 (*net position*). Of this amount, \$12,296,582 (*unrestricted net position*) may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's total Net Position increased by \$1,780,873 (3%).

The Statement of Net Position reflects the recording of \$8.6 million in net pension liability, \$3,066,687 in deferred outflows, and \$232,590 in deferred inflows to comply with the requirements of GASB Statement No. 68 (GASB 68).

As of the June 30, 2017, the City's governmental funds reported combined ending fund balances of \$5,301,579, a decrease of \$216,982 in comparison with the prior year. Approximately 49.75% of this total fund balance amount (\$2,644,262) is available for spending at the City's discretion (*unassigned fund balance*).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,644,262, or approximately 44.8% of total general fund expenditures.

#### Overview of Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 24-27 of this report.

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

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

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

The City of Aztec maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Municipal Road Fund and Airport Fund which are considered to be a major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements following the notes to the financial statements (pages 92-95).

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

The basic governmental fund financial statements can be found on pages 24-39 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 40-49 of this report.

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

The fiduciary fund statements can be found on page 51 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 52-82 of this report.

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Aztec, assets and deferred outflows of resources exceeded liabilities by \$61,844,067 at the close of the most recent fiscal year. Below is a chart indicating the net position changes over the last five fiscal years.



The largest portion of the City of Aztec's net position (\$46,281,610 or 74.9%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Aztec uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Aztec's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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**CITY OF AZTEC Net's Position**

	Governmental Activities		Business-type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Current and other assets	\$ 7,237,637	\$ 7,375,928	\$17,894,831	\$16,572,977	\$25,132,468	\$23,948,905
Capital assets	25,302,787	23,370,887	30,960,746	28,773,942	56,263,533	52,144,829
Total assets	\$32,540,424	\$30,746,815	\$48,855,577	\$45,346,919	\$81,396,001	\$76,093,734
Deferred Outflows – pension related	2,326,054	269,460	740,633	163,756	3,066,687	433,216
Long-term liabilities outstanding	9,236,752	6,881,584	8,972,085	5,414,141	18,208,837	12,295,725
Other liabilities	1,831,552	1,665,670	2,345,642	2,231,172	4,177,194	3,896,842
Total liabilities	\$11,068,304	\$70,310,344	\$11,317,727	\$98,502,907	\$22,386,031	\$168,813,251
Deferred Inflows – pension related	155,171	168,680	77,419	102,510	232,590	271,190
Net position:						
Net investment in capital assets	21,879,431	19,890,658	24,402,179	25,303,796	46,281,610	45,194,454
Restricted	2,327,719	2,483,331	938,156	555,000	3,265,875	3,038,331
Unrestricted	(564,147)	(73,648)	12,860,729	11,904,056	12,296,582	11,830,408
Total net position	\$23,643,003	\$22,300,341	\$38,201,064	\$37,762,852	\$61,844,067	\$60,063,193

Another portion of the City of Aztec's net position (\$3,265,875 or 5.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,296,582 (19.8%) is unrestricted and may be used to meet government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City of Aztec is able to report positive balances in all categories of net position for the government as a whole. Governmental activities report positive balances in two of the three categories of net position.

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The City of Aztec's net position increased \$1,780,874 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**CITY OF AZTEC's Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Revenues:						
Program Revenues:						
Charges for Services	\$1,098,491	\$881,774	\$9,331,967	\$10,510,354	\$10,430,458	\$11,392,128
Operating Grants and contributions	509,528	777,635	-	552	509,528	778,187
Capital Grants and contributions	2,726,499	2,262,442	401,735	138,155	3,128,234	2,400,597
General Revenues:						
Property Taxes	723,750	649,891	-	-	723,750	649,891
GRT Taxes	3,499,512	3,888,208	73,203	81,333	3,572,715	3,969,541
Other Taxes	798,931	806,783	-	-	377,726	806,783
Other	444,511	591,648	111,676	323,350	977,390	914,998
Total Revenues	9,801,222	9,858,381	9,918,581	11,053,744	19,719,801	20,912,125
Expenses:						
General Government	1,770,834	1,568,493	-	-	1,770,834	1,568,493
Public Safety	2,174,181	1,971,740	-	-	2,174,181	1,971,740
Public Works	1,519,726	1,667,557	-	-	1,519,726	1,667,557
Public Health & Welfare	890,773	452,399	-	-	890,773	452,399
Culture & Recreation	1,822,992	1,477,217	-	-	1,822,992	1,477,217
Interest, Long Term Debt	160,028	166,988	-	-	160,028	166,988
Joint Utility			8,869,976	10,013,305	8,869,976	10,013,305
Solid Waste			722,332	715,993	722,332	715,993
Irrigation			8,088	9,679	8,088	9,679
Golf Course			-	466,443	-	466,443
Total Expenses	8,338,534	7,304,394	9,600,396	11,205,420	17,938,930	18,509,814
Increase (decrease) in net position before transfers	1,462,688	2,553,987	318,185	(151,676)	1,780,873	2,402,311
Transfers	(120,027)	(95,000)	120,027	95,000	-	-
Increase (decrease) in net position	1,342,661	2,458,987	438,212	(56,676)	1,780,873	2,402,311
Net position – July 1	22,300,341	19,841,354	37,762,852	37,819,528	60,063,193	57,660,882
Net position – June 30	\$23,643,003	\$22,300,341	\$38,201,064	\$37,762,852	\$61,844,066	\$60,063,193

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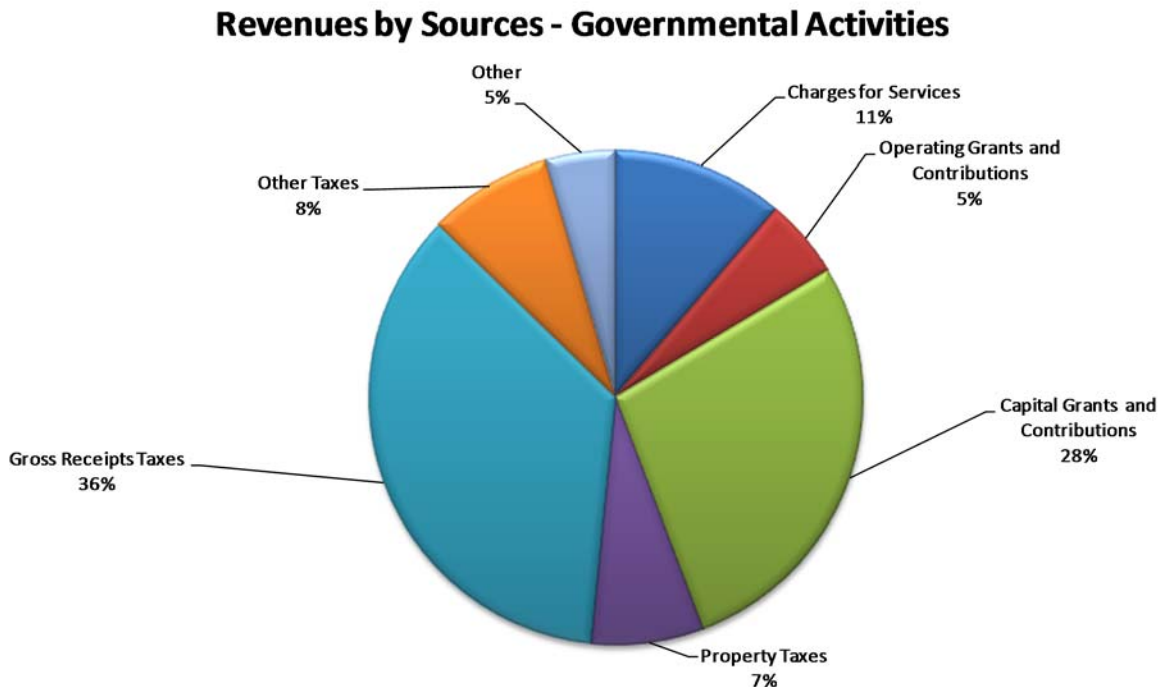
Governmental activities. During the current fiscal year, net position for governmental activities increased by \$1,342,661 from the prior fiscal year for an ending balance of \$23,643,003.

- Gross receipts tax decreased by \$388,696 or (10%). The decrease is due to the continuing reduction in the oil and gas industry.
- Golf Course operations were reclassified from a business fund to the General Fund, an increase in service revenues of \$91,373
- Capital grants increased by \$464,057 or 20.5% specific to projects for roadway and aviation improvements.

Expenditures increased \$1,034,140 or 14.2% from the prior fiscal year.

- Increase in pension expense of \$480,852 as a result of increases in the net pension liability, along with changes in deferred inflows and outflows of resources related to pensions.
- Golf Course operations were reclassified from an business fund to Culture and Recreation within the General Fund, an increase in expenditures of \$185,479.

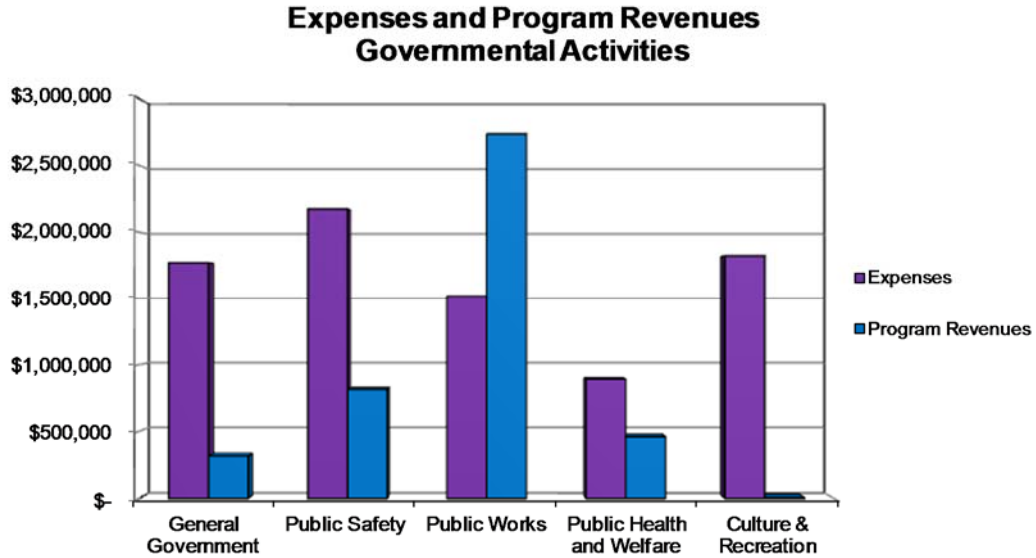
The following chart shows the governmental activities by source. Gross receipts taxes provide 36% of the total revenues of the governmental activities. Program revenues including charges for services and grant and contributions provide 16% of the revenues in governmental revenues. Property taxes provided 8% of the revenues for governmental activities.





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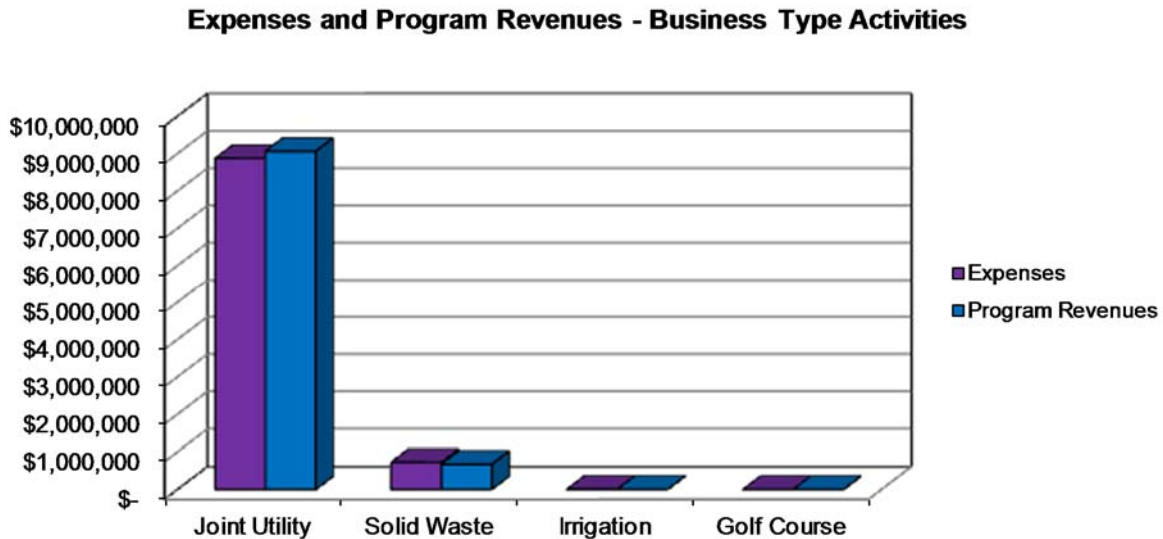
The chart below shows the extent to which expenses of the various functions of governmental activities are covered by program revenues.



Note: This chart does not include tax revenues which are the primary source for most governmental activities.

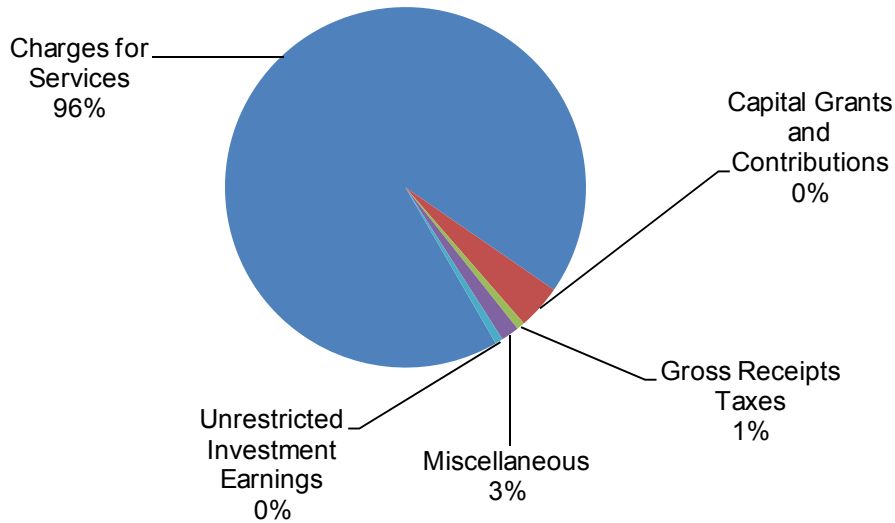
**Business-type activities.** For the City of Aztec's business-type activities, the net position ending balance is \$38,201,661 and is an increase of \$438,212 or 1%. Key financial elements of the past year are as follows:

Operating expenses are 96.8 percent of revenues, resulting in a \$318,185 in operating gain.



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### Revenues by Source - Business Type Activities



#### Financial Analysis of the Government's Funds

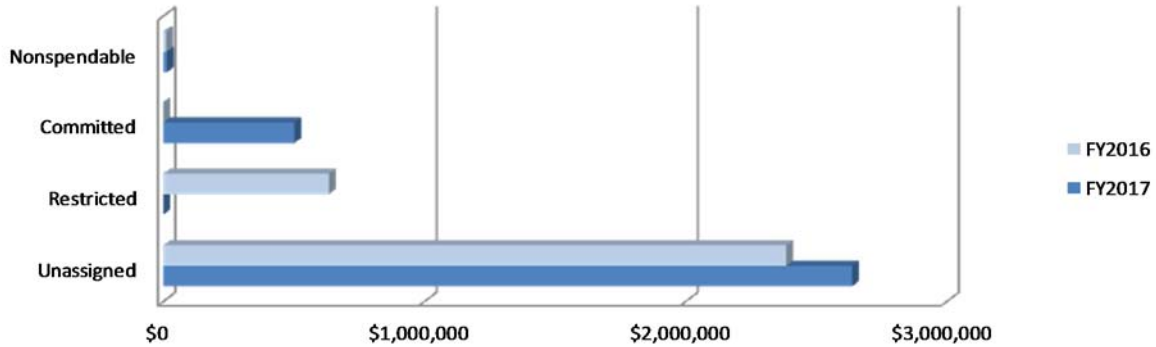
As noted earlier, the City of Aztec uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Aztec's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Aztec's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Aztec itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Aztec's Commission.

As of the June 30, 2017, the City of Aztec's governmental funds reported combined fund balances of \$5,301,579, a decrease of \$216,982 in comparison with the prior year. Approximately 49.8% of this total amount or \$2,637,596 constitutes *unassigned fund balance* which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$13,491), 2) restricted for particular purposes (\$2,028,470) or 3) committed for a particular purpose (\$615,356).

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**General Fund  
Components of Fund Balance  
June 30, 2016 and 2017**



**General Fund.** The general fund is the chief operating fund of the City of Aztec. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,644,262, while total fund balance increased to \$3,153,415. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47.8% of total fund expenditures, while total fund balance represents 53.6% of the same amount.

The fund balance of the City of Aztec's general fund increased \$123,178 or 4% during the current fiscal year.

General Fund revenue decreased by \$43,487 or 0.07%.

General Fund expenditures for FY2017 increased \$40,474 (0.06%), compared to FY16.

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

Unrestricted net position of the joint utility fund at the end of the year amounted to \$12,719,010 for solid waste \$46,288, and irrigation \$95,431. The total increase in net position for the joint utility fund was \$374,932. The net position for solid waste fund decreased \$46,838, a combination of management's decision to absorb rate increases in contractual solid waste services rather than increasing utility rates to its citizens and pension liability. The irrigation fund decreased by \$7,605.

General Fund Budgetary Highlights

**Original budget compared to final budget.** During the fiscal year, the City Commission approved four adjustments to the City's general fund budget including:

Golf Course Fund closed to the General Fund; an increase in the general fund revenue budget of \$283,805, increase of expenditure budget of \$354,254 and decrease in transfers out of \$60,000.

**STATE OF NEW MEXICO**  
City of Aztec  
Management's Discussion and Analysis  
June 30, 2017

Increase in intergovernmental funds \$67,582 (operating grants) and related expenditure increase of \$70,082.

**Final budget compared to actual results.** The most significant differences between estimated revenues and actual revenues were as follows:

Revenue Source	Estimated revenues	Actual revenues	Difference
Taxes	\$3,810,125	\$4,122,675	\$312,550
Intergovernmental	\$ 376,114	\$ 589,103	\$212,989
Licenses, Fees, Fines	\$1,139,901	\$1,036,314	(\$103,587)
Miscellaneous	\$ 172,600	\$ 286,539	\$113,939
Transfer In	\$ 100,000	\$ -0-	(\$100,000)

Investment earnings exceeded the revenue estimate by \$3,972 (79%), due to increased cash reserves and slightly higher interest rates.

A review of actual expenditures compared to the appropriations in the final budget yields a positive variance of \$1,151,309, the result of managements continuing efforts in monitoring daily governmental operations.

Capital Asset and Debt Administration

**Capital assets.** The City of Aztec's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounts to \$56,263,533 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, utility systems, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in capital assets for the current fiscal year was approximately 7.9%.

<b>City of Aztec's Capital Assets (net of depreciation)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Land	\$741,252	\$669,435	\$823,343	\$823,343	\$1,564,595	\$1,492,778
Buildings & System	5,236,732	5,535,377	24,480,818	25,543,323	29,717,550	31,078,700
Improvements	2,053,600	2,326,954	-	-	2,053,600	2,326,954
Machinery & Equipment	2,300,418	1,542,576	1,621,799	1,363,067	3,922,217	2,905,643
Infrastructure	13,990,014	10,856,055	-	-	13,990,014	10,856,055
Construction in Progress	980,771	2,440,490	4,034,786	1,044,209	5,015,557	3,484,699
<b>Total</b>	<b>\$25,302,787</b>	<b>\$23,370,887</b>	<b>\$30,960,746</b>	<b>\$28,773,942</b>	<b>\$56,263,533</b>	<b>\$52,144,829</b>

**STATE OF NEW MEXICO**  
City of Aztec  
Management's Discussion and Analysis  
June 30, 2017

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

- East Aztec Arterial Phase 1B (new road)
- East Aztec Arterial Phase 1B wastewater line (new)
- Aviation Fuel Facility – complete
- Aviation Apron Reconstruction
- Aviation Fuel Road Improvement
- Sewer Interceptor Line Replacement

Scheduled replacement of vehicles and equipment

Additional information on the City of Aztec's capital assets can be found in note 6 on pages 69-70 of this report.

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

<b>City of Aztec Outstanding Debt</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
NMFA – Library	\$ 403,650	\$ 527,346	-	-	\$403,650	\$527,346
NMFA – Capital Projects	2,897,024	2,952,883	-	-	2,897,024	2,952,883
NMED – Wastewater Plant	-	-	\$3,233,766	\$3,470,146	3,233,766	3,470,146
NMED – Sewer Interceptor	-	-	\$3,324,801	-	3,324,801	3,470,146
Capital Lease	122,682			139,798	122,682	139,798
<b>Total</b>	<b>\$3,423,356</b>	<b>\$3,480,229</b>	<b>\$6,558,567</b>	<b>\$3,609,944</b>	<b>\$9,981,923</b>	<b>\$7,090,173</b>

Additional information on the City of Aztec's long-term debt can be found in note 7 on pages 71-73 of this report.

**Debt limitation.** Article IX, Section 13 of the State Constitution limits the powers of the City to incur general obligation debt in an aggregate amount, including existing indebtedness, not to exceed four percent of the value of the taxable property in the City as shown by the last preceding general assessments. The City may, however, contract debt in excess of such limitation for the construction or purchase of a system for supplying water or a sewer system for the City. Based on the 2017 assessed valuation of \$126,623,123, the City's general obligation debt limit is \$5,064,925. The City presently has no general obligation bonds outstanding.

The City of Aztec has been approved for a Clean Water State Revolving Fund loan administered through New Mexico Environment Department (NMED) for the replacement of the sewer interceptor line. The loan is secured with Joint Utility Fund net system revenues. NMED has offered new terms for the loan: 1.2% for 30 years with an annual payment of \$132,626 beginning January 2019. Closing documents accepting these terms will be executed in February 2019.

**STATE OF NEW MEXICO**  
City of Aztec  
Management's Discussion and Analysis  
June 30, 2017

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City of Aztec and were considered in developing the 2017-2018 fiscal year budget.

Continued low activity in the oil & gas sector in the region impacting gross receipts tax and property tax revenues in multiple sectors. This will continue to result in conservative tax revenue estimates government wide.

Interest rates are expected to remain at low levels throughout fiscal year 2017-2018.

Personnel expenditures will include a COLA increase.

Construction interest, debt and repair and replacement reserves on the CWSRF loan for the wastewater interceptor line included in budget.

A new purchased power agreement, seven year contract, was executed effective July 2016 reducing the cost of purchased power. The City hired a consultant to perform a cost of service/utility rate study. New rates for electric, water, wastewater and solid waste were implemented in October 2017. It is anticipated additional rate increases will be required in FY2019 to provide necessary revenues for debt and capital improvement requirements.

During the current fiscal year, the unassigned fund balance in the general fund was \$2,644,262. The City of Aztec has appropriated \$1,130,621 of this amount for spending in the 2017-2018 fiscal year budget. This action was taken as an additional measure to mitigate the impact of the negative pressures on the local economy.

Requests for Information

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

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

City of Aztec

Statement of Net Position

June 30, 2017

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 596,138	\$ 754,638	\$ 1,350,776
Investments	3,634,445	10,086,272	13,720,717
Receivables			
Taxes	1,544,797	-	1,544,797
Utility receivables, net	-	1,061,499	1,061,499
Due from other governments	847,166	1,225,769	2,072,935
Other	73,391	17,794	91,185
Inventory	-	1,387,808	1,387,808
Prepaid expenses	18,056	1,251	19,307
Internal balances	536	(536)	-
<i>Total current assets</i>	<u>6,714,529</u>	<u>14,534,495</u>	<u>21,249,024</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	523,108	1,384,017	1,907,125
Other noncurrent asset	-	1,976,319	1,976,319
Capital assets	44,170,344	52,244,757	96,415,101
Less: accumulated depreciation	<u>(18,867,557)</u>	<u>(21,284,011)</u>	<u>(40,151,568)</u>
<i>Total noncurrent assets</i>	<u>25,825,895</u>	<u>34,321,082</u>	<u>60,146,977</u>
<i>Total assets</i>	<u>32,540,424</u>	<u>48,855,577</u>	<u>81,396,001</u>
<b>Deferred outflows of resources</b>			
Employer contributions subsequent to the measurement date	307,102	140,239	447,341
Change in assumptions	405,297	118,891	524,188
Differences between expected and actual experience	380,588	111,643	492,231
Net difference between projected and actual investment earnings on pension plan investments	1,162,947	348,491	1,511,438
Changes in proportion	<u>70,120</u>	<u>21,369</u>	<u>91,489</u>
<i>Total deferred outflows of resources</i>	<u>2,326,054</u>	<u>740,633</u>	<u>3,066,687</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 34,866,478</u>	<u>\$ 49,596,210</u>	<u>\$ 84,462,688</u>

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



	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Accounts payable	\$ 1,046,483	\$ 1,387,917	\$ 2,434,400
Accrued payroll	172,499	68,653	241,152
Accrued compensated absences	406,644	154,856	561,500
Customer deposits payable	2,545	445,861	448,406
Unearned revenue	-	24,603	24,603
Accrued interest	-	22,644	22,644
Current portion of capital leases	17,433	-	17,433
Current portion of long-term debt	185,948	241,108	427,056
<i>Total current liabilities</i>	<u>1,831,552</u>	<u>2,345,642</u>	<u>4,177,194</u>
<i>Noncurrent liabilities</i>			
Accrued compensated absences	79,879	-	79,879
Capital leases payable	105,249	-	105,249
Notes payable	3,114,726	6,317,459	9,432,185
Net pension liability	5,936,898	2,654,626	8,591,524
<i>Total noncurrent liabilities</i>	<u>9,236,752</u>	<u>8,972,085</u>	<u>18,208,837</u>
<i>Total liabilities</i>	<u>11,068,304</u>	<u>11,317,727</u>	<u>22,386,031</u>
<b>Deferred inflows of resources</b>			
Change in assumptions	28,430	20,976	49,406
Changes in proportion	84,314	41,225	125,539
Differences between expected and actual experience	42,427	15,218	57,645
<i>Total deferred inflows of resources</i>	<u>155,171</u>	<u>77,419</u>	<u>232,590</u>
<b>Net Position</b>			
Net investment in capital assets	21,879,431	24,402,179	46,281,610
Restricted for:			
Debt service	468,455	496,156	964,611
Capital projects	714,761	-	714,761
Special revenue	1,144,503	-	1,144,503
Repair and replacement	-	442,000	442,000
Unrestricted	<u>(564,147)</u>	<u>12,860,729</u>	<u>12,296,582</u>
<i>Total net position</i>	<u>23,643,003</u>	<u>38,201,064</u>	<u>61,844,067</u>
<i>Total liabilities, deferred inflows of resources and net position</i>	<u>\$ 34,866,478</u>	<u>\$ 49,596,210</u>	<u>\$ 84,462,688</u>

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

**STATE OF NEW MEXICO**  
City of Aztec  
Statement of Activities  
For the 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>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
General government	\$ 1,770,834	\$ 48,816	\$ 266,211	\$ -
Public safety	2,174,181	573,001	243,317	-
Public works	1,519,726	9,888	-	2,726,499
Culture and recreation	1,822,992	7,429	-	-
Health and welfare	890,773	459,357	-	-
Interest on long-term debt	160,028	-	-	-
<i>Total governmental activities</i>	<u>8,338,534</u>	<u>1,098,491</u>	<u>509,528</u>	<u>2,726,499</u>
<b>Business-type Activities:</b>				
Joint Utility	8,869,976	8,660,578	-	401,735
Solid Waste	722,332	671,389	-	-
Irrigation Assessment	8,088	-	-	-
Golf Course	-	-	-	-
<i>Total business-type activities</i>	<u>9,600,396</u>	<u>9,331,967</u>	<u>-</u>	<u>401,735</u>
<i>Total primary government</i>	<u>\$ 17,938,930</u>	<u>\$ 10,430,458</u>	<u>\$ 509,528</u>	<u>\$ 3,128,234</u>

**General Revenues and Transfers:**

Taxes:

- Property taxes, levied for general purposes
- Gross receipts taxes
- Gasoline and motor vehicle taxes
- Other taxes

Payment in lieu of tax

Investment income

Miscellaneous

Donation of capital assets

Gain on disposition of assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

*Net position, ending*

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

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,455,807)	\$ -	\$ (1,455,807)
(1,357,863)	-	(1,357,863)
1,216,661	-	1,216,661
(1,815,563)	-	(1,815,563)
(431,416)	-	(431,416)
(160,028)	-	(160,028)
<b>(4,004,016)</b>	<b>-</b>	<b>(4,004,016)</b>
-	192,337	192,337
-	(50,943)	(50,943)
-	(8,088)	(8,088)
-	-	-
-	133,306	133,306
<b>(4,004,016)</b>	<b>133,306</b>	<b>(3,870,710)</b>
723,750	-	723,750
3,499,512	73,203	3,572,715
225,259	-	225,259
152,467	-	152,467
421,205	-	421,205
21,750	69,799	91,549
353,405	41,877	395,282
69,356	-	69,356
-	-	-
(120,027)	120,027	-
<b>5,346,677</b>	<b>304,906</b>	<b>5,651,583</b>
1,342,661	438,212	1,780,873
<b>22,300,342</b>	<b>37,762,852</b>	<b>60,063,194</b>
<b>\$ 23,643,003</b>	<b>\$ 38,201,064</b>	<b>\$ 61,844,067</b>

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

**STATE OF NEW MEXICO**

City of Aztec  
Balance Sheet  
Governmental Funds  
June 30, 2017

	<u>General Fund</u>	<u>Municipal Road Fund</u>	<u>Airport</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 843,006	\$ 253,015	\$ 3,335
Investments	1,817,945	555,123	7,317
Receivables	1,598,279	54,433	717,708
Prepaid assets	13,491	-	1,401
Due from other funds	145,699	-	-
<i>Total assets</i>	<u>\$ 4,418,420</u>	<u>\$ 862,571</u>	<u>\$ 729,761</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>			
<i>Liabilities</i>			
Accounts payable	\$ 340,567	\$ 50,000	614,287
Accrued payroll	172,499	-	-
Customer deposits	2,245	-	300
Due to other funds	35,163	-	110,000
<i>Total liabilities</i>	<u>550,474</u>	<u>50,000</u>	<u>724,587</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	714,531	-	-
<i>Total deferred inflows of resources</i>	<u>714,531</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable:			
Prepaid assets	13,491	-	-
Spendable			
Restricted for:			
Capital projects	-	-	5,174
Public safety	-	-	-
Public works	-	812,571	-
Culture and recreation	-	-	-
Committed to:			
Minimum fund balance	495,662	-	-
Economic development	-	-	-
Culture and Recreation	-	-	-
Unassigned (deficit)	2,644,262	-	-
<i>Total fund balances</i>	<u>3,153,415</u>	<u>812,571</u>	<u>5,174</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 4,418,420</u>	<u>\$ 862,571</u>	<u>\$ 729,761</u>

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 730,564	\$ 1,829,920
543,386	2,923,771
94,934	2,465,354
3,164	18,056
-	145,699
<u>\$ 1,372,048</u>	<u>\$ 7,382,800</u>
\$ 41,629	\$ 1,046,483
-	172,499
-	2,545
-	145,163
<u>41,629</u>	<u>1,366,690</u>
-	714,531
<u>-</u>	<u>714,531</u>
-	13,491
1,003,661	1,008,835
128,127	128,127
-	812,571
78,937	78,937
-	495,662
113,907	113,907
5,787	5,787
-	2,644,262
<u>1,330,419</u>	<u>5,301,579</u>
<u>\$ 1,372,048</u>	<u>\$ 7,382,800</u>

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

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**STATE OF NEW MEXICO**

City of Aztec

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2017

Exhibit B-1

Page 2 of 2

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances - total governmental funds	\$	5,301,579
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		25,302,787
Delinquent property taxes collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities		714,531
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds:		
Deferred outflows of resources related to change in assumptions		405,297
Deferred outflows of resources related to differences between expected and actual experience		380,588
Deferred outflows of resources related to employer contributions subsequent to the measurement date		307,102
Deferred outflows of resources related to the net difference between projected and actual earnings on pension plan investments		1,162,947
Deferred outflows of resources related to changes in proportion		70,120
Deferred inflows of resources related to change in assumptions		(28,430)
Deferred inflows of resources related to changes in proportion		(84,314)
Deferred inflows of resources related to differences between expected and actual experience		(42,427)
Some liabilities, including bonds payable, notes, accrued compensated absences, and net pension payable are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(486,523)
Capital leases payable		(122,682)
Bonds and notes payable		(3,300,674)
Net pension liability		(5,936,898)
		(5,936,898)
<i>Total net position of governmental activities</i>	\$	23,643,003

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

**STATE OF NEW MEXICO**  
City of Aztec  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Municipal Road Fund</u>	<u>Airport</u>
<i>Revenues</i>			
Taxes:			
Property	\$ 659,740	\$ -	\$ -
Gross receipts	2,913,773	146,435	-
Gasoline and motor vehicle	37,549	187,710	-
Other	107,938	-	-
Intergovernmental:			
Federal operating grants	177,824	-	-
Federal capital grants	277,541	969,969	650,900
State operating grants	104,778	-	-
State capital grants	14,530	740,357	73,202
Payment in lieu of tax	421,205	-	-
Charges for services	85,784	-	-
Licenses and fees	944,791	-	-
Investment income	8,972	1,617	209
Other	297,168	-	56,237
<i>Total revenues</i>	<u>6,051,593</u>	<u>2,046,088</u>	<u>780,548</u>
<i>Expenditures</i>			
Current:			
General government	1,433,020	-	-
Public safety	1,704,453	-	-
Public works	595,732	91,062	50,178
Culture and recreation	1,139,231	-	-
Health and welfare	819,179	-	-
Capital outlay	190,524	1,773,610	809,237
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>5,882,139</u>	<u>1,864,672</u>	<u>859,415</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>169,454</u>	<u>181,416</u>	<u>(78,867)</u>
<i>Other financing sources (uses)</i>			
Transfers in	21,823	-	50,000
Transfers out	(68,099)	-	-
<i>Total other financing sources (uses)</i>	<u>(46,276)</u>	<u>-</u>	<u>50,000</u>
<i>Net change in fund balance</i>	123,178	181,416	(28,867)
<i>Fund balance - beginning of year</i>	<u>3,030,237</u>	<u>631,155</u>	<u>34,041</u>
<i>Fund balance - end of year</i>	<u>\$ 3,153,415</u>	<u>\$ 812,571</u>	<u>\$ 5,174</u>

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



<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 659,740
439,304	3,499,512
-	225,259
44,529	152,467
-	177,824
-	1,898,410
226,926	331,704
-	828,089
-	421,205
-	85,784
67,916	1,012,707
10,952	21,750
-	353,405
789,627	9,667,856
141,033	1,574,053
87,441	1,791,894
-	736,972
7,537	1,146,768
-	819,179
716,742	3,490,113
179,555	179,555
160,028	160,028
1,292,336	9,898,562
(502,709)	(230,706)
10,000	81,823
-	(68,099)
10,000	13,724
(492,709)	(216,982)
1,823,128	5,518,561
\$ 1,330,419	\$ 5,301,579

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

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**STATE OF NEW MEXICO**

City of Aztec

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2017

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	(216,982)
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Transfer to Golf Course Fund to consolidate into General Fund		(120,027)
---	--	-----------

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

Capital expenditures recorded in capital outlay		3,490,113
Depreciation expense		(1,745,640)

Governmental funds do not report donations of capital assets of losses on dispositions. However, in the Statement of Activities, these items are reported as revenues and expenses, respectively:

Loss of disposition of capital assets		(936)
Donated capital assets		69,356

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Increase in unavailable revenue related to property taxes receivable		64,010
--	--	--------

Governmental funds report City 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:

City pension contributions		307,102
Pension expense		(671,603)

The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Increase in accrued compensated absences		(12,287)
Principal payments on loans payable		179,555

<i>Change in net position of governmental activities</i>	<b>\$</b>	<b><u>1,342,661</u></b>
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The accompanying notes are an integral part of these financial statements.

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## STATE OF NEW MEXICO

Exhibit C-1

City of Aztec

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget (GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ 633,162	\$ 661,800	\$ 659,740	\$ (2,060)
Gross receipts	3,083,616	2,621,185	2,913,773	292,588
Gasoline and motor vehicle	34,080	34,080	37,549	3,469
Other	88,060	88,060	107,938	19,878
Intergovernmental income:				
Federal operating grant	100,750	100,750	177,824	77,074
Federal capital grant	-	-	277,541	277,541
State operating grant	96,616	179,335	104,778	(74,557)
State capital grant	81,700	82,479	14,530	(67,949)
Payment in lieu of tax	405,000	405,000	421,205	16,205
Charges for services	64,624	63,624	85,784	22,160
Licenses and fees	830,372	1,077,177	944,791	(132,386)
Investment income	5,000	5,000	8,972	3,972
Miscellaneous	492,400	585,250	297,168	(288,082)
<i>Total revenues</i>	<u>5,915,380</u>	<u>5,903,740</u>	<u>6,051,593</u>	<u>147,853</u>
<i>Expenditures</i>				
Current:				
General government	1,902,835	1,966,366	1,433,020	533,346
Public safety	1,899,525	1,839,210	1,704,453	134,757
Public works	583,589	770,504	595,732	174,772
Culture and recreation	1,048,567	1,456,159	1,139,231	316,928
Health and welfare	844,354	885,089	819,179	65,910
Capital outlay	54,000	211,339	190,524	20,815
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,332,870</u>	<u>7,128,667</u>	<u>5,882,139</u>	<u>1,246,528</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(417,490)</u>	<u>(1,224,927)</u>	<u>169,454</u>	<u>1,394,381</u>
<i>Other financing sources (uses)</i>				
Required fund balance (budgeted increase)	452,490	1,199,927	-	(1,199,927)
Transfers in	100,000	100,000	21,823	(78,177)
Transfers out	(135,000)	(75,000)	(68,099)	6,901
<i>Total other financing sources (uses)</i>	<u>417,490</u>	<u>1,224,927</u>	<u>(46,276)</u>	<u>(1,271,203)</u>
<i>Net change in fund balance</i>	-	-	123,178	123,178
<i>Fund balance - beginning of year</i>	-	-	3,030,237	3,030,237
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,153,415</u>	<u>\$ 3,153,415</u>

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

## STATE OF NEW MEXICO

Exhibit C-2

City of Aztec

Municipal Road Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	154,803	131,750	146,435	14,685
Gasoline and motor vehicle	170,600	170,600	187,710	17,110
Other	-	-	-	-
Intergovernmental income:				
Federal operating grant	-	-	-	-
Federal capital grant	4,490,400	4,725,694	969,969	(3,755,725)
State operating grant	-	-	-	-
State capital grant	4,629,375	5,481,030	740,357	(4,740,673)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	1,500	1,000	1,617	617
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>9,446,678</u>	<u>10,510,074</u>	<u>2,046,088</u>	<u>(8,463,986)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	6,700	127,711	91,062	36,649
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	9,733,978	10,484,967	1,773,610	8,711,357
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,740,678</u>	<u>10,612,678</u>	<u>1,864,672</u>	<u>8,748,006</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(294,000)</u>	<u>(102,604)</u>	<u>181,416</u>	<u>284,020</u>
<i>Other financing sources (uses)</i>				
Required fund balance (budgeted increase)	294,000	102,604	-	(102,604)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>294,000</u>	<u>102,604</u>	<u>-</u>	<u>(102,604)</u>
<i>Net change in fund balance</i>	-	-	181,416	181,416
<i>Fund balance - beginning of year</i>	-	-	631,155	631,155
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812,571</u>	<u>\$ 812,571</u>

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

## STATE OF NEW MEXICO

Exhibit C-3

City of Aztec

Airport Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grant	-	-	-	-
Federal capital grant	615,600	650,900	650,900	-
State operating grant	44,200	-	-	-
State capital grant	-	66,962	73,202	6,240
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	100	100	209	109
Miscellaneous	120,500	120,100	56,237	(63,863)
<i>Total revenues</i>	<u>780,400</u>	<u>838,062</u>	<u>780,548</u>	<u>(57,514)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	124,277	57,666	50,178	7,488
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	684,000	803,699	809,237	(5,538)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>808,277</u>	<u>861,365</u>	<u>859,415</u>	<u>1,950</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(27,877)</u>	<u>(23,303)</u>	<u>(78,867)</u>	<u>(55,564)</u>
<i>Other financing sources (uses)</i>				
Required fund balance (budgeted increase)	(2,123)	(26,697)	-	26,697
Transfers in	30,000	50,000	50,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>27,877</u>	<u>23,303</u>	<u>50,000</u>	<u>26,697</u>
<i>Net change in fund balance</i>	-	-	(28,867)	(28,867)
<i>Fund balance - beginning of year</i>	-	-	34,041	34,041
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,174</u>	<u>\$ 5,174</u>

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

**STATE OF NEW MEXICO**  
City of Aztec  
Statement of Net Position  
Proprietary Funds  
June 30, 2017

	<b>Enterprise Funds</b>			
	<b>Joint Utility</b>	<b>Solid Waste</b>	<b>Irrigation Assessment</b>	<b>Golf Course</b>
<b>Assets</b>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 722,647	\$ 31,741	\$ 250	\$ -
Investments	9,931,049	60,436	94,787	-
Utility receivables, net	1,011,441	49,664	394	-
Due from other governments	1,225,769	-	-	-
Other	17,794	-	-	-
Inventory	1,387,808	-	-	-
Prepaid expenses	1,251	-	-	-
Due from other funds	35,163	-	-	-
<i>Total current assets</i>	<u>14,332,922</u>	<u>141,841</u>	<u>95,431</u>	<u>-</u>
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	1,384,006	11	-	-
Other noncurrent assets	1,976,319	-	-	-
Capital assets	51,988,980	51,752	204,025	-
Less: accumulated depreciation	<u>(21,134,645)</u>	<u>(50,237)</u>	<u>(99,129)</u>	<u>-</u>
<i>Total noncurrent assets</i>	<u>34,214,660</u>	<u>1,526</u>	<u>104,896</u>	<u>-</u>
<b>Deferred outflows of resources</b>				
Employer contributions subsequent to the measurement date	137,969	2,270	-	-
Change in assumptions	117,034	1,857	-	-
Difference between expected and actual experience	109,899	1,744	-	-
Net difference between projected and actual investment earnings on pension plan investments	343,038	5,453	-	-
Changes in proportion	<u>21,034</u>	<u>335</u>	<u>-</u>	<u>-</u>
<i>Total deferred outflows of resources</i>	<u>728,974</u>	<u>11,659</u>	<u>-</u>	<u>-</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 49,276,556</u>	<u>\$ 155,026</u>	<u>\$ 200,327</u>	<u>\$ -</u>

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



<u>Total</u>	
\$	754,638
	10,086,272
	1,061,499
	1,225,769
	17,794
	1,387,808
	1,251
	35,163
	<u>14,570,194</u>
	1,384,017
	1,976,319
	52,244,757
	<u>(21,284,011)</u>
	<u>34,321,082</u>
	140,239
	118,891
	111,643
	348,491
	21,369
	<u>740,633</u>
\$	<u>49,631,909</u>

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

**STATE OF NEW MEXICO**  
City of Aztec  
Statement of Net Position  
Proprietary Funds  
June 30, 2017

	<b>Enterprise Funds</b>			
	<b>Joint Utility</b>	<b>Solid Waste</b>	<b>Irrigation Assessment</b>	<b>Golf Course</b>
<b>Liabilities</b>				
<i>Current liabilities</i>				
Accounts payable	\$ 1,325,782	\$ 62,135	\$ -	\$ -
Accrued payroll	67,663	990	-	-
Accrued compensated absences	154,746	110	-	-
Meter deposits payable	445,850	11	-	-
Due to other funds	35,699	-	-	-
Unearned revenue	24,603	-	-	-
Accrued interest	22,644	-	-	-
Current portion of notes payable	241,108	-	-	-
<i>Total current liabilities</i>	<u>2,318,095</u>	<u>63,246</u>	<u>-</u>	<u>-</u>
<i>Noncurrent liabilities</i>				
Notes payable	6,317,459	-	-	-
Net pension liability	2,611,902	42,724	-	-
<i>Total noncurrent liabilities</i>	<u>8,929,361</u>	<u>42,724</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>11,247,456</u>	<u>105,970</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources</b>				
Changes of assumptions	20,631	345	-	-
Change in proportion	40,559	666	-	-
Difference between expected and actual experience	14,976	242	-	-
<i>Total deferred inflows of resources</i>	<u>76,166</u>	<u>1,253</u>	<u>-</u>	<u>-</u>
<b>Net position</b>				
Net investment in capital assets	24,295,768	1,515	104,896	-
Restricted for:				
Debt service	496,156	-	-	-
Repair and replacement	442,000	-	-	-
Unrestricted	12,719,010	46,288	95,431	-
<i>Total net position</i>	<u>37,952,934</u>	<u>47,803</u>	<u>200,327</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 49,276,556</u>	<u>\$ 155,026</u>	<u>\$ 200,327</u>	<u>\$ -</u>

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

<u><b>Total</b></u>	
\$	1,387,917
	68,653
	154,856
	445,861
	35,699
	24,603
	22,644
	<u>241,108</u>
	<u>2,381,341</u>
	6,317,459
	<u>2,654,626</u>
	<u>8,972,085</u>
	<u>11,353,426</u>
	20,976
	41,225
	<u>15,218</u>
	<u>77,419</u>
	24,402,179
	496,156
	442,000
	<u>12,860,729</u>
	<u>38,201,064</u>
\$	<u><u>49,631,909</u></u>

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

**STATE OF NEW MEXICO**  
City of Aztec  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2017

	<b>Enterprise Funds</b>			
	<b>Joint Utility</b>	<b>Solid Waste</b>	<b>Irrigation Assessment</b>	<b>Golf Course</b>
<i>Operating revenues</i>				
Charges for services	\$ 8,577,537	\$ 666,805	\$ -	\$ -
Other fees	83,041	4,584	-	-
<i>Total operating revenues</i>	<u>8,660,578</u>	<u>671,389</u>	<u>-</u>	<u>-</u>
<i>Operating expenses</i>				
Personnel services	1,637,450	25,847	-	-
Utilities	225,559	-	-	-
Contractual Services	1,106,977	691,810	818	-
Supplies and purchased power	2,264,074	567	-	-
Other costs	1,318,943	2,812	-	-
Miscellaneous	421,205	-	-	-
Depreciation expense	1,755,285	789	7,270	-
Insurance expense	85,943	507	-	-
<i>Total operating expenses</i>	<u>8,815,436</u>	<u>722,332</u>	<u>8,088</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>(154,858)</u>	<u>(50,943)</u>	<u>(8,088)</u>	<u>-</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	73,203	-	-	-
Interest expense	(54,540)	-	-	-
Investment income	68,759	557	483	-
Miscellaneous income	40,633	1,244	-	-
<i>Total non-operating revenues (expenses)</i>	<u>128,055</u>	<u>1,801</u>	<u>483</u>	<u>-</u>
<i>Income (loss) before contributions and transfers</i>	<u>(26,803)</u>	<u>(49,142)</u>	<u>(7,605)</u>	<u>-</u>
Capital grants	401,735	-	-	-
Transfers in	-	-	-	142,446
Transfers out	-	-	-	(22,419)
<i>Change in net position</i>	<u>374,932</u>	<u>(49,142)</u>	<u>(7,605)</u>	<u>120,027</u>
<i>Net position - beginning</i>	<u>37,578,002</u>	<u>96,945</u>	<u>207,932</u>	<u>(120,027)</u>
<i>Net position - end of year</i>	<u>\$ 37,952,934</u>	<u>\$ 47,803</u>	<u>\$ 200,327</u>	<u>\$ -</u>

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

<hr/>	
	<b>Total</b>
	<hr/>
\$	9,244,342
	87,625
	<hr/>
	9,331,967
	<hr/>
	1,663,297
	225,559
	1,799,605
	2,264,641
	1,321,755
	421,205
	1,763,344
	86,450
	<hr/>
	9,545,856
	<hr/>
	(213,889)
	<hr/>
	73,203
	(54,540)
	69,799
	41,877
	<hr/>
	130,339
	<hr/>
	(83,550)
	<hr/>
	401,735
	142,446
	(22,419)
	<hr/>
	438,212
	<hr/>
	37,762,852
	<hr/>
\$	<u>38,201,064</u>

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

**STATE OF NEW MEXICO**  
City of Aztec  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2017

	<b>Enterprise Funds</b>			
	<b>Joint Utility</b>	<b>Solid Waste</b>	<b>Irrigation Assessment</b>	<b>Golf Course</b>
<i>Cash flows from operating activities</i>				
Cash received from user charges	\$ 8,922,141	\$ 675,708	\$ 653	\$ -
Cash payments to employees for services	(1,529,290)	(24,596)	-	-
Cash payments to suppliers for goods and services	(7,548,347)	(694,165)	(818)	-
<i>Net cash provided (used) by operating activities</i>	<u>(155,496)</u>	<u>(43,053)</u>	<u>(165)</u>	<u>-</u>
<i>Cash flows from noncapital financing activities</i>				
Gross receipts taxes	73,203	-	-	-
Miscellaneous income	29,119	1,244	-	-
Transfers and interfund activity	536	-	-	(14,251)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>102,858</u>	<u>1,244</u>	<u>-</u>	<u>(14,251)</u>
<i>Cash flows from investing activities</i>				
Reclassification from cash to investments	(9,931,049)	(60,436)	(94,787)	-
Interest on investments	68,759	557	483	-
<i>Net cash provided (used) by investing activities</i>	<u>(9,862,290)</u>	<u>(59,879)</u>	<u>(94,304)</u>	<u>-</u>
<i>Cash flows from capital and related financing activities</i>				
Acquisition of capital assets	(4,069,153)	-	-	-
Capital grants	(609,144)	-	-	-
Interest paid	(32,124)	-	-	-
Proceeds from issuance of long-term debt	3,324,802	-	-	-
Principal payments on bonds, loans, and notes payable	(236,381)	-	-	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(1,622,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	(11,536,928)	(101,688)	(94,469)	(14,251)
<i>Cash and cash equivalents - beginning of year</i>	<u>13,643,581</u>	<u>133,440</u>	<u>94,719</u>	<u>14,251</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 2,106,653</u>	<u>\$ 31,752</u>	<u>\$ 250</u>	<u>\$ -</u>

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

<hr/>	
<b>Total</b>	
<hr/>	
\$	9,598,502
	(1,553,886)
	(8,243,330)
	<hr/>
	(198,714)
	<hr/>
	73,203
	30,363
	(13,715)
	<hr/>
	89,851
	<hr/>
	(10,086,272)
	69,799
	<hr/>
	(10,016,473)
	<hr/>
	(4,069,153)
	(609,144)
	(32,124)
	3,324,802
	<hr/>
	(236,381)
	<hr/>
	(1,622,000)
	<hr/>
	(11,747,336)
	<hr/>
	13,885,991
	<hr/>
\$	2,138,655
	<hr/>
	<hr/>

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

**STATE OF NEW MEXICO**  
City of Aztec  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2017

	<b>Enterprise Funds</b>			
	<b>Joint Utility</b>	<b>Solid Waste</b>	<b>Irrigation Assessment</b>	<b>Golf Course</b>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ (154,858)	\$ (50,943)	\$ (8,088)	\$ -
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>				
Depreciation	1,755,285	789	7,270	-
Noncash pension expense	138,142	2,194	-	-
<i>Changes in assets, liabilities and deferred outflows of resources:</i>				
Receivables	169,820	4,319	653	-
Inventory	(182,881)	-	-	-
Prepaid expenses	770	8	-	-
Other noncurrent assets	(1,976,319)	-	-	-
Deferred outflows - subsequent contributions	(31,907)	(509)	-	-
Accounts payable	32,784	1,523	-	-
Accrued payroll expenses	849	(292)	-	-
Accrued compensated absences	1,076	(142)	-	-
Unearned Revenue	8,474	-	-	-
Meter deposits	83,269	-	-	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ (155,496)</u>	<u>\$ (43,053)</u>	<u>\$ (165)</u>	<u>\$ -</u>

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



<hr/>	
<b>Total</b>	
<hr/>	
\$	(213,889)
1,763,344	
140,336	
174,792	
(182,881)	
778	
(1,976,319)	
(32,416)	
34,307	
557	
934	
8,474	
83,269	
<hr/>	
\$	<u>(198,714)</u>

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

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**STATE OF NEW MEXICO**  
City of Aztec  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2017

Exhibit E-1

<i>Assets</i>	
Cash	<u>\$ 8,784</u>
<i>Total assets</i>	<u><u>\$ 8,784</u></u>
<i>Liabilities</i>	
Due to other entities	<u>\$ 8,784</u>
<i>Total liabilities</i>	<u><u>\$ 8,784</u></u>

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

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies**

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

The City of Aztec is a body politic and corporate under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the City is presented to assist in the understanding of City's financial statements. The financial statements and notes are the representation of City's management who is responsible for their integrity and objectivity.

During the year ended June 30, 2017, the City adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (partial), No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73* (partial). These six Statements are required to be implemented as of June 30, 2017, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the City, as its pension plan is within the scope of Statement 68.

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the City's financial statements directly; however, the effects on the City's OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have changed after time – by including information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

The City had no tax abatements to disclose as of June 30, 2017.

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The City's pension plan does not meet the criteria for exclusion.

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

**STATE OF NEW MEXICO**  
City of Aztec  
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June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

GASB Statement No. 82 clarified and adjusted several items from GASB 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

*A. Financial Reporting Entity*

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City has no component units, and is not a component unit of another governmental agency.

*B. Government-wide and fund financial statements*

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

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*B. Government-wide and fund financial statements (continued)*

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

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

The *Municipal Road Special Revenue Fund* was established to account for gasoline tax monies received pursuant to Section 7-1-6.9 NMSA 1978.

The *Airport Special Revenue Fund* accounts for the activities of the City's airport operations and accounts for operating and capital grants. This fund was established by City Commission.

The City reports the following proprietary funds as major funds:

The *Joint Utility Fund* accounts for the activities of the City's utility.

The *Solid Waste Fund* accounts for the activities of the City's solid waste services.

The *Irrigation Assessment Fund* accounts for the activities of the City's irrigation assessment activities.

The *Golf Course Fund* accounts for the activities of the Aztec Municipal Golf Course at Hidden Valley. During fiscal year 2017, the Golf Course fund's assets, liabilities and net position were transferred to the General Fund.

Additionally, the government reports the following fund type:

The Agency Fund is purely custodial (assets equal liabilities) and does not involve measurement of results of operations. The fiduciary fund is the *Employee Association Trust Fund* accounts for employee contributions to an agency fund used for special occasions, such as sending flowers, etc.

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



**STATE OF NEW MEXICO**  
City of Aztec  
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June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for services for the City's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

**Fair Value Measurements:** The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2017, there are no items are required to be valued using valuation techniques.

**Receivables and Payables:** Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered to be 100% collectible.

Property taxes are levied on January 1 based on the assessed value of property as assessed on the same date and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10<sup>th</sup> and April 10<sup>th</sup> are considered delinquent and the City may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by San Juan County and remitted monthly to the City.

**Restricted Assets:** Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used.

**Inventory:** Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. The City's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer recognition of the expenditures until the period in which the inventories actually are consumed. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased.

**Capital Assets:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)*

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized by the City during the current fiscal year. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings	10-45
Improvements	10-50
Machinery and Equipment	5-30
Infrastructure	5-50

**Other Noncurrent Assets:** The City has entered into a contract to purchase power at an established rate over the period covering fiscal years 2017 through fiscal year 2023. The amount paid for this agreement is amortized based upon kilowatt hours used by the City each year of the contract.

**Deferred Outflows of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has four types of items that qualify for reporting in this category in both the governmental and business-type activities. Accordingly, the first item - employer contributions subsequent to measurement date has been reported as a deferred outflow of resources in the amount of \$447,341. This amount is reported in the Statement of Net Position. This amount will directly reduce the net pension liability in the next fiscal year. Other deferred outflows relates to change in assumption of \$524,188, differences between expected and actual experience of \$492,231, net difference between projected and actual investment earnings on pension plan investments of \$1,511,438, and changes in proportion of \$91,489 at June 30, 2017. These amounts are amortized into pension expense over the average remaining service life of employees.

**Deferred Inflows of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measureable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The City has one item which arises under the modified accrual basis of accounting which qualifies for reporting in this category. Accordingly, the item, unavailable revenue - property taxes, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)*

The City has recorded \$714,531 related to property taxes considered “unavailable”. In addition, the City has four types of items presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability. Accordingly, the items, change in assumptions of \$49,406, changes in proportion of \$125,539 and differences between expected and actual experience of \$57,645, are reported on the Statement of Net Position. These amounts are deferred and amortized into pension expense in future periods.

**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 Public Employees Retirement Association (P.E.R.A) and additions to/deductions from P.E.R.A’s fiduciary net position have been determined on the same basis as they are reported by P.E.R.A, 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.

**Compensated Absences:** It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. After 15 years of service, 1/3 of sick leave is paid upon termination. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for those amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirement. A compensated absence is expensed in the related fund of the employee that earned the compensated absences.

**Long-term Obligations:** In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**Fund Balance Classification Policies and Procedures:** In the governmental fund financial statements, fund balance is reported in five classifications:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; for example, inventories, prepaid amounts, long term amount of loans and note receivable or (b) legally or contractually required to be maintained intact; for example, debt service reserves. The City has \$13,491 in nonspendable fund balance at June 30, 2017.

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)*

**Restricted** – This classification includes amounts that are restricted to a specific purpose. Fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as debt covenants) grantors, contributors, or laws or regulations of other governments; (b) enabling legislation, as the term is used authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The City has \$2,028,470 in restricted fund balances at June 30, 2017.

**Committed** – This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the City Council, the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Commission removes or changes the specific use by taking the same type of action (for example, resolution or ordinance) it employed to previously commit those amounts. The City holds cash reserves of 1/12th of the General Fund final budgeted expenditures as required by the DFA – LGD. At June 30, 2017, the City reported \$495,662 in minimum fund balance. The City also has committed fund balances for economic development and culture and recreation in the amount of \$113,907 and \$5,787 respectively.

**Assigned** – This classification includes amounts that are constrained by the City's *intent* to be used for specific purposes, but are neither restricted nor committed and should be reported as assigned fund balance. The City has not established a policy regarding the assignment of funds. The City has no assigned fund balances at June 30, 2017.

**Unassigned** – This classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. The City has \$2,644,262 in unassigned fund balances at June 30, 2017.

**Minimum Fund Balance Policy:** The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12th the General Fund expenditures. The City had minimum fund balance of \$495,662 at June 30, 2017.

When expenditures are incurred for purposes for which amounts in any of the spendable fund balance classifications could be used, it is the City's policy to use committed amounts first, followed by assigned amounts and then unassigned amounts.

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

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

- a. Net Investment in Capital Assets: Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)*

- b. Restricted Net Position: Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for “special revenue, debt service, and capital projects” are described on pages 56 and 91.
- c. Unrestricted Net Position: All other net position that do not meet the definition of “restricted” or “Net Investment in Capital Assets.”

**Interfund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City’s financial statements include the allowance for uncollectible accounts in the enterprise funds, depreciation on capital assets, net pension liability calculations and the current portion of accrued compensated absences.

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

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

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

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

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

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

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

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

**NOTE 3. Deposits and Investments**

Section 22-8-40, NMSA 1978 authorizes the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, the state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized by the financial institution as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

**STATE OF NEW MEXICO**  
City of Aztec  
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June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

The City's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, is insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$7,495,713 of the City's bank balance of \$8,246,213 was subject to custodial credit risk. \$6,537,499 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name and \$1,204,210 of the City's deposits was uninsured and uncollateralized at June 30, 2017.

	<u>Citizens Bank</u>	<u>Vectra Bank</u>	<u>Wells Fargo Bank</u>	<u>Total</u>
Amount of deposits	\$ 7,243,210	\$ 1,002,503	\$ 500	\$ 8,246,213
FDIC coverage	<u>(500,000)</u>	<u>(250,000)</u>	<u>(500)</u>	<u>(750,500)</u>
Total uninsured public funds	<u>6,743,210</u>	<u>752,503</u>	<u>-</u>	<u>7,495,713</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>5,539,000</u>	<u>752,503</u>	<u>-</u>	<u>6,291,503</u>
Uninsured and uncollateralized	<u>\$ 1,204,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,204,210</u>
Collateral requirement (50%)	\$ 3,371,605	\$ 376,252	\$ -	\$ 3,747,857
Pledged securities	<u>5,539,000</u>	<u>998,499</u>	<u>-</u>	<u>6,537,499</u>
Over (under) collateralized	<u>\$ 2,167,395</u>	<u>\$ 622,247</u>	<u>\$ -</u>	<u>\$ 2,789,642</u>

The collateral pledged is listed on Schedule IV in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, City or political subdivision of the State of New Mexico.



**STATE OF NEW MEXICO**  
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June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

Reconciliation to the Statement of Net Position

The carrying amount of deposits shown above are included in the City's Statement of Net Position as follows:

**Reconciliation to the Statement of Net Position:**

Cash and cash equivalents per Exhibit A-1	\$ 1,350,776
Investments per Exhibit A-1	13,720,717
Restricted cash and cash equivalents per Exhibit A-1	1,907,125
Agency funds cash and cash equivalents per Exhibit E-1	<u>8,784</u>
 Total cash and cash equivalents	 16,987,402
 Plus: outstanding checks	 159,054
Less: outstanding deposits	(2,012)
Less: cash in NMFA	(518,764)
Less: state LGIP	(8,376,867)
Less: petty cash	<u>(2,600)</u>
 Bank balance of deposits	 <u><u>\$ 8,246,213</u></u>

**Investments**

The City's investments at June 30, 2017 were as follows:

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating*</u>
New MexiGROW LGIP	77 days	\$ 8,376,867	AAAm
U.S. Treasury Money Market Mutual Fund	<1 year	<u>518,764</u>	AA+
		<u><u>\$ 8,895,631</u></u>	

\*Based on Standard & Poor's rating

In addition to the investments noted above, there are \$4,825,086 of certificates of deposits that are greater than 90 days and therefore are considered investments in the Statement of Net Position.

**STATE OF NEW MEXICO**  
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June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

**Fair Value Measurement**

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the City's assets at fair value as of June 30, 2017:

	Total	Fair Value Measurement Inputs		
		Level 1	Level 2	Level 3
New MexiGROW LGIP	\$ 8,376,867	\$ 8,376,867	\$ -	\$ -
U.S. Treasury Money Market Mutual Fund	518,764	518,764	-	-
Total investments	<u>\$ 8,895,631</u>	<u>\$ 8,895,631</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO**  
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**NOTE 4. Receivables**

Receivables as of June 30, 2017, are as follows:

	<b>General Fund</b>	<b>Municipal Road Fund</b>	<b>Airport Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Property taxes	\$ 816,256	\$ -	\$ -	\$ -	\$ 816,256
Gross receipts taxes	506,704	24,962	-	74,885	606,551
Gasoline and oil taxes	-	29,471	-	-	29,471
Franchise and lodgers taxes	39,508	-	-	19,909	59,417
MVD tax	-	-	-	-	-
Miscellaneous	23,102	-	-	-	23,102
Due from NMFA	-	-	-	-	-
Charges for services	145,039	-	-	-	145,039
Court fees	17,047	-	-	140	17,187
Intergovernmental-grants:					
State	42,393	-	66,808	-	109,201
Federal	8,230	-	650,900	-	659,130
<b>Totals</b>	<b>1,598,279</b>	<b>54,433</b>	<b>717,708</b>	<b>94,934</b>	<b>2,465,354</b>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Unavailable revenue related to property taxes receivable was \$714,531 for the City for the year ended June 30, 2017.

Proprietary fund receivables as of June 30, 2017, are as follows:

	<b>Joint Utility Fund</b>	<b>Irrigation Assessment Fund</b>	<b>Solid Waste</b>	<b>Total</b>
Utility receivables	\$ 1,241,043	\$ 7,030	\$ 67,766	\$ 1,315,839
Less: Allowances	(229,602)	(6,635)	(18,102)	(254,339)
Other receivables:				
Intergovernmental-grants:				
State	1,213,289	-	-	1,213,289
Gross receipt taxes	12,480	-	-	12,480
Miscellaneous	17,794	-	-	17,794
<b>Totals</b>	<b>\$ 2,255,004</b>	<b>\$ 395</b>	<b>\$ 49,664</b>	<b>\$ 2,305,063</b>

**STATE OF NEW MEXICO**  
City of Aztec  
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**NOTE 5. Transfers and Interfund Receivables**

During the year ended June 30, 2017, the City consolidated the Golf Course Fund with the General Fund, which maintained a deficit net position.

Net operating transfers, made to close out funds and to supplement other funding sources, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	
Golf Course Fund	General Fund	8,099
Local Government Corrections Fund	General Fund	10,000
Airport Special Revenue Fund	General Fund	50,000
General Fund	Golf Course Fund	21,823
Governmental Activities	Golf Course Fund	596
Golf Course Fund	Governmental Activities	134,347
		<u>\$ 224,865</u>

The City records temporary interfund receivables and payables to enable the funds to operate until monies are received. The composition of interfund balances during the year ended June 30, 2017 is as follows:

<u>Due From</u>	<u>Due To</u>	
Airport	General Fund	110,000
General Fund	Joint Utility	35,699
Joint Utility	General Fund	35,163
		<u>\$ 180,862</u>

All interfund receivables and payables are required to be paid with one year.

**STATE OF NEW MEXICO**  
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**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land and construction in progress are not subject to depreciation.

**Governmental Activities:**

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2017</b>
Capital assets not being depreciated:					
Land	\$ 669,435	\$ 71,817	\$ -	\$ -	\$ 741,252
Construction in progress	2,440,491	916,830	2,376,550		980,771
Total capital assets not being depreciated	<u>3,109,926</u>	<u>988,647</u>	<u>2,376,550</u>	<u>-</u>	<u>1,722,023</u>
Capital assets being depreciated:					
Buildings	8,933,894	-	8,891	-	8,925,003
Improvements	4,061,556	16,887	29,268	-	4,049,175
Machinery and equipment	6,246,861	1,006,079	371,541	161,000	7,042,399
Infrastructure	18,522,572	3,924,406	15,234	-	22,431,744
Total capital assets being depreciated	<u>37,764,883</u>	<u>4,947,372</u>	<u>424,934</u>	<u>161,000</u>	<u>42,448,321</u>
Total capital assets	<u>40,874,809</u>	<u>5,936,019</u>	<u>2,801,484</u>	<u>161,000</u>	<u>44,170,344</u>
Accumulated depreciation:					
Buildings	(3,398,517)	(298,475)	8,722	-	(3,688,270)
Improvements	(1,734,602)	(291,372)	30,397	-	(1,995,577)
Machinery and equipment	(4,704,285)	(365,348)	369,645	(41,994)	(4,741,982)
Infrastructure	(7,666,517)	(790,445)	15,234	-	(8,441,728)
Total accumulated depreciation	<u>(17,503,921)</u>	<u>(1,745,640)</u>	<u>423,998</u>	<u>(41,994)</u>	<u>(18,867,557)</u>
Net capital assets	<u>\$ 23,370,888</u>	<u>\$ 4,190,379</u>	<u>\$ 3,225,482</u>	<u>\$ 119,006</u>	<u>\$ 25,302,787</u>

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

General government	\$ 69,958
Public safety	204,333
Public works	774,119
Public health and welfare	40,462
Culture and recreation	656,768
Total	<u>\$ 1,745,640</u>

**STATE OF NEW MEXICO**  
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Notes to the Financial Statements  
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**NOTE 6. Capital Assets (continued)**

**Business-Type Activities:**

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:					
Land & Water Rights	\$ 823,343	\$ -	\$ -	\$ -	\$ 823,343
Construction in progress	1,044,209	3,726,062	735,485	-	4,034,786
Total capital assets not being depreciated	<u>1,867,552</u>	<u>3,726,062</u>	<u>735,485</u>	<u>-</u>	<u>4,858,129</u>
Capital assets being depreciated:					
Building and systems	42,069,108	460,076	6,800	-	42,522,384
Machinery and equipment	4,503,163	615,852	93,771	(161,000)	4,864,244
Total capital assets being depreciated	<u>46,572,271</u>	<u>1,075,928</u>	<u>100,571</u>	<u>(161,000)</u>	<u>47,386,628</u>
Total capital assets	<u>48,439,823</u>	<u>4,801,990</u>	<u>836,056</u>	<u>(161,000)</u>	<u>52,244,757</u>
Accumulated depreciation:					
Building and systems	(16,525,785)	(1,522,581)	6,800	-	(18,041,566)
Machinery and equipment	(3,140,096)	(240,763)	96,420	41,994	(3,242,445)
Total accumulated depreciation	<u>(19,665,881)</u>	<u>(1,763,344)</u>	<u>103,220</u>	<u>41,994</u>	<u>(21,284,011)</u>
Net capital assets	<u>\$ 28,773,942</u>	<u>\$ 3,038,646</u>	<u>\$ 939,276</u>	<u>\$ (119,006)</u>	<u>\$ 30,960,746</u>

Depreciation expense for the year ended June 30, 2017 was charged to business-type activities as follows:

Joint Utility	\$ 1,755,285
Solid Waste	789
Irrigation assessment	7,270
Total	<u>\$ 1,763,344</u>

**STATE OF NEW MEXICO**  
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**NOTE 7. Long-term Debt**

**Governmental Activities**

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	<b>Balance</b>				<b>Balance</b>	<b>Due Within</b>
	<b>June 30, 2016</b>	<b>Transfers</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2017</b>	<b>One Year</b>
<b>Notes Payable:</b>						
NMFA Public Library	527,346	-	-	123,696	403,650	128,904
NMFA Capital Improvements	2,952,883	-	-	55,859	2,897,024	57,044
Capital Leases	-	139,798	-	17,116	122,682	17,433
<b>Total Notes Payable</b>	<b>3,480,229</b>	<b>139,798</b>	<b>-</b>	<b>196,671</b>	<b>3,423,356</b>	<b>203,381</b>
Compensated Absences	474,236	-	418,931	406,644	486,523	406,644
<b>Total Long-term debt</b>	<b>\$ 3,954,465</b>	<b>\$ 139,798</b>	<b>\$ 418,931</b>	<b>\$ 603,315</b>	<b>\$ 3,909,879</b>	<b>\$ 610,025</b>

Loans outstanding for governmental activities at June 30, 2017 consisted of the following loans.

<b>Description</b>	<b>Date of Issue</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Amount of Issue</b>	<b>Balance June 30, 2017</b>	<b>Pledged Revenues</b>
NMFA - 2004 Library Loan	09/01/04	05/01/20	3.966%	1,679,942	\$ 403,650	Gross receipts taxes
NMFA - PP 2192 Loan	10/24/08	05/01/31	2.03% - 4.89%	3,367,380	2,897,024	Gross receipts taxes

The annual requirements to amortize the loans payable for governmental activities as of June 30, 2017, including interest payments are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2018	\$ 185,948	\$ 152,833	\$ 338,781
2019	192,720	145,046	337,766
2020	199,900	136,789	336,689
2021	185,099	128,021	313,120
2022	198,956	119,932	318,888
2023-2027	1,149,880	455,376	1,605,256
2028-2032	1,188,171	147,726	1,335,897
	<b>\$ 3,300,674</b>	<b>\$ 1,285,723</b>	<b>\$ 4,586,397</b>

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 7. Long-term Debt (continued)**

**Capital Leases**

The City has entered into arrangements for golf course equipment in which the related assets will become the property of the City when all terms of the lease are met. Such arrangements are reported in the City's liabilities on the Statement of Net Position. The following represents the City's capital leases:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance June 30, 2017</u>
Yamaha M15031618	03/28/15	02/28/20	4.60%	\$ 104,650	\$ 79,412
Yamaha M15061775	04/28/15	03/28/20	4.60%	56,350	43,270

The following schedule presents future minimum lease payments as of June 30, 2017:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 17,433	\$ 5,275	\$ 21,749
2019	18,239	4,316	22,555
2020	87,010	2,504	89,514
	<u>\$ 122,682</u>	<u>\$ 6,820</u>	<u>\$ 129,502</u>

**Compensated Absences-** Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences increased by \$12,287 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

**Business-Type Activities**

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the proprietary funds' statement of net position:

**Business-Type Activities**

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
<b>Notes Payable</b>					
NMED CWSRF 009	\$ 3,470,146	\$ -	\$ 236,381	\$ 3,233,765	\$ 241,108
NMED CWSRF 021	-	3,324,802	-	3,324,802	-
<b>Total Notes Payable</b>	<u>3,470,146</u>	<u>3,324,802</u>	<u>236,381</u>	<u>6,558,567</u>	<u>241,108</u>
Compensated Absences	<u>159,845</u>	<u>131,855</u>	<u>136,954</u>	<u>154,746</u>	<u>154,746</u>
<b>Total Long-term debt</b>	<u>\$ 3,629,991</u>	<u>\$3,456,657</u>	<u>\$ 373,335</u>	<u>\$ 6,713,313</u>	<u>\$ 395,854</u>



**STATE OF NEW MEXICO**  
City of Aztec  
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**NOTE 7. Long-term Debt (continued)**

Loans outstanding for business-type activities at June 30, 2017 consisted of the following loans:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance June 30, 2017</u>	<u>Pledged Revenues</u>
CWSRF 009 Loan	02/03/10	06/30/29	2.000%	\$ 5,000,000	\$ 3,233,765	Net Revenues
CWSRF 021	6/24/2013	06/30/36	3.000%	5,050,000	3,324,802	Net Revenues

The annual requirements to amortize the loans payable for governmental activities as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 241,108	\$ 46,817	\$ 287,925
2019	369,665	128,231	497,896
2020	378,296	121,134	499,430
2021	387,136	113,863	500,999
2022	396,192	106,414	502,606
2023-2027	2,124,706	413,773	2,538,479
2028-2032	1,450,836	227,157	1,677,993
2033-2037	993,658	105,770	1,099,428
2038	216,970	5,564	222,534
	<u>\$ 6,558,567</u>	<u>\$ 1,268,723</u>	<u>\$ 7,827,290</u>

**Compensated Absences-** Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences decreased by \$4,989 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

**NOTE 8. Risk Management**

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The City participates in the New Mexico Self-Insurers' Fund risk pool. The New Mexico Self-Insurer's Fund risk pool operates as a common risk management and insurance program for workers compensation and property and casualty coverage.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City which exceeds the insurance coverage, the City would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim.

At June 30, 2017, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance.

**STATE OF NEW MEXICO**  
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**NOTE 9. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. There were no funds with deficit fund balance for the year ended June 30, 2017.
- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of control is at the fund level. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2017.
- C. Designated cash appropriations in excess of available balances: There were no funds that exceeded budgeted designated cash appropriations for the year ended June 30, 2017.

**NOTE 10. Pension Plan – Public Employees Retirement Association**

**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.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016CA FR 12.22.2016 FINAL-with-corrections.pdf>.

**Contributions.** The contribution requirements of defined benefit plan members and The City 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 FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016CA FR 12.22.2016 FINAL-with-corrections.pdf>.

The PERA coverage options that apply to the City are Municipal General Division and Municipal Police Division. Statutorily required contributions to the pension plan from the City were \$447,341 and there were no employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2017.

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 10. Pension Plan – Public Employees Retirement Association (continued)**

***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 City's proportion of the net pension liability for each membership 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 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.

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 10. Pension Plan – Public Employees Retirement Association (continued)**

**For PERA Fund Municipal General Division**, at June 30, 2017, the City reported a liability of \$5,906,562 for its proportionate share of the net pension liability. At June 30, 2016, the City’s proportion was 0.3697 percent, which was an increase of 0.0118 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Municipal General Division pension expense of \$289,158. At June 30, 2017, the City reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportion	\$ 91,489	\$ -
Differences between expected and actual experience	295,116	57,645
Net difference between projected and actual earnings on pension plan investments	1,086,796	-
Changes of assumption	346,351	982
Contributions subsequent to the measurement date	305,351	-
Total	<b>\$ 2,125,103</b>	<b>\$ 58,627</b>

For Municipal General, \$304,351 reported as deferred outflows of resources related to pensions resulting from the City’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 inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ (394,243)
2018	(394,243)
2019	(695,121)
2020	(277,518)
Thereafter	-

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 10. Pension Plan – Public Employees Retirement Association (continued)**

**For PERA Fund Municipal Police Division**, at June 30, 2017, the City reported a liability of \$2,684,962 for its proportionate share of the net pension liability. At June 30, 2016, the City’s proportion was 0.3639 percent, which was a decrease of 0.0471 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Municipal Police Division pension expense of \$69,299. At June 30, 2017, the City reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportion	\$ -	\$ 125,539
Differences between expected and actual experience	197,115	-
Net difference between projected and actual earnings on pension plan investments	424,642	-
Changes of assumption	177,837	48,424
Contributions subsequent to the measurement date	<u>141,990</u>	
Total	<u>\$ 941,584</u>	<u>\$ 173,963</u>

\$141,990 reported as deferred outflows of resources related to pensions resulting from the City’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 inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (126,365)
2018	(126,365)
2019	(265,045)
2020	(107,856)
Thereafter	-

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 10. Pension Plan – Public Employees Retirement Association (continued)**

**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, 2014 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, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
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
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% all other years
Projected salary increases	2.75% to 14.25% annual rate
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
Mortality assumptions	RP-2000 mortality tables (combined table for healthy post-retirees, Employee table for active members, and disabled table for disabled retirees before retirement age) with projections to 2018 using scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

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:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	100.00%	

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 10. Pension Plan – Public Employees Retirement Association (continued)**

**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 Employer’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 City’s net pension liability in each PERA Fund Division that The City 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.

<b>PERA Fund Municipal General Division</b>	<b>1% Decrease (6.48%)</b>	<b>Current Discount Rate (7.48%)</b>	<b>1% Increase (8.48%)</b>
City of Aztec's proportionate share of the net pension liability	\$ 8,806,158	\$ 5,906,562	\$ 3,501,491

<b>PERA Fund Municipal Police Division</b>	<b>1% Decrease (6.48%)</b>	<b>Current Discount Rate (7.48%)</b>	<b>1% Increase (8.48%)</b>
City of Aztec's proportionate share of the net pension liability	\$ 3,950,246	\$ 2,684,962	\$ 1,650,108

**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.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016CA\\_FR\\_12.22.2016\\_FINAL-with-corrections.pdf](http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016CA_FR_12.22.2016_FINAL-with-corrections.pdf).

**Payables to the pension plan.** At June 30, 2017 there were no contributions due and payable to PERA for the City.

**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan**

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

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

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

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

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015, were \$81,717, \$83,926 and \$80,100, respectively, which equal the required contributions for each year.



**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 12. Contingent Liabilities**

The City is party to various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico Self Insurers Fund. The maximum exposure of the City is not estimable as of June 30, 2017 in the remaining cases.

**NOTE 13. Federal and State Grants**

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 14. Subsequent Events**

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is January 30, 2018, which is the date on which the financial statements were issued.

**NOTE 15. Restricted Net Position**

The government-wide statement of net position reports \$2,769,719 of restricted net position, all of which is restricted by enabling legislation. See pages 56 and 91 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

**NOTE 16. Concentrations**

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**NOTE 17. Commitments**

The City has various construction and purchase commitments as of June 30, 2017. The funding to cover the various commitments was grant funding, bond and/or note proceeds, including bonds, grants, and cash reserves.

**NOTE 18. Subsequent Pronouncements**

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The City expects this pronouncement to have a material effect on the financial statements.

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Financial Statements  
June 30, 2017

**NOTE 18. Subsequent Pronouncements (continued)**

In December 2015, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City does not expect the pronouncement to have a material effect on the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The City is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to in-substance defeasance of debt using only existing resources. The City does not expect the pronouncement to have a material effect on the financial statements.

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**

City of Aztec

Schedule I

Page 1 of 2

Schedule of the City's Proportionate Share of the Net Pension Liability  
of PERA Fund Municipal General Division  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>
	<b>Date</b>	<b>Date</b>	<b>Date</b>
	<b>(As of and for</b>	<b>(As of and for</b>	<b>(As of and for</b>
	<b>the Year Ended</b>	<b>the Year Ended</b>	<b>the Year Ended</b>
	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2015</u></b>	<b><u>June 30, 2014</u></b>
Proportion of the net pension liability	0.3697%	0.3587%	0.3579%
Proportionate share of the net pension liability	\$ 5,906,562	\$ 3,657,257	\$ 2,792,004
Covered payroll	\$ 3,182,789	\$ 2,984,716	\$ 2,798,547
Proportionate share of the net pension liability as a percentage of its covered payroll	185.58%	122.53%	99.77%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

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

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**

City of Aztec

Schedule I

Page 2 of 2

Schedule of the City's Proportionate Share of the Net Pension Liability  
of PERA Fund Municipal Police Division  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>
	<b>Date</b>	<b>Date</b>	<b>Date</b>
	<b>(As of and for</b>	<b>(As of and for</b>	<b>(As of and for</b>
	<b>the Year Ended</b>	<b>the Year Ended</b>	<b>the Year Ended</b>
	<b>June 30, 2016)</b>	<b>June 30, 2015)</b>	<b>June 30, 2014)</b>
	<u>0.3639%</u>	<u>0.4481%</u>	<u>0.4526%</u>
Proportion of the net pension liability			
Proportionate share of the net pension liability	\$ 2,684,962	\$ 1,786,380	\$ 1,339,815
Covered payroll	\$ 723,725	\$ 728,090	\$ 774,735
Proportionate share of the net pension liability as a percentage of its covered payroll	370.99%	245.35%	172.94%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

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

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
City of Aztec  
Schedule of Employer Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Municipal General Division  
Last 10 Fiscal Years\*

	<u>As of and for the Year Ended June 30, 2017</u>	<u>As of and for the Year Ended June 30, 2016</u>	<u>As of and for the Year Ended June 30, 2015</u>
Contractually required contributions	\$ 289,057	\$ 302,365	\$ 283,548
Contributions in relation to the contractually required contribution	<u>(289,057)</u>	<u>(302,365)</u>	<u>(283,548)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Aztec's covered payroll	\$ 3,026,778	\$ 3,182,789	\$ 2,984,716
Contributions as a percentage of covered payroll	9.55%	9.50%	9.50%

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

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
City of Aztec  
Schedule of Employer Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Municipal Police Division  
Last 10 Fiscal Years\*

	<b>As of and for the Year Ended June 30, 2017</b>	<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
Contractually required contributions	\$ 141,990	\$ 136,784	\$ 137,609
Contributions in relation to the contractually required contribution	(141,990)	(136,784)	(165,833)
Contribution deficiency (excess)	\$ -	\$ -	\$ (28,224)
City of Aztec's covered payroll	\$ 751,268	\$ 723,725	\$ 728,090
Contributions as a percentage of covered payroll	18.90%	18.90%	22.78%

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

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
City of Aztec  
Notes to Required Supplementary Information  
June 30, 2017

***Changes of benefit terms.*** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at [http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR\\_12.22.2016\\_FINAL-with-corrections.pdf](http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf)

***Changes of assumptions.*** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf> See the notes to the financial statements on the CAFR pages 74-76 which summarizes actuarial assumptions and methods effective with the June 30, 2016 valuation.

See independent auditors' report.



## **SUPPLEMENTARY INFORMATION**

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**STATE OF NEW MEXICO**  
City of Aztec  
Nonmajor Governmental Fund Descriptions  
June 30, 2017

**Special Revenue Funds**

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

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

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

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

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

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

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

**Capital Projects Funds**

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

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

**STATE OF NEW MEXICO**  
City of Aztec  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2017

	<b>Special Revenue</b>			
	<b>Law Enforcement Protection</b>	<b>Local Government Correction</b>	<b>Economic Development Fund</b>	<b>Impact Fees Fund</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 386	\$ 7,526	\$ 8,039	\$ 1,726
Investments	845	16,511	105,868	3,787
Receivables, net		140		
Prepaid assets	-	-	-	-
<i>Total assets</i>	<b>\$ 1,231</b>	<b>\$ 24,177</b>	<b>\$ 113,907</b>	<b>\$ 5,513</b>
<i>Liabilities</i>				
Accounts payable	\$ 1,115	\$ 7,581	-	-
<i>Total liabilities</i>	<b>1,115</b>	<b>7,581</b>	<b>-</b>	<b>-</b>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Capital projects	-	-	-	-
Public safety	116	16,596	-	-
Culture and recreation	-	-	-	-
Committed to:				
Economic development	-	-	113,907	-
Culture and recreation	-	-	-	5,513
<i>Total fund balances</i>	<b>116</b>	<b>16,596</b>	<b>113,907</b>	<b>5,513</b>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<b>\$ 1,231</b>	<b>\$ 24,177</b>	<b>\$ 113,907</b>	<b>\$ 5,513</b>

See independent auditors' report.

Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
Lodgers' Tax Fund	State Fire Fund	Recreation Fund	Capital Projects	Community Development Block Grant Fund	
\$ 18,481	\$ 34,172	\$ 86	\$ 655,803	\$ 4,345	\$ 730,564
40,547	74,972	188	300,668	-	543,386
19,909			74,885	-	94,934
-	3,164	-	-	-	3,164
<u>\$ 78,937</u>	<u>\$ 112,308</u>	<u>\$ 274</u>	<u>\$ 1,031,356</u>	<u>\$ 4,345</u>	<u>\$ 1,372,048</u>
\$ -	\$ 893	\$ -	\$ 32,040	\$ -	\$ 41,629
-	893	-	32,040	-	41,629
-	-	-	999,316	4,345	1,003,661
-	111,415	-	-	-	128,127
78,937	-	-	-	-	78,937
-	-	-	-	-	113,907
-	-	274	-	-	5,787
<u>78,937</u>	<u>111,415</u>	<u>274</u>	<u>999,316</u>	<u>4,345</u>	<u>1,330,419</u>
<u>\$ 78,937</u>	<u>\$ 112,308</u>	<u>\$ 274</u>	<u>\$ 1,031,356</u>	<u>\$ 4,345</u>	<u>\$ 1,372,048</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Aztec  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2017

	<b>Special Revenue</b>			
	<b>Law Enforcement Protection</b>	<b>Local Government Correction</b>	<b>Economic Development Fund</b>	<b>Impact Fees Fund</b>
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Intergovernmental:				
State operating grants	27,800	-	-	-
Licenses and fees	-	65,916	-	2,000
Investment income	104	-	578	24
<i>Total revenues</i>	<u>27,904</u>	<u>65,916</u>	<u>578</u>	<u>2,024</u>
<i>Expenditures</i>				
Current:				
General government	-	82,923	-	-
Public safety	28,874	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>28,874</u>	<u>82,923</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(970)</u>	<u>(17,007)</u>	<u>578</u>	<u>2,024</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	10,000	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(970)	(7,007)	578	2,024
<i>Fund balances - beginning of year</i>	<u>1,086</u>	<u>23,603</u>	<u>113,329</u>	<u>3,489</u>
<i>Fund balances - end of year</i>	<u>\$ 116</u>	<u>\$ 16,596</u>	<u>\$ 113,907</u>	<u>\$ 5,513</u>

See independent auditors' report.

Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
Lodgers' Tax Fund	State Fire Fund	Recreation Fund	Capital Projects	Community Development Block Grant Fund	
\$ -	\$ -	\$ -	\$ 439,304	\$ -	\$ 439,304
44,529	-	-	-	-	44,529
-	199,126	-	-	-	226,926
-	-	-	-	-	67,916
341	1,466	-	8,439	-	10,952
<u>44,870</u>	<u>200,592</u>	<u>-</u>	<u>447,743</u>	<u>-</u>	<u>789,627</u>
43,833	-	-	14,277	-	141,033
-	58,567	-	-	-	87,441
-	-	3,037	4,500	-	7,537
-	716,742	-	-	-	716,742
-	-	-	179,555	-	179,555
-	-	-	160,028	-	160,028
<u>43,833</u>	<u>775,309</u>	<u>3,037</u>	<u>358,360</u>	<u>-</u>	<u>1,292,336</u>
1,037	(574,717)	(3,037)	89,383	-	(502,709)
-	-	-	-	-	10,000
-	-	-	-	-	10,000
1,037	(574,717)	(3,037)	89,383	-	(492,709)
<u>77,900</u>	<u>686,132</u>	<u>3,311</u>	<u>909,933</u>	<u>4,345</u>	<u>1,823,128</u>
<u>\$ 78,937</u>	<u>\$ 111,415</u>	<u>\$ 274</u>	<u>\$ 999,316</u>	<u>\$ 4,345</u>	<u>\$ 1,330,419</u>

See independent auditors' report.

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## **SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
City of Aztec  
Schedule of Deposit Accounts  
June 30, 2017

Schedule III

<b>Bank Name/ Account Type</b>	<b>Account Type</b>	<b>Bank Balance</b>	<b>Deposits in Transit</b>	<b>Outstanding Checks</b>	<b>Totals</b>
<b>Citizens Bank of Farmington</b>					
Operating Account	Demand Account	\$ 199,794	\$ 2,012	\$ 156,132	\$ 45,674
CDBG Project	Demand Account	4,345	-	-	4,345
Municipal Court Bond Account	Demand Account	7,018	-	-	7,018
ST&POL Interest Checking	Demand Account	2,190,291	-	-	2,190,291
CB Motor Vehicle	Demand Account	7,922	-	2,922	5,000
Employee Association	Demand Account	8,784	-	-	8,784
CD #233444528	Time Account	1,000,000	-	-	1,000,000
CD #235448924	Time Account	1,000,000	-	-	1,000,000
CD #235448925	Time Account	750,000	-	-	750,000
CD #235659723	Time Account	1,000,000	-	-	1,000,000
CD #233444529	Time Account	500,000	-	-	500,000
CD #235448923	Time Account	500,000	-	-	500,000
CD# 235448926	Time Account	75,056	-	-	75,056
<i>Total Citizens Bank of Farmington</i>		<u>7,243,210</u>	<u>2,012</u>	<u>159,054</u>	<u>7,086,168</u>
<b>Wells Fargo</b>					
WF Motor Vehicle Department	Demand Account	500	-	-	500
<i>Total Wells Fargo</i>		<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
<b>Vectra Bank</b>					
Public Funds MM	Demand Account	1,002,503	-	-	1,002,503
<i>Total Vectra Bank</i>		<u>1,002,503</u>	<u>-</u>	<u>-</u>	<u>1,002,503</u>
<b>NMFA</b>					
AZTEC - Cash	NMFA Cash	28	-	-	28
AZTEC - Reserve Fund Payable	NMFA Cash	152,936	-	-	152,936
AZTEC 3 - Cash	NMFA Cash	44,798	-	-	44,798
AZTEC 3 - Reserve Fund Payable	NMFA Cash	321,002	-	-	321,002
<i>Total NMFA</i>		<u>518,764</u>	<u>-</u>	<u>-</u>	<u>518,764</u>
<b>LGIP Investments</b>					
New MexiGROW- LGIP		8,376,867	-	-	8,376,867
<i>Total LGIP</i>		<u>8,376,867</u>	<u>-</u>	<u>-</u>	<u>8,376,867</u>
<i>Total Deposits and Investments</i>		<u>\$ 17,141,844</u>	<u>\$ 2,012</u>	<u>\$ 159,054</u>	<u>\$ 16,984,802</u>
Add: Petty cash					2,600
Less: Restricted cash and cash equivalents per Exhibit A-1					(1,907,125)
Less: Investments per Exhibit A-1					(13,720,717)
Less: Agency cash per Exhibit E-1					<u>(8,784)</u>
<i>Total unrestricted cash and cash equivalents per Exhibit A-1</i>					<u>\$ 1,350,776</u>

See independent auditors' report.

**STATE OF NEW MEXICO**

Schedule IV

City of Aztec  
 Schedule of Collateral Pledged By Depository  
 For Public Funds  
 June 30, 2017

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value at June 30, 2017</u>	<u>Location of Safekeeper</u>
<b>Citizens Bank</b>					
	Federal Home Loan Bank	9/15/2031	3137AFP22	\$ 5,539,000	Dallas, TX
	<i>Total Citizens Bank</i>			<u>5,539,000</u>	
<b>Vectra Bank</b>					
	SBA Pool #505901	6/25/2027	83164GRW4	487,467.00	Denver, CO
	GNMA II Pool #AE8321	4/20/2044	36181CG69	<u>511,032.00</u>	Denver, CO
	<i>Total Vectra Bank</i>			<u>998,499</u>	
	<i>Total Pledged Collateral</i>			<u>\$ 6,537,499</u>	

See independent auditors' report.

## STATE OF NEW MEXICO

Schedule V

City of Aztec

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund  
For the Year Ended June 30, 2017

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<b>Employee Association Trust Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 8,249	\$ 4,960	\$ 4,425	\$ 8,784
<i>Total assets</i>	<u>\$ 8,249</u>	<u>\$ 4,960</u>	<u>\$ 4,425</u>	<u>\$ 8,784</u>
<b>Liabilities</b>				
Deposits held for others	\$ 8,249	\$ 4,960	\$ 4,425	\$ 8,784
<i>Total liabilities</i>	<u>\$ 8,249</u>	<u>\$ 4,960</u>	<u>\$ 4,425</u>	<u>\$ 8,784</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Aztec  
Schedule of Joint Powers Agreements  
For the Year Ended June 30, 2017

<b>Joint Power Agreement</b>	<b>Participants (including City of Aztec)</b>	<b>Responsible Party</b>	<b>Description</b>
Communications	Cities of Bloomfield & Farmington: San Juan County	San Juan County Communications Authority	Communications
Crime prevention program	Cities of Bloomfield & Farmington, San Juan County, San Juan County Crimestoppers, Inc.	San Juan County Crimestoppers, Inc.	Crime prevention program
County jail operations	San Juan County	San Juan County	County jail operations
Police Training	Cities of Bloomfield & Farmington: San Juan County	San Juan County Criminal Justice Training Authority	Police Training
Water rights protection/acquisition/distribution	Cities of Bloomfield & Farmington; San Juan County; rural water associations	San Juan Water Commission	Water rights protection/acquisition/distribution
<u>Municipal Planning Organization</u>	Cities of Bloomfield & Farmington and San Juan County	City of Farmington	<u>Municipal Planning Organization</u>

See independent auditors' report.

<u>Total Project</u>	<u>Total Estimated Project Amount and Amount Applicable to Party</u>	<u>Amount contributed By City During Current Fiscal Year</u>	<u>Audit Responsibility</u>
variable	Once maximum Capital Equipment Replacement Fund balance reached, pro-rata share will be assessed to maintain CERF balance; Aztec share 6%	\$ -	San Juan County Communications Authority
variable	pro-rata share of costs \$68.52/day/prisoner through 6/30/17; rate recalculated July 1 in subsequent years	\$ 7,641	San Juan County Crimestoppers, Inc.
variable	pro-rata share of costs	\$ 82,923	San Juan County
variable	.5% of mill levy assessed on property taxes	\$ 9,000	San Juan County Criminal Justice Training Authority
variable	pro-rata share (10%) of costs of MPO (operational and special projects)	\$ -	San Juan Water Commission
variable		\$ 4,160	City of Farmington

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Aztec  
Capital Assets Used in the Operation of Governmental Funds  
Schedule by Source  
June 30, 2017

Schedule VII

	<b>2017</b>
<b>Governmental Funds Capital Assets:</b>	
Land	\$ 741,252
Buildings & Structures	8,925,004
Improvements Other than Buildings	4,049,176
Equipment & Machinery	7,042,400
Infrastructure	22,431,740
Construction (Projects) in Process	980,771
Total Governmental Funds Capital Assets	<b>\$ 44,170,343</b>
 <b>Investment in Governmental Funds Capital Assets by Source:</b>	
General Fund	\$ 14,422,174
Special revenue funds	18,861,477
Capital projects funds	9,794,293
Donations	1,092,399
Total Governmental Funds Capital Assets	<b>\$ 44,170,343</b>



STATE OF NEW MEXICO

Schedule VIII

City of Aztec  
 Capital Assets Used in the Operation of Governmental Funds  
 Schedule by Function and Activity  
 For the Year Ended June 30, 2017

FUNCTION AND ACTIVITY	Land	Improvements			Infrastructure	Construction in Progress	Total
		Buildings & Improvements	Other than Buildings	Machinery and Equipment			
<b>General Government:</b>							
Legislative	\$ 55,855	\$ 12,398	\$ 1,865	\$ -	\$ -	\$ -	\$ 70,118
Economic Development (HUB)	-	-	16,887	8,000	-	-	24,887
Visitor Center	-	-	-	18,550	-	-	18,550
Judicial	-	40,046	-	44,581	-	-	84,627
Executive	63,587	189,933	1,605	90,793	-	-	345,917
Finance Administration	-	402,118	-	101,899	-	-	504,016
Motor Vehicle	-	448,102	-	11,474	-	-	459,576
Community Development	-	-	-	86,275	-	-	86,275
Information Systems	-	2,412	-	230,693	-	-	233,104
Municipal Building Maint	-	180,161	28,037	27,589	5,225	925	241,937
Project Management	-	-	7,933	32,587	-	-	40,520
Total General Government	<u>119,442</u>	<u>1,275,169</u>	<u>56,327</u>	<u>652,441</u>	<u>5,225</u>	<u>925</u>	<u>2,109,529</u>
<b>Public Safety:</b>							
Police	-	657,246	8,750	1,019,488	-	-	1,685,484
Fire	35,051	411,471	31,523	2,804,835	-	-	3,282,880
Animal Control	-	968,373	39,720	167,829	-	-	1,175,922
Total Public Safety	<u>35,051</u>	<u>2,037,090</u>	<u>79,993</u>	<u>3,992,153</u>	<u>-</u>	<u>-</u>	<u>6,144,287</u>
<b>Public Works:</b>							
Streets	150,115	268,045	252,151	944,072	20,094,106	34,600	21,743,090
Water	-	-	-	19,842	-	-	19,842
Electric	-	-	-	-	18,646	-	18,646
Total Public Works	<u>150,115</u>	<u>268,045</u>	<u>252,151</u>	<u>963,914</u>	<u>20,112,753</u>	<u>34,600</u>	<u>21,781,578</u>
<b>Culture and Recreation:</b>							
Parks & Recreation	426,644	1,303,073	3,622,907	732,753	238,273	-	6,323,650
Golf Course	-	-	-	161,000	-	-	161,000
Library	-	1,947,936	6,499	93,751	-	-	2,048,187
Airport	10,000	42,008	11,239	277,775	2,075,490	945,247	3,361,758
Total Culture and Recreation	<u>436,644</u>	<u>3,293,017</u>	<u>3,640,645</u>	<u>1,265,279</u>	<u>2,313,762</u>	<u>945,247</u>	<u>11,894,594</u>
<b>Health and Welfare:</b>							
Community Center	-	316,384	20,060	168,613	-	-	505,056
NESJC Family Center	-	1,735,299	-	-	-	-	1,735,299
Total Health and Welfare	<u>-</u>	<u>2,051,683</u>	<u>20,060</u>	<u>168,613</u>	<u>-</u>	<u>-</u>	<u>2,240,355</u>
<b>Total Capital Assets</b>	<u>\$ 741,252</u>	<u>\$ 8,925,004</u>	<u>\$ 4,049,176</u>	<u>\$ 7,042,400</u>	<u>\$ 22,431,740</u>	<u>\$ 980,771</u>	<u>\$ 44,170,343</u>

## STATE OF NEW MEXICO

Schedule IX

City of Aztec

Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes by Function and Activity  
 For the Year Ended June 30, 2017

<b>FUNCTION AND ACTIVITY</b>	<b>Capital Assets June 30, 2016</b>	<b>Additions</b>	<b>Reclassified</b>	<b>Transfers</b>	<b>Deductions</b>	<b>Capital Assets June 30, 2017</b>
<b>GENERAL GOVERNMENT:</b>						
Legislative	\$ 16,281	\$ 55,855	\$ -	\$ -	\$ (2,018)	\$ 70,119
Economic Development (HUB)	-	24,887	-	-	-	24,887
Visitor Center	-	-	-	18,550	-	18,550
Judicial	80,091	5,565	-	-	(1,030)	84,627
Executive	340,842	6,192	-	-	(1,117)	345,917
Finance Administration	508,254	-	-	(2,934)	(1,303)	504,016
Motor Vehicle	465,562	-	-	-	(5,987)	459,575
Community Development	87,774	-	-	-	(1,498)	86,275
Information Systems	233,104	-	-	2,934	(2,934)	233,104
Municipal Building Maint	241,013	925	-	-	-	241,938
Project Management	40,520	-	-	-	-	40,520
Total General Government	<u>2,013,441</u>	<u>93,424</u>	<u>-</u>	<u>18,550</u>	<u>(15,887)</u>	<u>2,109,529</u>
<b>PUBLIC SAFETY:</b>						
Police	1,702,672	-	-	(9,228)	(7,961)	1,685,483
Fire	2,857,993	716,742	-	(18,550)	(273,304)	3,282,881
Animal Control	1,153,194	13,501	-	9,228	-	1,175,923
Total Public Safety	<u>5,713,859</u>	<u>730,243</u>	<u>-</u>	<u>(18,550)</u>	<u>(281,265)</u>	<u>6,144,287</u>
<b>PUBLIC WORKS:</b>						
Streets	19,950,160	1,824,171	-	-	(31,241)	21,743,090
Water	19,842	-	-	-	-	19,842
Electric	18,646	-	-	-	-	18,646
Total Public Works	<u>19,988,648</u>	<u>1,824,171</u>	<u>-</u>	<u>-</u>	<u>(31,241)</u>	<u>21,781,578</u>
<b>CULTURE AND RECREATION:</b>						
Parks & Recreation	6,351,135	31,453	-	-	(58,939)	6,323,650
Golf Course	-	-	161,000	-	-	161,000
Airport	2,505,524	881,305	-	-	(25,070)	3,361,758
Library	2,048,186	-	-	-	-	2,048,186
Total Culture and Recreation	<u>10,904,844</u>	<u>912,759</u>	<u>161,000</u>	<u>-</u>	<u>(84,009)</u>	<u>11,894,594</u>
<b>HEALTH AND WELFARE:</b>						
Community Center	518,717	-	-	-	(13,661)	505,056
NESJC Family Center	1,735,299	-	-	-	-	1,735,299
Total Health and Welfare	<u>2,254,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,661)</u>	<u>2,240,355</u>
<b>Total Capital Assets</b>	<u>\$ 40,874,808</u>	<u>\$ 3,560,597</u>	<u>\$ 161,000</u>	<u>\$ -</u>	<u>\$ (426,062)</u>	<u>\$ 44,170,343</u>
<b>ACCUMULATED DEPRECIATION</b>	<u>\$ 17,503,920</u>	<u>\$ 1,745,639</u>	<u>\$ 41,994</u>	<u>\$ -</u>	<u>\$ (423,998)</u>	<u>\$ 18,867,555</u>

**STATE OF NEW MEXICO**  
City of Aztec  
Net Position by Component  
Last Ten Fiscal Years  
*(accrual basis of accounting)*

Schedule X

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 11,517,852	\$ 15,048,147	\$ 12,817,692	\$ 15,877,838	\$ 16,106,487	\$ 16,357,638	\$ 18,187,236	\$ 17,883,982	\$ 19,890,658	\$ 21,879,431
Restricted	907,377	857,112	739,306	4,553,662	3,983,424	3,806,581	2,528,759	2,877,803	2,483,331	2,327,719
Unrestricted	9,971,284	8,620,444	7,802,526	4,006,565	5,187,030	4,075,048	3,909,535	(920,431)	(73,648)	(564,147)
Total governmental activities net position	<u>\$ 22,396,513</u>	<u>\$ 24,525,703</u>	<u>\$ 21,359,524</u>	<u>\$ 24,438,065</u>	<u>\$ 25,276,941</u>	<u>\$ 24,239,267</u>	<u>\$ 24,625,530</u>	<u>\$ 19,841,354</u>	<u>\$ 22,300,341</u>	<u>\$ 23,643,003</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 14,951,711	\$ 16,940,492	\$ 21,749,963	\$ 21,481,586	\$ 23,814,365	\$ 25,110,714	\$ 25,384,751	\$ 25,066,433	\$ 25,303,796	\$ 24,402,177
Restricted	54,261	92,465	69,135	443,456	250,000	555,000	555,000	555,000	555,000	1,666,208
Unrestricted	9,442,598	10,533,764	12,369,283	13,537,163	12,547,460	11,615,482	12,124,521	12,198,095	11,904,056	12,132,679
Total business-type activities net position	<u>\$ 24,448,570</u>	<u>\$ 27,566,721</u>	<u>\$ 34,188,381</u>	<u>\$ 35,462,205</u>	<u>\$ 36,611,825</u>	<u>\$ 37,281,196</u>	<u>\$ 38,064,272</u>	<u>\$ 37,819,528</u>	<u>\$ 37,762,852</u>	<u>\$ 38,201,064</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 26,469,563	\$ 31,988,639	\$ 34,567,655	\$ 37,359,424	\$ 39,920,852	\$ 41,468,352	\$ 43,571,987	\$ 42,950,415	\$ 45,194,454	\$ 46,281,608
Restricted	961,638	949,577	808,441	4,997,118	4,233,424	4,361,581	3,083,759	3,432,803	3,038,331	3,993,927
Unrestricted	19,413,882	19,154,208	20,171,809	17,543,728	17,734,490	15,690,530	16,034,056	11,277,664	11,830,408	11,568,532
Total primary government net position	<u>\$ 46,845,083</u>	<u>\$ 52,092,424</u>	<u>\$ 55,547,905</u>	<u>\$ 59,900,270</u>	<u>\$ 61,888,766</u>	<u>\$ 61,520,463</u>	<u>\$ 62,689,802</u>	<u>\$ 57,660,882</u>	<u>\$ 60,063,193</u>	<u>\$ 61,844,067</u>

Source: City of Aztec Annual Financial Reports

**STATE OF NEW MEXICO**  
City of Aztec  
Changes in Net Position  
Last Ten Fiscal Years  
*(accrual basis of accounting)*

Schedule XI  
Page 1 of 2

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Expenses</b>										
Governmental Activities										
General Government	\$ 2,110,680	\$ 1,983,249	\$ 2,257,458	\$ 2,199,348	\$ 1,961,789	\$ 2,246,743	\$ 1,964,074	\$ 2,326,401	\$ 1,568,493	\$ 1,770,834
Public Safety	2,733,897	2,862,497	3,755,435	1,891,687	1,915,374	2,114,730	2,165,969	1,997,270	1,971,740	2,174,181
Public Works	2,084,200	1,921,141	3,887,767	1,370,015	2,196,404	1,888,341	1,681,645	1,290,631	1,667,557	1,519,726
Health & Welfare	-	-	-	620,409	675,436	636,508	900,447	665,443	452,399	890,773
Culture and Recreation	1,285,597	1,414,843	2,289,542	1,317,231	1,442,998	1,862,384	1,638,610	1,647,198	1,477,217	1,822,992
Interest on Long Term Debt	-	-	-	-	189,666	184,288	179,861	173,822	166,988	160,028
Total Governmental Activities	<u>8,214,374</u>	<u>8,181,730</u>	<u>12,190,202</u>	<u>7,398,690</u>	<u>8,381,667</u>	<u>8,932,994</u>	<u>8,530,606</u>	<u>8,100,765</u>	<u>7,304,394</u>	<u>8,338,534</u>
Business Type Activities										
Joint Utility	8,177,753	7,995,060	9,367,458	8,610,592	8,549,579	9,165,391	9,392,921	9,037,980	10,013,305	8,869,976
Solid Waste	610,138	649,266	660,642	672,493	693,121	691,877	729,951	706,207	715,993	722,332
Irrigation	7,008	7,159	8,016	9,309	14,492	12,199	7,759	8,259	9,679	8,088
Golf Course	-	-	-	-	-	-	-	128,158	466,443	-
Total Business Type Activities	<u>8,794,899</u>	<u>8,651,485</u>	<u>10,036,116</u>	<u>9,292,394</u>	<u>9,257,192</u>	<u>9,869,467</u>	<u>10,130,631</u>	<u>9,880,604</u>	<u>11,205,420</u>	<u>9,600,396</u>
Total Expenses	<u>\$ 17,009,273</u>	<u>\$ 16,833,215</u>	<u>\$ 22,226,318</u>	<u>\$ 16,691,084</u>	<u>\$ 17,638,859</u>	<u>\$ 18,802,461</u>	<u>\$ 18,661,237</u>	<u>\$ 17,981,369</u>	<u>\$ 18,509,814</u>	<u>\$ 17,938,930</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General Government	\$ 887,570	\$ 168,223	\$ 150,871	\$ 234,996	\$ 284,305	\$ 744,822	\$ 730,086	\$ 747,857	\$ 796,156	\$ 48,816
Public Safety	85,907	676,813	512,697	444,413	390,107	231,869	85,887	83,521	83,017	573,001
Public Works	101,274	94,643	84,884	28,480	28,919	395	-	-	-	9,888
Health & Welfare	-	-	-	25,531	27,640	44,568	-	-	-	459,357
Culture and Recreation	19,272	82,711	74,042	49,566	49,401	32,032	5,500	4,000	2,601	7,429
Operating grants and contributions	1,063,924	429,943	437,993	269,709	756,548	451,773	793,464	511,129	777,635	509,528
Capital grants and contributions	865,010	2,692,365	2,742,777	3,578,843	943,526	16,524	900,000	-	2,262,442	2,726,499
Total Governmental Activities	<u>3,022,957</u>	<u>4,144,698</u>	<u>4,003,264</u>	<u>4,631,538</u>	<u>2,480,446</u>	<u>1,521,983</u>	<u>2,514,937</u>	<u>1,346,507</u>	<u>3,921,851</u>	<u>4,334,518</u>
Business-type activities										
Charges for services										
Joint Utility	9,549,963	9,806,660	9,569,623	9,534,607	9,465,404	9,596,002	9,817,481	9,748,818	9,714,773	8,660,578
Solid Waste	592,309	659,621	678,640	691,561	687,382	680,822	683,547	672,228	665,087	671,389
Irrigation	13,159	13,159	13,159	13,159	13,159	13,159	13,159	13,159	13,159	-
Golf Course	-	-	-	-	-	-	-	62,326	117,335	-
Operating grants and contributions	-	-	-	-	-	-	-	-	552	-
Capital grants and contributions	266,056	308,650	5,689,497	172,931	96,640	114,652	70,915	25,401	138,155	401,735
Total Business-Type Activities	<u>10,421,487</u>	<u>10,788,090</u>	<u>15,950,919</u>	<u>10,412,258</u>	<u>10,262,585</u>	<u>10,404,635</u>	<u>10,585,102</u>	<u>10,521,932</u>	<u>10,649,061</u>	<u>9,733,702</u>
Total Program Revenues	<u>\$ 13,444,444</u>	<u>\$ 14,932,788</u>	<u>\$ 19,954,183</u>	<u>\$ 15,043,796</u>	<u>\$ 12,743,031</u>	<u>\$ 11,926,618</u>	<u>\$ 13,100,039</u>	<u>\$ 11,868,439</u>	<u>\$ 14,570,912</u>	<u>\$ 14,068,220</u>

Source: City of Aztec CAFRs

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2003

**STATE OF NEW MEXICO**  
City of Aztec  
Changes in Net Position  
Last Ten Fiscal Years  
*(accrual basis of accounting)*

Schedule XI  
Page 2 of 2

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Net (Expenses)/Revenues</b>										
Governmental activities	\$ (5,191,417)	\$ (4,037,032)	\$ (8,186,938)	\$ (2,767,152)	\$ (5,901,221)	\$ (7,411,011)	\$ (6,015,669)	\$ (6,754,258)	\$ (3,382,543)	\$ (4,004,016)
Business-type activities	1,626,588	2,136,605	5,914,803	1,119,864	1,005,393	535,168	454,471	641,328	(556,359)	133,306
Total Net Expenses	<u>\$ (3,564,829)</u>	<u>\$ (1,900,427)</u>	<u>\$ (2,272,135)</u>	<u>\$ (1,647,288)</u>	<u>\$ (4,895,828)</u>	<u>\$ (6,875,843)</u>	<u>\$ (5,561,198)</u>	<u>\$ (6,112,930)</u>	<u>\$ (3,938,902)</u>	<u>\$ (3,870,710)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental Activities										
Taxes										
Gross receipts taxes	\$ 5,478,504	\$ 5,384,771	\$ 4,090,147	\$ 4,255,156	\$ 5,029,168	\$ 4,816,122	\$ 4,761,159	\$ 4,646,288	\$ 3,888,208	\$ 3,499,512
Property taxes	479,294	537,994	522,553	571,668	588,699	592,685	631,249	617,819	649,691	723,750
Franchise taxes	523,744	478,811	474,311	544,923	552,008	564,375	588,965	577,449	572,951	573,672
Other taxes	253,673	193,978	237,649	187,401	180,947	183,573	206,771	239,237	233,832	225,259
Miscellaneous	107,739	102,597	176,437	247,095	378,685	199,082	202,254	202,075	589,539	353,405
Unrestricted investment earnings	333,053	164,524	58,916	40,310	23,867	20,984	12,751	11,784	15,711	21,750
Donation of capital assets	-	-	-	-	-	-	-	-	-	69,356
Loss on disposition	-	-	-	-	(13,277)	(3,484)	(1,217)	(2,222)	(13,602)	-
Transfers	52,151	(696,453)	(539,254)	(860)	-	-	-	(35,000)	(95,000)	(120,027)
Total general revenues and transfers	<u>7,228,158</u>	<u>6,166,222</u>	<u>5,020,759</u>	<u>5,845,693</u>	<u>6,740,097</u>	<u>6,373,337</u>	<u>6,401,932</u>	<u>6,257,430</u>	<u>5,841,330</u>	<u>5,346,677</u>
Business-type Activities										
Gross receipts taxes	114,872	112,593	85,308	88,721	102,074	100,623	99,433	96,873	81,333	73,203
Unrestricted investment earnings	329,826	172,500	82,295	64,379	42,153	33,580	13,088	24,155	39,529	69,799
Miscellaneous	-	-	-	-	-	-	216,084	300,654	316,019	41,877
Loss on disposition	-	-	-	-	-	-	-	(3,517)	(32,198)	-
Transfers	(52,151)	696,453	539,254	860	-	-	-	35,000	95,000	120,027
Total Business-type activities	<u>392,547</u>	<u>981,546</u>	<u>706,857</u>	<u>153,960</u>	<u>144,227</u>	<u>134,203</u>	<u>328,605</u>	<u>453,165</u>	<u>499,683</u>	<u>304,906</u>
Total primary government	<u>\$ 7,620,705</u>	<u>\$ 7,147,768</u>	<u>\$ 5,727,616</u>	<u>\$ 5,999,653</u>	<u>\$ 6,884,324</u>	<u>\$ 6,507,540</u>	<u>\$ 6,730,537</u>	<u>\$ 6,710,595</u>	<u>\$ 6,341,013</u>	<u>\$ 5,651,583</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 2,036,741	\$ 2,129,190	\$ (3,166,179)	\$ 3,078,541	\$ 838,876	\$ (1,037,674)	\$ 386,263	\$ (496,828)	\$ 2,458,787	\$ 1,342,661
Business-type activities	2,019,135	3,118,151	6,621,660	1,273,824	1,149,620	669,371	783,076	1,094,493	(56,676)	438,212
Total Change in Net Position	<u>\$ 4,055,876</u>	<u>\$ 5,247,341</u>	<u>\$ 3,455,481</u>	<u>\$ 4,352,365</u>	<u>\$ 1,988,496</u>	<u>\$ (368,303)</u>	<u>\$ 1,169,339</u>	<u>\$ 597,665</u>	<u>\$ 2,402,111</u>	<u>\$ 1,780,873</u>

Source: City of Aztec Annual Financial Reports

**STATE OF NEW MEXICO**  
City of Aztec  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

Schedule XII

	Fiscal Year									
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
General Fund										
Reserved	\$ 741,181	\$ 706,187	\$ 588,192	\$ 658,710	\$ 701,366	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,612,717	4,677,120	4,617,847	-	-	-	-	-	-	-
Nonspendable	-	-	-	991,707	700	4,445	1,976	5,536	10,288	13,491
Restricted	-	-	-	-	-	702,138	741,721	713,702	634,194	-
Committed	-	-	-	-	-	-	-	-	-	502,328
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	3,660,757	4,774,649	3,708,584	2,901,221	2,202,285	2,385,755	2,637,596
Total general fund	<u>\$ 5,353,898</u>	<u>\$ 5,383,307</u>	<u>\$ 5,206,039</u>	<u>\$ 5,311,174</u>	<u>\$ 5,476,715</u>	<u>\$ 4,415,167</u>	<u>\$ 3,644,918</u>	<u>\$ 2,921,523</u>	<u>\$ 3,030,237</u>	<u>\$ 3,153,415</u>
All other governmental funds										
Reserved	\$ 166,196	\$ 150,925	\$ 151,114	\$ 3,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,235,656	7,113,428	4,545,704	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	1,413	4,436	4,110	5,113	4,993	-
Restricted	-	-	-	3,894,952	3,282,058	3,104,443	2,374,508	2,718,264	2,363,202	2,028,470
Committed	-	-	-	159,155	138,983	144,362	150,141	154,426	120,129	119,694
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 5,401,852</u>	<u>\$ 7,264,353</u>	<u>\$ 4,696,818</u>	<u>\$ 4,057,387</u>	<u>\$ 3,422,454</u>	<u>\$ 3,253,241</u>	<u>\$ 2,528,759</u>	<u>\$ 2,877,803</u>	<u>\$ 2,488,324</u>	<u>\$ 2,148,164</u>

Source: City of Aztec Annual Financial Reports

**STATE OF NEW MEXICO**  
City of Aztec  
Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

Schedule XIII

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Revenues</b>										
Taxes	\$ 6,690,398	\$ 6,532,742	\$ 5,311,666	\$ 5,523,540	\$ 6,329,548	\$ 6,143,275	\$ 6,188,144	\$ 6,080,793	\$ 5,341,878	\$ 4,958,183
Licenses and permits	162,575	57,827	62,683	63,336	62,258	64,651	76,768	68,161	74,761	129,433
Intergovernmental	1,928,934	3,122,308	3,180,770	3,848,552	1,700,074	689,376	1,693,464	511,129	3,040,077	3,236,027
Charges for services	380,726	398,851	324,776	356,739	328,007	359,333	332,955	374,904	439,632	649,302
Fines	550,722	565,712	435,035	362,911	390,107	408,623	411,750	392,313	367,381	319,756
Investment earnings	333,053	164,524	58,916	40,310	23,867	20,984	12,751	11,784	15,711	21,750
Miscellaneous	107,739	102,597	176,437	247,095	378,685	199,082	202,254	202,075	589,539	353,405
<b>Total Revenues</b>	<u>10,154,147</u>	<u>10,944,561</u>	<u>9,550,283</u>	<u>10,442,483</u>	<u>9,212,546</u>	<u>7,885,324</u>	<u>8,918,086</u>	<u>7,641,159</u>	<u>9,868,979</u>	<u>9,667,856</u>
<b>Expenditures</b>										
Current										
General Government	1,665,357	1,833,036	1,763,356	1,804,289	1,886,575	2,034,603	1,933,642	2,286,838	1,874,668	1,574,053
Public Safety	2,421,134	2,651,381	2,409,157	1,728,707	1,783,255	1,978,046	1,943,569	1,887,636	1,823,867	1,791,894
Public Works	1,651,035	1,625,807	1,413,715	970,391	1,531,750	1,205,751	1,110,026	784,922	1,115,638	736,972
Health & Welfare	-	-	-	553,191	633,678	595,731	852,462	629,950	542,776	819,179
Culture and Recreation	1,068,047	1,205,663	1,143,772	1,087,033	1,081,789	1,275,462	990,588	1,059,608	1,027,602	1,146,768
Debt										
Principal	111,177	196,093	156,847	144,353	149,400	153,943	158,826	165,939	173,708	179,555
Interest	61,092	159,915	201,088	195,574	190,551	185,236	179,861	173,822	166,800	160,028
Capital Outlay	1,140,506	4,051,683	4,667,897	4,492,381	2,424,940	1,687,313	3,243,843	991,795	3,329,685	3,490,113
<b>Total expenditures</b>	<u>8,118,348</u>	<u>11,723,578</u>	<u>11,755,832</u>	<u>10,975,919</u>	<u>9,681,938</u>	<u>9,116,085</u>	<u>10,412,817</u>	<u>7,980,510</u>	<u>10,054,744</u>	<u>9,898,562</u>
Excess of revenues over (under) expenditures	<u>2,035,799</u>	<u>(779,017)</u>	<u>(2,205,549)</u>	<u>(533,436)</u>	<u>(469,392)</u>	<u>(1,230,761)</u>	<u>(1,494,731)</u>	<u>(339,351)</u>	<u>(185,765)</u>	<u>(230,706)</u>
<b>Other Financing Sources (Uses)</b>										
Operating transfers in	719,713	866,218	680,999	189,763	233,975	209,000	434,469	422,000	88,000	161,823
Operating transfers out	(667,562)	(1,562,671)	(1,220,253)	(190,623)	(233,975)	(209,000)	(434,469)	(457,000)	(183,000)	(148,099)
Proceeds from long-term debt, net	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	-
Bonds Issued	-	3,367,380	-	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<u>52,151</u>	<u>2,670,927</u>	<u>(539,254)</u>	<u>(860)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>(95,000)</u>	<u>13,724</u>
<b>Net change in fund balances</b>	<u>\$ 2,087,950</u>	<u>\$ 1,891,910</u>	<u>\$ (2,744,803)</u>	<u>\$ (534,296)</u>	<u>\$ (469,392)</u>	<u>\$ (1,230,761)</u>	<u>\$ (1,494,731)</u>	<u>\$ (374,351)</u>	<u>\$ (280,765)</u>	<u>\$ (216,982)</u>
Debt service as a percentage of noncapital expenditures	2%	4%	4%	5%	5%	4%	4%	5%	5%	5%

Source: City of Aztec Annual Financial Reports

**STATE OF NEW MEXICO**  
City of Aztec  
Electric Kilowatt Sales and Revenue  
Last Ten Fiscal Years

Schedule XIV

Fiscal Year	Commercial		Residential		Street and Yard Lights		Total	
	kWh	Revenue	kWh	Revenue	kWh	Revenue	kWh	Revenue
2017	26,817,595	\$ 3,120,566	16,042,645	\$ 2,121,981	629,952	\$ 87,689	43,490,192	\$ 5,330,236
2016	27,061,582	3,592,765	16,371,181	2,376,165	632,522	88,284	44,065,285	6,057,213
2015	27,853,954	3,673,266	16,329,646	2,377,477	639,428	88,384	44,823,028	6,139,127
2014	28,412,734	3,685,410	16,878,943	2,452,343	614,904	85,353	45,906,581	6,223,106
2013	27,229,673	3,559,886	17,033,678	2,472,746	553,797	78,057	44,817,148	6,110,689
2012	26,674,939	3,536,290	17,173,811	2,490,411	552,344	77,761	44,401,094	6,104,463
2011	26,285,044	3,496,998	17,110,914	2,484,012	540,961	76,858	43,936,919	6,057,867
2010	25,676,747	3,617,655	17,322,982	2,512,129	522,124	75,091	43,521,853	6,204,875
2009	26,362,110	3,583,043	16,691,038	2,356,362	465,054	67,739	43,518,202	6,007,144
2008	27,011,560	2,615,431	16,745,614	1,708,955	353,699	63,174	44,110,873	4,387,560
Change 2008-2017	-0.72%	19.31%	-4.20%	24.17%	78.10%	38.80%	-1.41%	21.49%

Source: City of Aztec Electric Utility



**STATE OF NEW MEXICO**  
City of Aztec  
Electric Rates by Customer Type  
as of June 30, 2017

Schedule XV

**Type of Customer**

---

**Commercial**

<u>Single Phase under 200 amps (50kW)</u>		
\$16.11	Customer Charge	
\$0.01401	per kWh	
<u>Single Phase over 200 amps (50kW)</u>		
\$26.85	Customer Charge	
\$0.13700	per kWh	
<u>Three Phase under 200 amps (50kW)</u>		
\$26.85	Customer Charge	
\$0.1401	per kWh	
<u>Three Phase over 200 amps (50kW)</u>		
\$53.71	Customer Charge	
\$0.1360	per kWh	0 - 35,000 kWh
\$0.1267	per kWh	over 35,000 kWh

**Residential**

\$6.44	Customer Charge	
\$0.1329	per kWh	0 - 1,000 kWh
\$0.1370	per kWh	1,001 - 1,500 kWh
\$0.1401	per kWh	1,501 - 2,500 kWh
\$0.1411	per kWh	2,501 and above

**Street and Yard Lighting**

\$10.74	175 W mercury vapor, existing pole
\$10.74	100 W sodium, existing pole
\$13.96	150 W sodium, existing pole
\$16.11	250 W sodium, existing pole

**Source:** City of Aztec Electric Utility

**STATE OF NEW MEXICO**  
City of Aztec  
Electric Principal Revenue Payers  
Current Year and Nine Years Ago

Schedule XVI

	<b>Fiscal Year 2017</b>			<b>Fiscal Year 2008</b>		
	<b>Revenue</b>	<b>Rank</b>	<b>Percentage of Revenue</b>	<b>Revenue</b>	<b>Rank</b>	<b>Percentage of Revenue</b>
AZTEC MUNICIPAL SCHOOLS	\$ 485,800	1	9.26%	\$ 389,043	1	9.02%
SAN JUAN COUNTY	370,725	2	7.07%	249,184	2	5.77%
SAFEWAY	253,946	3	4.84%	186,435	3	4.32%
HILLCORP	98,973	5	1.89%	-		
CONOCOPHILLIPS	-			-		
WESTERN REFINING	109,516	4	2.09%	100,549	5	2.33%
AZTEC WELL SERVICE	-			28,164	8	0.65%
FOUR CORNERS GOOD SAM	62,561	6	1.19%	68,116	6	1.58%
MCDONALD'S OF AZTEC	50,494	7	0.96%	31,673	7	0.73%
CENTURYLINK, INC	46,461	8	0.89%	-		
MICROTEL	40,038	9	0.76%	-		
THE SCHWAN FOOD CO-SWU	-			-		
HIWAY LOUNGE	-			-		
WENDY'S OF CO SPRINGS	-			-		
MCELVAIN ENERGY	-			167,733	4	3.89%
RUINS RD RV PARK	-			26,978	9	0.63%
HYDRO PURE TECHNOLOGY	-			22,283	10	0.52%
PEPSI BOTTLING	40,809	10	0.78%	-		
DAIRY QUEEN	-			-		
HI-COUNTRY CHEVROLET	-			-		
<b>Total</b>	<b>\$ 1,559,324</b>		<b>29.73%</b>	<b>\$ 1,270,159</b>		<b>29.43%</b>

**Source:** Aztec Electric Utility System

**STATE OF NEW MEXICO**  
City of Aztec  
Tax Revenues by Source, Governmental Funds  
Last Ten Fiscal Years

Schedule XVII

<u>Fiscal Year</u>	<u>Gross Receipts Tax</u>	<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Other Taxes</u>	<u>Total Taxes</u>
2017	\$ 3,499,512	\$ 659,740	\$ 573,672	\$ 225,259	\$ 4,958,183
2016	3,888,208	646,887	572,951	233,832	5,341,878
2015	4,646,288	617,819	577,449	239,237	6,080,793
2014	4,761,159	631,249	588,965	206,771	6,188,144
2013	4,816,122	579,205	564,375	183,573	6,143,275
2012	5,029,168	588,699	552,008	180,947	6,350,822
2011	4,255,156	571,668	544,923	187,401	5,559,148
2010	4,090,147	522,553	474,311	237,649	5,324,660
2009	5,384,771	537,994	478,811	193,978	6,595,554
2008	5,478,504	479,294	523,744	253,673	6,735,215
Change 2008-2017	-36%	38%	10%	-11%	-26%

**Source:** City of Aztec Annual Financial Reports

**STATE OF NEW MEXICO**  
City of Aztec  
Taxable Gross Receipts by Industry  
Last Ten Fiscal Years

Schedule XVIII

Ending 6/30	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture	\$ 66,648	\$ 32,000	\$ 34,759	\$ 13,186	\$ 386	\$ 825	\$ 221	\$ 12,548	\$ 12,518	\$ 1,626
Mining	40,943,503	47,218,262	26,321,710	17,689,324	21,172,800	19,852,855	20,192,110	10,126,077	3,104,953	2,821,098
Utilities	6,154,097	3,621,352	3,370,924	3,233,545	3,103,283	3,143,834	3,654,621	2,891,595	1,647,533	1,731,836
Construction	26,635,255	49,389,628	35,834,152	26,175,393	31,681,821	13,292,359	19,570,979	11,938,201	9,062,824	8,557,402
Manufacturing	8,128,772	11,806,566	8,157,517	9,220,855	9,480,883	17,029,297	10,426,483	6,019,867	7,751,923	6,245,851
Wholesale Trade	38,967,614	24,848,993	13,832,221	18,843,145	23,766,014	18,176,166	18,777,600	8,161,651	5,259,936	3,258,746
Retail Trade	42,089,379	38,004,248	35,622,179	34,872,717	35,412,028	38,133,131	35,888,110	20,552,737	19,863,623	19,363,541
Transportation	138,152	338,041	451,200	583,062	3,274,041	1,919,283	3,176,828	2,424,693	1,790,784	1,954,983
Information and Cultural	8,407,172	9,492,745	12,584,386	14,493,738	16,325,683	17,571,531	17,465,490	9,673,272	9,303,559	9,123,399
Finance and Insurance	995,476	808,828	704,552	462,510	526,014	1,036,083	1,028,359	211,079	210,686	173,951
Real Estate	8,102,786	9,713,103	5,212,524	4,508,303	5,615,172	7,552,828	7,164,855	6,114,118	2,694,583	3,055,383
Professional, Scientific, Technical Services	6,075,255	8,177,986	5,464,276	5,990,621	11,916,579	7,637,572	10,817,766	7,718,100	4,580,248	7,034,194
Management	-	-	-	-	9,159	-	(4,855)	-	-	-
Administrative & Support	492,193	801,766	1,258,041	666,814	1,224,552	1,189,407	1,036,219	1,342,644	598,170	771,795
Educational Services	14,786	54,731	30,014	166,731	72,607	130,759	93,903	4,860	12,582	130,112
Health Care	3,684,910	4,070,566	5,158,455	5,332,469	6,295,117	12,103,614	12,350,566	8,059,103	6,907,380	4,235,502
Arts	42,869	343,503	340,469	422,510	668,414	809,766	843,752	459,162	396,033	379,272
Accommodation and Food Services	21,466,593	22,760,552	21,165,241	19,218,703	20,716,855	21,590,290	21,137,269	14,900,495	12,059,854	12,129,034
Other Services	37,903,945	40,499,807	26,511,890	24,334,400	25,814,290	37,417,600	41,935,669	29,107,132	13,988,728	12,423,033
Public Administration	2,546,538	552,166	1,288,441	3,301,903	1,815,007	3,480,221	2,051,366	376,657	1,118,355	677,042
Food Distribution (c)	31,883,476	27,880,221	25,456,717	30,064,276	47,914,152	42,859,200	30,137,103	27,510,731	19,665,197	16,772,650
Medical Distribution (c)	2,144,497	2,333,903	2,657,490	2,972,524	3,575,834	4,449,545	4,347,034	4,748,745	3,129,131	2,433,004
Unclassified/Undisclosed (a)	11,683,310	7,223,669	6,620,966	6,907,697	5,281,766	4,103,890	6,206,455	2,125,736	396,085	435,388
<b>Total</b>	<b>\$ 298,567,228</b>	<b>\$ 309,972,634</b>	<b>\$ 238,078,124</b>	<b>\$ 229,474,428</b>	<b>\$ 275,662,455</b>	<b>\$ 273,480,056</b>	<b>\$ 268,297,903</b>	<b>\$ 174,479,204</b>	<b>\$ 123,554,685</b>	<b>\$ 113,708,842</b>
City Direct Sales Tax Rate	1.8125%	1.8125%	1.8125%	1.8125%	1.8125%	1.8125%	1.8125%	1.8125%	1.8125%	1.8125%

**Source:** State of New Mexico Department of Taxation & Revenue monthly distribution reports

(a) Data has been suppressed for purposes of taxpayer confidentiality. Information is suppressed when too few taxpayers are included in a category.

(b) Although the figures in the table have been derived from "NM\_FR003-500 Local Gov't Distribution Summary" issued monthly by the State, the State suppresses revenue information in certain categories, if release of the information would compromise the confidentiality of an individual taxpayer. Accordingly, the "Taxable Gross Receipts Tax" totals in this table will differ from those in other tables.

(c) Effective January 2005, state legislation removed the state and local options gross receipts tax (GRT) from the sales of food and most health care services, by allowing retail food outlets and medical service providers to deduct qualifying food and health services from gross receipts reported to the NM Taxation and Revenue Department. However, municipalities and counties are "held harmless" and are reimbursed the local option GRT on these nontaxable items from the State of New Mexico. The financing of this reimbursement is provided by an increase State GRT of .5%.

**STATE OF NEW MEXICO**  
City of Aztec  
Direct and Overlapping Gross Receipts Tax Rates  
Last Ten Fiscal Years

Schedule XIX

<b>Fiscal Year</b>	<b>State GRT Rate</b>	<b>City Share of State GRT Rate</b>	<b>City Direct Rate</b>	<b>San Juan County Rate</b>	<b>Total City GRT Rate</b>
2017	3.9000%	1.2250%	1.8125%	1.0625%	8.0000%
2016	3.9000%	1.2250%	1.8125%	1.0625%	8.0000%
2015 (b)	3.9000%	1.2250%	1.8125%	1.0625%	8.0000%
2014 (a)	3.9000%	1.2250%	1.8125%	0.8750%	7.8125%
2013	3.9000%	1.2250%	1.8125%	0.8125%	7.7500%
2012	3.9000%	1.2250%	1.8125%	0.8125%	7.7500%
2011	3.9000%	1.2250%	1.8125%	0.8125%	7.7500%
2010	3.7750%	1.2250%	1.8125%	0.8125%	7.6250%
2009	3.7750%	1.2250%	1.8125%	0.8125%	7.6250%
2008	3.7750%	1.2250%	1.8125%	0.8125%	7.6250%

**Source:** State of New Mexico Taxation and Revenue Department

(a) San Juan County imposed 1/16%, adopted by government board, enacted January 1, 2014

(b) San Juan County imposed 3/16%, adopted by government board, enacted January 1, 2015

**STATE OF NEW MEXICO**  
City of Aztec  
Taxable Gross Receipts Payers by Industry  
Current Year and One Year Ago

Schedule XX

	Fiscal Year 2017				Fiscal Year 2016			
	Number of Filers (12 Mo. Avg.)	Percentage of Total Filers	Taxable Gross Receipts	Percentage of Total Gross Receipts	Number of Filers (12 Mo. Avg.)	Percentage of Total Filers	Taxable Gross Receipts	Percentage of Total Gross Receipts
Ending 6/30								
Agriculture	-	0.00%	\$ 1,626	0.00%	1	0.20%	\$ 12,518	0.01%
Mining	7	1.36%	2,821,098	2.48%	9	1.76%	3,104,953	2.51%
Utilities	4	0.78%	1,731,836	1.52%	5	0.98%	1,647,533	1.33%
Construction	42	8.17%	8,557,402	7.53%	45	8.81%	9,062,824	7.34%
Manufacturing	22	4.28%	6,245,851	5.49%	19	3.72%	7,751,923	6.27%
Wholesale Trade	33	6.42%	3,258,746	2.87%	32	6.26%	5,259,936	4.26%
Retail Trade	131	25.49%	19,363,541	17.03%	131	25.64%	19,863,623	16.08%
Transportation	5	0.97%	1,954,983	1.72%	4	0.78%	1,790,784	1.45%
Information and Cultural	55	10.70%	9,123,399	8.02%	52	10.18%	9,303,559	7.53%
Finance and Insurance	8	1.56%	173,951	0.15%	8	1.57%	210,686	0.17%
Real Estate	29	5.64%	3,055,383	2.69%	25	4.89%	2,694,583	2.18%
Professional, Scientific, Technical Services Management	38	7.39%	7,034,194	6.19%	38	7.44%	4,580,248	3.71%
Administrative & Support	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Educational Services	19	3.70%	771,795	0.68%	19	3.72%	598,170	0.48%
Health Care	3	0.58%	130,112	0.11%		0.00%	12,582	0.01%
Arts	16	3.11%	4,235,502	3.72%	18	3.52%	6,907,380	5.59%
Accommodation and Food Services	4	0.78%	379,272	0.33%	4	0.78%	396,003	0.32%
Other Services	18	3.50%	12,129,034	10.67%	19	3.72%	12,059,854	9.76%
Public Administration	79	15.37%	12,423,033	10.93%	80	15.66%	13,988,728	11.32%
Food Distribution (a) (c)	1	0.19%	677,042	0.60%	2	0.39%	1,118,355	0.91%
Medical Distribution (a) (c)		0.00%	16,772,650	14.75%		0.00%	19,665,197	15.92%
Unclassified/Undisclosed (a)		0.00%	2,433,004	2.14%		0.00%	3,129,131	2.53%
		0.00%	435,388	0.38%		0.00%	396,085	0.32%
<b>Total</b>	<b>514</b>	<b>100.00%</b>	<b>\$ 113,708,842</b>	<b>100.00%</b>	<b>511</b>	<b>100.00%</b>	<b>\$ 123,554,655</b>	<b>100.00%</b>

**Source:** State of New Mexico Department of Taxation & Revenue monthly distribution reports

(a) Data has been suppressed for purposes of taxpayer confidentiality. Information is suppressed when too few taxpayers are included in a category.

(b) Although the figures in the table have been derived from "NM\_FR003-500 Local Gov't Distribution Summary" issued monthly by the State, the State suppresses revenue information in certain categories, if release of the information would compromise the confidentiality of an individual taxpayer. Accordingly, the "Taxable Gross Receipts Tax" totals in this table will differ from those in other tables.

(c) Effective January 2005, state legislation removed the state and local options gross receipts tax (GRT) from the sales of food and most health care services, by allowing retail food outlets and medical service providers to deduct qualifying food and health services from gross receipts reported to the NM Taxation and Revenue Department. However, municipalities and counties are "held harmless" and are reimbursed the local option GRT on these nontaxable items from the State of New Mexico. The financing of this reimbursement is provided by an increase State GRT of .5%.

STATE OF NEW MEXICO

City of Aztec  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Nonresidential Property</b>	<b>Oil &amp; Gas (Prod &amp; Equip)</b>	<b>Less: Tax Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Residential Tax Rate</b>	<b>Total Direct Non Residential Tax Rate</b>	<b>Total Direct Oil &amp; Gas Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Taxable Assessed Value as a Percentage of Actual Taxable Value</b>
2017	90,939,352	73,381,397	783,998	38,481,624	126,623,123	4.3850%	6.8730%	6.8730%	380,249,619	33.3%
2016 (a)	89,059,828	73,279,324	893,795	38,478,931	124,754,016	4.3850%	6.8730%	6.8730%	374,636,685	33.3%
2015 (a)	86,997,132	73,551,505	1,840,330	38,171,923	124,217,044	4.4440%	6.8680%	6.8730%	373,024,156	33.3%
2014 (a)	84,700,152	73,364,127	1,568,658	39,788,615	119,844,322	4.4810%	6.8730%	6.8730%	359,892,859	33.3%
2013 (a)	81,726,608	68,244,297	1,465,076	37,664,240	113,771,741	4.5710%	6.8730%	6.8730%	341,656,880	33.3%
2012 (a)	79,015,509	65,560,274	2,167,166	33,966,265	112,776,684	4.5870%	6.5090%	6.8730%	338,668,721	33.3%
2011 (a)	76,107,648	64,766,468	2,289,210	31,343,483	111,819,843	4.5550%	5.9410%	6.8730%	335,795,324	33.3%
2010 (a)	71,221,070	48,261,348	1,934,406	15,956,123	105,460,701	4.5700%	5.8730%	6.8730%	316,698,802	33.3%
2009 (a)	68,249,133	45,888,088	5,050,153	15,339,339	103,848,035	4.8600%	6.3240%	6.8730%	311,855,961	33.3%
2008 (a)	62,523,394	36,167,196	4,736,814	14,150,797	89,276,607	4.8020%	6.0090%	6.8730%	268,097,919	33.3%

Source: San Juan County Assessor

(a) Amounts restated based on San Juan County Assessor Abstract and New Mexico Department of Finance and Administration Local Government Final Valuations ; previously stated values were based on San Juan County Assessor Certificate of Property Tax Rates

STATE OF NEW MEXICO  
City of Aztec  
Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years

Schedule XXII

Fiscal Year	<b>Overlapping Rates</b>													
	<b>City of Aztec</b>			<b>San Juan County</b>			<b>Aztec Municipal District</b>				<b>San Juan College</b>			<b>Total Direct and Overlapping</b>
	<b>Operating Millage</b>	<b>Total Direct Rate</b>	<b>State Debt Service</b>	<b>Operational</b>	<b>Water Reserve</b>	<b>Total County</b>	<b>Operational</b>	<b>Debt Service</b>	<b>Capital Imp</b>	<b>Total School District</b>	<b>Operational</b>	<b>Debt Service</b>	<b>Total College</b>	
2017														
Residential	4.385%	4.385%	1.360%	6.029%	0.500%	6.529%	0.255%	10.764%	1.827%	12.846%	3.263%	0.600%	3.863%	28.983%
Commercial	6.873%	6.873%	1.360%	8.000%	0.500%	8.500%	0.500%	10.764%	2.000%	13.264%	4.500%	0.600%	5.100%	35.097%
2016														
Residential	4.385%	4.385%	1.360%	6.029%	0.500%	6.529%	0.255%	10.764%	1.827%	12.846%	3.263%	0.600%	3.863%	28.983%
Commercial	6.873%	6.873%	1.360%	8.000%	0.500%	8.500%	0.500%	10.764%	2.000%	13.264%	4.500%	0.600%	5.100%	35.097%
2015														
Residential	4.444%	4.444%	1.360%	5.729%	0.500%	6.229%	0.258%	8.393%	1.849%	10.500%	3.113%	0.600%	3.713%	26.246%
Commercial	6.868%	6.868%	1.360%	8.000%	0.500%	8.500%	0.500%	8.393%	2.000%	10.893%	4.500%	0.600%	5.100%	32.721%
2014														
Residential	4.481%	4.481%	1.360%	5.731%	0.500%	6.231%	0.260%	6.676%	1.862%	8.798%	3.114%	0.600%	3.714%	24.584%
Commercial	6.873%	6.873%	1.360%	8.000%	0.500%	8.500%	0.500%	6.676%	2.000%	9.176%	4.500%	0.600%	5.100%	31.009%
2013														
Residential	4.571%	4.571%	1.360%	5.810%	0.500%	6.310%	0.263%	8.448%	1.886%	10.597%	3.154%	0.600%	3.754%	26.592%
Commercial	6.873%	6.873%	1.360%	8.000%	0.500%	8.500%	0.500%	8.448%	2.000%	10.948%	4.500%	0.600%	5.100%	32.781%
2012														
Residential	4.587%	4.587%	1.360%	5.826%	0.500%	6.326%	0.263%	6.517%	1.886%	8.666%	3.162%	0.420%	3.582%	24.521%
Commercial	6.509%	6.509%	1.360%	8.000%	0.500%	8.500%	0.500%	6.517%	2.000%	9.017%	4.500%	0.420%	4.920%	30.306%
2011														
Residential	4.555%	4.555%	1.362%	5.767%	0.500%	6.267%	2.131%	4.567%	1.870%	8.568%	3.133%	0.600%	3.733%	24.485%
Commercial	5.941%	5.941%	1.362%	8.000%	0.500%	8.500%	0.500%	4.567%	2.000%	7.067%	4.500%	0.600%	5.100%	27.970%
2010														
Residential	4.663%	4.663%	1.530%	5.925%	0.500%	6.425%	2.185%	4.640%	1.917%	8.742%	3.212%	0.600%	3.812%	25.172%
Commercial	5.817%	5.817%	1.530%	8.000%	0.500%	8.500%	0.499%	4.640%	1.996%	7.135%	4.500%	0.600%	5.100%	28.082%
2009														
Residential	4.570%	4.570%	1.150%	5.812%	0.500%	6.312%	2.133%	5.497%	1.871%	9.501%	3.156%	0.600%	3.756%	25.289%
Commercial	5.873%	5.873%	1.150%	8.000%	0.500%	8.500%	0.500%	5.497%	2.000%	7.997%	4.500%	0.600%	5.100%	28.620%
2008														
Residential	4.860%	4.860%	1.250%	6.567%		6.567%	2.280%	2.997%		5.277%	3.283%	0.600%	3.883%	21.837%
Commercial		0.000%				0.000%				0.000%			0.000%	0.000%



## **COMPLIANCE SECTION**

**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**

**INDEPENDENT AUDITORS' REPORT**

Wayne A. Johnson  
New Mexico State Auditor  
The United States Office of Management and Budget and  
The City Commission  
City of Aztec  
Aztec, 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 comparison of the General Fund and major special revenue funds of the City of Aztec, New Mexico (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items FS 2017-001 and FS 2017-002 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as items NM 2017-001 and NM 2017-002.

## **The City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Albuquerque, New Mexico  
January 30, 2018

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**FEDERAL FINANCIAL ASSISTANCE**

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

**INDEPENDENT AUDITORS' REPORT**

Wayne A. Johnson  
New Mexico State Auditor  
The United States Office of Management and Budget and  
The City Commission  
City of Aztec  
Aztec, New Mexico

We have audited the City of Aztec, New Mexico's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. The City's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City'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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on the Major Federal Program**

In our opinion, the City of Aztec complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the City 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 the City'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 the City'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 requirement 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 and, therefore, material weaknesses or significant deficiencies in internal controls over compliance may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as FA 2017-001 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Albuquerque, New Mexico  
January 30, 2018

**STATE OF NEW MEXICO**  
City of Aztec  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

<b>Funding Source/Grant or Contact Name</b>	<b>CFDA Number</b>	<b>Pass-Through Grant Number</b>
<b>U.S. Department of Transportation</b>		
<i>Pass-Through Programs from NM Department of Transportation</i>		
Highway Planning and Construction	20.205	F100090
Airport Improvement Program	20.106	3-35-0056-004-2016
Total U.S. Department of Transportation		
<b>U.S. Environmental Protection Agency</b>		
<i>Pass-Through Programs from NM Environment Department</i>		
Capitalization Grants for Clean Water State Revolving Fund	(*) 66.458	CWSRF21
Total U.S. Department of Transportation		

*Total Federal Financial Assistance*

(\*) Denotes Major Federal Program

See independent auditors' report.  
See accompanying notes to schedule of expenditures of federal awards.



<u>Expenditures</u>	<u>Funds Provided to Subrecipients</u>	<u>Noncash Assistance</u>
\$ 969,969	\$ -	\$ -
705,362	-	-
<u>1,675,331</u>	<u>-</u>	<u>-</u>
<u>3,674,802</u>	<u>-</u>	<u>-</u>
<u>3,674,802</u>	<u>-</u>	<u>-</u>
<u>\$ 5,350,133</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.  
See accompanying notes to schedule of expenditures of federal awards.

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**STATE OF NEW MEXICO**  
City of Aztec  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Aztec (the City) and is presented on a modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements except for the proprietary funds. The information in this Schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

**2. Loans**

The City expended federal awards in the form of loans in the Capitalization Grants for Clean Water State Revolving Fund program totaling \$3,324,802 during the year ended June 30, 2017.

**3. 10% de minimus Indirect Cost Rate**

The City did not elect to use the allowed 10% indirect cost rate.

**4. Federally Funded Insurance**

The City has no federally funded insurance.

**Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:**

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 5,350,133
Total expenditures funded by other sources	<u>12,330,941</u>
<i>Total expenditures</i>	<u><u>\$ 17,681,074</u></u>

See independent auditors' report.

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**STATE OF NEW MEXICO**  
City of Aztec  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

**Section I – Summary of Auditors’ Results**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes        |
| c. Noncompliance material to the financial statements noted?                     | None noted |

*Federal Awards:*

- |   |            |
|---|------------|
| 1. Type of auditors’ report issued on compliance for major programs   | Unmodified |
| 2. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses?                              | Yes        |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | None noted |

4. Identification of major programs:

CFDA Number	Federal Program
66.458	Capitalization Grant for Clean Water State Revolving Fund

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee?                                   | No        |

**Section II – Findings - Financial Statement Audit**

**FS 2017-001 — Deficiencies in Internal Controls Over Electric Department Inventory (Significant Deficiency)**

*Condition:* The City does not have a written policy for accounting for inventory giving employees ability to remove inventory items without filling out job tickets and inventory counts only occur at year end.

*Criteria:* The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring. Inventory is easy to misappropriate and should be monitored closely.

*Effect:* Not consistently enforcing procedures and not restricting the ability for all staff to remove inventory without prior approval and lack of performing periodic inventory counts can result in misstatement or misappropriation of assets.

*Cause:* The City does not have documented procedures over removal of inventory. Furthermore, when employees are on call during the night, there is no one available to review and approve job tickets.

*Auditors' Recommendations:* The City should implement a written policy to review job tickets daily and implement a policy to perform inventory counts at least quarterly and reconciling any discrepancies.

*Agency's Response:* The Electric Utility Director will develop a written policy for inventory control including procedures in FY2018. The policy will include:

- Position responsible for inventory operations including inventory ordering and stocking of materials.
- Position responsible for the day to day movement of material being taken out of and returned to warehouse stock.
- Procedures documenting how movement of material to and from the warehouse is recorded daily, weekly, monthly, yearly.
- Provide for a biannual physical inventory count.
- Procedure for material removed from the warehouse during non-scheduled work hours and emergencies.

A physical count will be conducted in June 2018 with biannual counts beginning in FY2019.

**Section II – Findings - Financial Statement Audit (continued)**

**FS 2017-002 — Deficiencies in Internal Controls Over Preparation of Schedule of Expenditures of Federal Awards (SEFA) (Significant Deficiency)**

*Condition:* The City improperly included expenditures funded through state and local sources in the SEFA totaling \$82,703.

*Criteria:* 2 CFR part 215 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management have procedures in place for identifying federal, state, and other awards, properly classifying expenditures in the correct programs and under the correct CFDA numbers, and ensuring that expenditures reported for federal programs are accurate.

*Effect:* Without proper grant awards and expenditures reported on the SEFA, it is not possible to properly assess programs in order to select grants and test in accordance with the Single Audit Act.

*Cause:* The City did not have a review process in place to determine that nonfederal expenditures were segregated for reporting purposes.

*Auditors' Recommendations:* The City should ensure that a comprehensive internal control structure is designed, documented, and implemented to ensure all grants transactions are properly tracked, separated from state and local expenditures, and all information is accurately documented on the SEFA.

*Agency's Response:* Currently, one general ledger account is used to track all expenditures for each project regardless of funding source. The Finance Director will prepare directions for the preparation of the SEFA to only include the expenditures specific to the federal funding and not to the entire project. The Finance Director will develop a spreadsheet that identifies expenditures by funding source and communicate the City's process more effectively with the external auditors to reconcile the SEFA to the general ledger before June 30, 2018.

**Section III – Findings – Federal Awards**

**FA 2017-001 – Lack of Controls Over Procurement Suspension and Debarment (significant deficiency)**

Federal Program Information:

Funding agency:	U.S. Environmental Protection Agency
Title:	Capitalization Grant for Clean Water State Revolving Fund
Grant Number:	CWSRF 021
CFDA number:	66.458

*Condition:* The City did not have internal controls in place to verify that vendors paid by funds provided by the CWSRF program were not suspended or debarred.

*Criteria:* Per 2 CFR Part 180, “When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).”

*Questioned Costs:* None

*Effect:* Without proper controls in place for the verification of suspension and debarment, the City could pay unauthorized vendors and be noncompliant with requirements under 2 CFR Part 180.

*Cause:* The City relied on the pass-through entity’s approval of expenditures as the pass-through entity verifies suspension and debarment however, no verification procedures were performed by the City

*Auditors’ Recommendation:* We recommend that the City implement a process whereby vendors to be paid amounts in excess of \$25,000 under this program are verified for suspension and debarment as required by 2 CFR Part 18, and documentation of such procedures is included with each vendor file.

*Agency’s Response:* The specific project for which this finding is based included contracts which were executed in February 2015 (construction management services) and June 2016 (construction contract). All contracts included EPA form 5700-49 Certification Regarding Debarment, Suspension and Other Responsibility Matters. A verification for consultants and contractor through the SAM system was not completed. Construction on the project began in August 2016.

During the fiscal year 2017, the City issued construction service and construction contracts under FAA AIP funding which included verification of the consultant and contractor through the SAM system.

The Chief Procurement Officer will update procurement procedures by June 30, 2018 to require a statement regarding suspension and debarment to be submitted with a procurement response when contracts are anticipated to exceed \$25,000 regardless of funding source and verification through the SAM system prior to the award of contracts which include federal funds.



**STATE OF NEW MEXICO**  
City of Aztec  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

Schedule XXIV  
Page 5 of 7

**Section IV – Section NMSA 12-6-5 1978 Findings**

**NM 2017-001 – Late Audit Report – Other Noncompliance**

*Condition:* The City's audited financial statements were not submitted by the regulatory due date of December 15.

*Criteria:* NMAC 2.2.2.9 A requires that financial statement audits of state agencies are due to the Office of the State Auditor no later than December 15.

*Effect:* The City's audit was considered late by the Office of the State Auditor.

*Cause:* The City did not provide information by the agreed upon deadline and the auditor was unable to get in contact with the City for a five-week period from mid-October to mid-November due to the resignation of the City Manager.

*Auditors' Recommendations:* We recommend that the City maintain an open line of communication with the auditors in a timely manner if agreed upon timelines will not be met. This would allow for potential adjustments to the audit schedule.

*Agency's Response:* The Finance Director will work with future auditors to develop a written timeline which is reasonable for both entities to meet the timely submittal of the annual audit.

**Section IV – Section NMSA 12-6-5 1978 Findings (continued)**

**NM 2017-002 — Travel and Per Diem (Other Noncompliance)**

*Condition:* The City reimbursed mileage at \$0.55 per mile during the period of January 1, 2017 through June 30, 2017. The mileage reimbursement rate exceeded the statutory rate of \$0.535 during that six month period. Furthermore, the City reimbursed employees in excess of the \$45 limit for out of state travel daily limit, totaling \$20.94.

*Criteria:* The Per Diem and Mileage Act, Section 2.42.11 B (1), “Public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the discharge of official duties as follows: unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle”

Additionally, the Per Diem and Mileage Act, Section 2.42.2.9 B (2), “Actual expenses for meals are limited by Section 10-8-4(K)(2) NMSA 1978 (1995 Repl. Pamp.) to a maximum of \$30.00 for in-state travel and \$45.00 for out-of-state travel for a 24-hour period.”

*Effect:* The City has overpaid for travel reimbursements and is not in compliance with the Per Diem and Mileage Act.

*Cause:* The City was unaware of the correct IRS rates and the policy was not adjusted accordingly. Furthermore, the City failed to detect the overpayment for actual reimbursements.

*Auditors’ Recommendation:* We recommend that the City revise its travel policy to ensure that all reimbursements are in compliance with State Statutes.

*Agency’s Response:*

*Mileage Rate:* City of Aztec Resolution 2003-603, approved on November 4, 2003, adopted the mileage portion of the NMSA 1978 10.8.4.D and not NMAC 2.42.11 B. The IRS standard mileage rate established January 2016 was .54/mile which was effective for calendar year 2017. The City’s travel policy will reimburse an employee for mileage on a personal vehicle only if a city vehicle is not available with the exception of the City Manager contract which provides for reimbursement of mileage for use of a personal vehicle. Employees who choose to use their personal vehicle when a city vehicle is available will be reimbursed for fuel which is documented to be specific to the travel (odometer readings required, mileage is verified using Rand McNally, and mpg is calculated for reasonableness).

Upon receipt of the finding, the Finance Director:

- Reviewed IRS standard tax rates established in January each year;
- Reviewed City travel request spreadsheet and actual travel spreadsheet;
- Conducted training with Finance Department staff;
- Review of travel vouchers for fiscal year 2017 and 2018.

**Section IV – Section NMSA 12-6-5 1978 Findings (continued)**

**NM 2017-002 — Travel and Per Diem (Other Noncompliance) – Continued**

A review of the IRS standard tax rate established January 2017 (effective to the City mileage rates for calendar 2018) is .535/mile. The travel request spreadsheet formulas were reviewed and found to have the incorrect rate, the spreadsheet was updated to the correct rate and has been updated to the City's intranet site (spreadsheets are locked to deter changes to formulas). A similar review was conducted of the actual travel spreadsheet and found the mileage rate to be incorrect; again the formula was corrected and an additional comment added to the spreadsheet identifying the date when the spreadsheet was updated and the new document was posted to the City's intranet site.

Training was conducted with Finance staff to identify the various documents and regulations which control employee travel; where to find those documents and a review of the updated spreadsheets (completed January 31, 2018). Finance staff was directed not to accept travel spreadsheets which do not include the correct updated form. Department heads and administrative assistants have been advised of the new documents on the City's intranet site and not to use spreadsheets which may have been saved to their desktops. Training with Department Heads was completed on February 6, 2018.

PerDiem: The Finance Director and City Attorney will review the City's travel policy, NMSA 1978 10.8 and NMAC 2.42 to identify conflicts. The Finance Director, based on the City Attorney's opinion, will make any necessary corrections to the City's travel policy and travel expense calculations including training of Finance staff.

**Section V – Prior Year Audit Findings**

**FS 2016-001 — Unallowable Use of Utility Revenue (Noncompliance and Other Matters) - Resolved**

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**STATE OF NEW MEXICO**

City of Aztec  
Other Disclosures  
June 30, 2017

**Exit Conference**

An exit conference was held on February 12, 2018. In attendance were the following:

**Representing the City of Aztec/City of Aztec Housing Authority:**

Sally Burbridge	Mayor
Sherry Sipe	Mayor Pro-Tem
Kathy Lamb	Finance Director
Kris Farmer	Accountant III

**Representing Carr, Riggs & Ingram, LLC:**

Danny Martinez, CPA, CGFM	Partner
Luis A. Gómez	Senior Accountant

**Auditor Prepared Financial Statements**

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of the City of Aztec from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.