

State of New Mexico
City of Aztec

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018



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Introductory Section

City of Aztec, New Mexico
June 30, 2018
Table of Contents

INTRODUCTORY SECTION

Table of Contents	4-6
Official Roster	7

FINANCIAL SECTION

Independent Auditors' Report	10-12
Management's Discussion and Analysis	13-26

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:	
Statement of Net Position	28-29
Statement of Activities	30-31
Fund Financial Statements:	
Balance Sheet - Governmental Funds	32
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	35
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Budgetary Basis) and Actual:	
General Fund	37
Statement of Net Position - Proprietary Funds	38-39
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	41
Statement of Cash Flows - Proprietary Funds	42-43
Statement of Fiduciary Assets and Liabilities - Agency Fund	45
Notes to the Financial Statements	46-85

REQUIRED SUPPLEMENTARY INFORMATION

GASB Required Pension Schedules - Public Employees Retirement Association (PERA) Plan:	
Schedule of the City's Proportionate Share of the Net Pension Liability	
PERA Fund Municipal General Division	88-89
PERA Fund Municipal Police Division	90-91
Schedule of the Employer Contributions	
PERA Fund Municipal General Division	92-93
PERA Fund Municipal Police Division	94-95

City of Aztec, New Mexico
June 30, 2018
Table of Contents

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

GASB Required Other Post-Employment Benefit Schedules - New Mexico Retiree Health

Care Authority (NMRHCA) Plan:

Schedule of Employer's Proportionate Share of the Net OPEB Liability	96
Schedule of Employer Contributions	97
Notes to Required Supplementary Information	98

SUPPLEMENTARY INFORMATION

Combining Financial Statements:

Nonmajor Governmental Fund Descriptions	101
Combining Balance Sheet - Nonmajor Governmental Funds	102-103
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	104-105
Nonmajor Proprietary Fund Descriptions	107
Combining Statement of Net Position - Proprietary Funds	108-109
Combining Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds	111
Combining Statement of Cash Flows - Proprietary Funds	112-113

SUPPORTING SCHEDULES

Schedule of Deposit Accounts	117
Schedule of Collateral Pledged by Depository for Public Funds	118
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	119
Schedule of Joint Powers Agreements	120-121

STATISTICAL SECTION

Capital Assets Used in the Operation of Governmental Funds:

Schedule by Source	125
Schedule by Function and Activity	126-127
Schedule of Changes by Function and Activity	128-129

Financial Trends:

Net Position by Component	130-131
Changes in Net Position	132-135
Fund Balances, Governmental Funds	136-137
Changes in Fund Balances, Governmental Funds	138-139

Revenue Capacity:

Electric Kilowatt Sales and Revenue	140-141
Electric Rates by Customer Type	143
Electric Principal Revenue Payers	144-145
Tax Revenues by Source, Governmental Funds	147



City of Aztec, New Mexico
June 30, 2018
Table of Contents

Taxable Gross Receipts by Industry	148-149
Direct and Overlapping Gross Receipts Tax Rates	151
Taxable Gross Receipts Payers by Industry	152-153
Assessed Value and Estimated Actual Value of Taxable Property	154-155
Property Tax Rates - Direct and Overlapping Governments	156-157
Principal Property Tax Payers	158-159
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 <i>Government Auditing Standards</i>	162-163
Schedule of Findings and Responses	164-166
OTHER DISCLOSURES	167

**City of Aztec, New Mexico
Official Roster
June 30, 2018**

<u>Name</u>	<u>City Commission</u>	<u>Title</u>
Victor C. Snover		Mayor
Rosalyn A. Fry		Mayor ProTem
Mark E. Lewis		Commissioner
Austin R. Randall		Commissioner
Sherri A. Sipe		Commissioner
Carlton P. Gray		Municipal Judge

Administration

Steve Mueller		Acting City Manager
Karla H. Saylor		City Clerk
Kathy Lamb		Finance Director

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Financial Section

INDEPENDENT AUDITORS' REPORT

Wayne A. Johnson
New Mexico State Auditor
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 of the City of Aztec, New Mexico (the "City"), as of and for the year ended June 30, 2018, 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 auditors' 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 District'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 District'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, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As described in Note 21 to the financial statements, the City adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a cumulative effect of change in accounting principle of (\$3,706,265) to the June 30, 2017 net position for governmental activities and (\$1,415,028) for the business type activities. Our opinions are not modified with respect to this matter.

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 13 through 26, the GASB Required Pension Schedules on pages 88 through 95, the GASB Required Other Post-Employment Benefit Schedules on pages 96 through 97, and the Notes to the Required Supplementary Information on page 98 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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

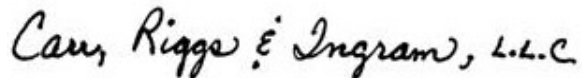
Our audit was conducted for the purpose of forming opinions on the City's financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements, the supporting schedules required by section 2.2.2 NMAC, as listed in the table of contents, and the statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and the supporting schedules 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 nonmajor fund financial statements, and the supporting schedules required by 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 the statistical section 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 December 13, 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 solely 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 effectiveness of the City's 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, LLC
Albuquerque, New Mexico
December 13, 2018



City of Aztec, New Mexico Management's Discussion and Analysis June 30, 2018

As management of the City of Aztec, New Mexico (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018.

Financial Highlights

In June 2015, GASB issued Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other post-employment benefits or OPEB). The City adopted GASB 75 for New Mexico Retiree Health Care Authority (NMRHCA) multiple-employer cost-sharing OPEB plans in which it participates. The financial reporting impact resulted in a restatement of FY 2017 net position from \$61,844,067 to \$56,722,774. Additional disclosures are included in Note 13 and Note 21.

The assets and deferred outflows of resources of the City exceeded its liabilities at the close of June 30, 2018 by \$56,397,037 (*net position*) which represents a .66% decrease from FY 2017 restated net position. Of this amount, \$7,598,144 (*unrestricted net position*) may be used to meet the City's ongoing obligations to its citizens and creditors.

As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$6,198,311, an increase of \$896,732 in comparison with the prior year. Approximately 48.21% of this total fund balance amount (\$2,988,251) is available for spending at the City's discretion (*unassigned fund balance*).

At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of fund balance) for the general fund was \$3,017,947, or approximately 49.22% of total general fund expenditures.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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's financial condition, in a manner similar to a private-sector business. In addition, they report the City's net position and how it has changed during the fiscal year.

City of Aztec, New Mexico
Management's Discussion and Analysis
June 30, 2018

The *statement of net position* presents information on all of the City'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 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).

The government-wide financial statements are divided into two categories:

Governmental Activities – These activities are principally supported by taxes and intergovernmental revenues (*federal and state grants*). Most of the City's basic services are reported here, including general government, public safety, public works, culture and recreation, and health and welfare.

Business-type Activities - The City charges fees to customers to support the cost of certain services it provides. The business-type activities of the City include a joint utility fund comprised of electric, water, and wastewater utilities, solid waste operations, and irrigation operations.

The government-wide financial statements can be found on pages 28 and 31 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.

City of Aztec, New Mexico
Management's Discussion and Analysis
June 30, 2018

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 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 which is considered to be a major fund. Data from the other eleven 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 101 to 105).

The City 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 32 through 37 of this report.

Proprietary funds. The City 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 uses three enterprise funds to account for its electric, water, wastewater, solid waste, and irrigation operations.

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

The basic proprietary fund financial statements can be found on pages 38 through 43 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's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

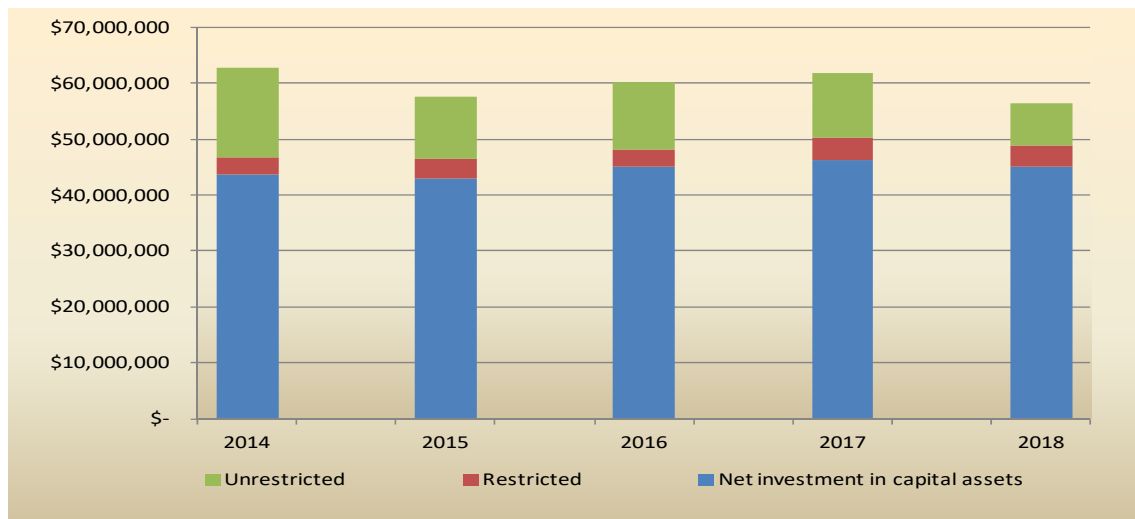
The fiduciary fund statements can be found on page 45 of this report.

City of Aztec, New Mexico Management's Discussion and Analysis June 30, 2018

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 46 through 85 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, assets and deferred outflows of resources exceeded liabilities by \$56,397,037 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's net position (\$45,099,565 or 80%) 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 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'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.

Another portion of the City of Aztec's net position (\$3,699,328 or 6.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,598,144 (13.5%) 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.

City of Aztec, New Mexico
Management's Discussion and Analysis
June 30, 2018

CITY OF AZTEC Net Position

	Governmental Activities		Business-type Activities		Total	
	FY 2018	Restated * FY 2017	FY 2018	Restated * FY 2017	FY 2018	Restated * FY 2017
Current and other assets	\$ 7,597,739	\$ 7,237,637	\$ 17,773,857	\$ 17,894,831	\$ 25,371,596	\$ 25,132,468
Capital assets	24,165,499	25,302,787	30,445,159	30,960,746	54,610,658	56,263,533
Total assets	31,763,238	32,540,424	48,219,016	48,855,577	79,982,254	81,396,001
Deferred outflows of resources	1,344,387	2,326,054	433,011	740,633	1,777,398	3,066,687
Long-term liabilities outstanding	10,738,473	12,943,017	9,349,157	10,387,113	20,087,630	23,330,130
Other liabilities	1,317,384	1,831,552	1,973,501	2,345,642	3,290,885	4,177,194
Total liabilities	12,055,857	14,774,569	11,322,658	12,732,755	23,378,515	27,507,324
Deferred inflows of resources	1,450,087	155,171	534,013	77,419	1,984,100	232,590
Net position:						
Investment in capital assets	20,945,993	21,879,431	24,153,572	24,402,179	45,099,565	46,281,610
Restricted	2,761,172	2,327,719	938,156	938,156	3,699,328	3,265,875
Unrestricted	(4,105,484)	(4,270,412)	11,703,628	11,445,701	7,598,144	7,175,289
Total net position	\$ 19,601,681	\$ 19,936,738	\$ 36,795,356	\$ 36,786,036	\$ 56,397,037	\$ 56,722,774

* FY 2017 restated columns were a result of GASB 75 implementation

CITY OF AZTEC's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Revenues						
Program Revenues:						
Charges for Services	\$ 1,179,486	\$ 1,098,491	\$ 9,918,032	\$ 9,331,967	\$ 11,097,518	\$ 10,430,458
Operating Grants and contributions	504,194	509,528	-	-	504,194	509,528
Capital Grants and contributions	98,903	2,726,499	150,615	401,735	249,518	3,128,234
General Revenues:						
Property Taxes	577,672	723,750	-	-	577,672	723,750
GRT Taxes	3,800,288	3,499,512	79,437	73,203	3,879,725	3,572,715
Other Taxes	812,805	798,931	-	-	812,805	798,931
Other	325,426	444,511	225,783	111,676	551,209	556,187
Total Revenues	7,298,774	9,801,222	10,373,867	9,918,581	17,672,641	19,719,803
Expenses						
General Government	1,865,539	1,770,834	-	-	1,865,539	1,770,834
Public Safety	2,290,949	2,174,181	-	-	2,290,949	2,174,181
Public Works	1,320,015	1,519,726	-	-	1,320,015	1,519,726
Public Health & Welfare	952,236	890,773	-	-	952,236	890,773
Culture & Recreation	1,697,288	1,822,992	-	-	1,697,288	1,822,992
Interest, Long Term Debt	157,804	160,028	-	-	157,804	160,028
Joint Utility			8,959,614	8,869,976	8,959,614	8,869,976
Solid Waste			747,453	722,332	747,453	722,332
Irrigation			7,480	8,088	7,480	8,088
Total Expenses	8,283,831	8,338,534	9,714,547	9,600,396	17,998,378	17,938,930
Increase (decrease) in net position before transfers	(985,057)	1,462,688	659,320	318,185	(325,737)	1,780,873
Transfers	650,000	(120,027)	(650,000)	120,027	-	-
Increase (decrease) in net position	(335,057)	1,342,661	9,320	438,212	(325,737)	1,780,873
Net position – July 1	23,643,003	22,300,342	38,201,064	37,762,852	61,844,067	60,063,194
Restatement –GASB 75	(3,706,265)	-	(1,415,028)	-	(5,121,293)	-
Net position – July 1, as restated	19,936,738	22,300,342	36,786,036	37,762,852	56,722,774	60,063,194
Net position – June 30	\$ 19,601,681	\$ 23,643,003	\$ 36,795,356	\$ 38,201,064	\$ 56,397,037	\$ 61,844,067

City of Aztec, New Mexico
Management's Discussion and Analysis
June 30, 2018

Governmental activities. During the current fiscal year, net position for governmental activities decreased by \$335,057 from the prior fiscal year for an ending balance of \$19,601,681.

Revenues: Revenues in FY 2018 decreased from FY 2017 by 25.5%.

- Gross receipts tax increased by \$300,776 or 8.6%. The increase is primarily due to growth in the retail and health care sectors.
- Property Tax receipts decreased by \$146,078 or 20.2%. This change is the result of a timing issue of the collections and the availability to the City.
- Capital grants (federal) decreased by \$2,627,596 or 96.4% specific to projects for roadway and aviation improvements.

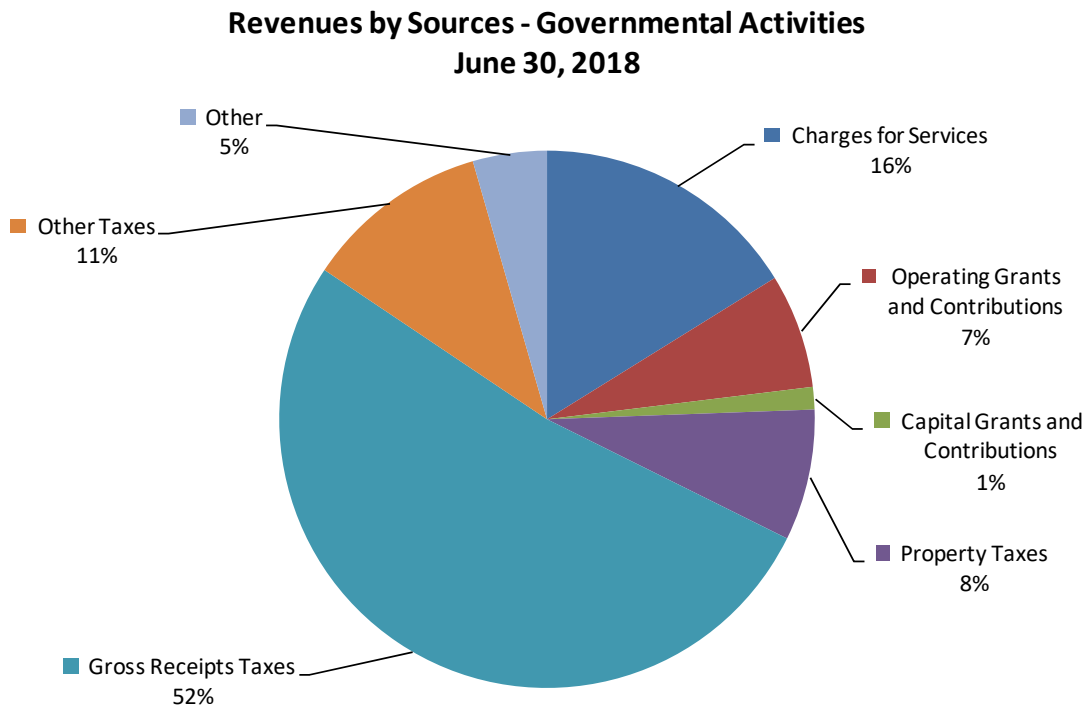
Expenditures decreased \$54,703 or 0.01% from the prior fiscal year. The more significant changes are as follows:

- The City considers its employees to be its most valuable resource in providing service to the citizens of the City. The City reviews annually its pay plan and benefit package in an effort to remain competitive with local employers. During FY 2018, the City provided a 1.3% COLA increase to most positions, not included were elected officials and seasonal positions. The City also reviews all vacant positions and may delay the filling of those positions. Net decrease \$14,992.
- Health insurance premiums increased by 1%; workers comp modifier decreased from 1.07 to 1.03. Net decrease \$15,918.
- Correction Fees paid to San Juan County increased 23.8% due to increased inmate medical costs. Net increase \$19,788.
- Public Safety increases include the purchase of non-capital equipment for law enforcement and fire protection and an increased law enforcement presence at local schools. Net increase \$116,768.
- Public Works experienced changes in supervisory personnel during FY 2018 and reduced costs for equipment maintenance, the result of the addition of a mechanic position. Net decrease \$106,884.
- During FY 2018, an additional part time position was approved for Animal Care and Control. Continuing efforts to improve the health and welfare of the animals resulted in increased medical supplies and services. Net increase \$60,768.

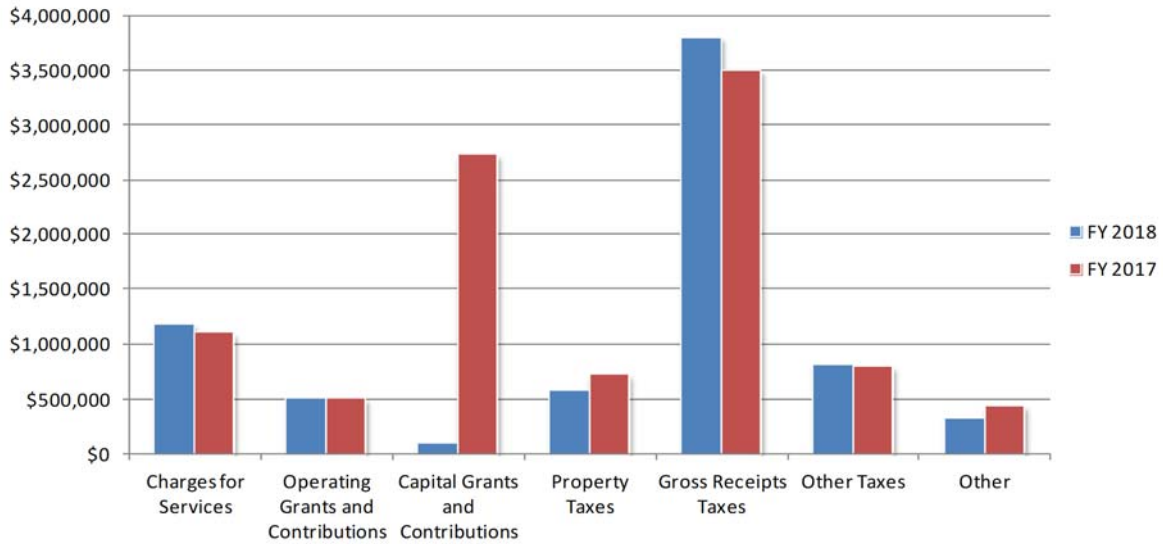
City of Aztec, New Mexico
Management's Discussion and Analysis
June 30, 2018

- The City changed the method in which the daily operations of the Aztec Municipal Golf Course are managed. A contract was issued for the management of the course and the City is no longer involved in the daily operations. Net decrease \$151,193.

The following chart shows the governmental activities by source. Gross receipts taxes provide 52% of the total revenues of the governmental activities. Program revenues including charges for services and grant and contributions provide 23% of the revenues in governmental revenues. Property taxes provided 8% of the revenues for governmental activities.

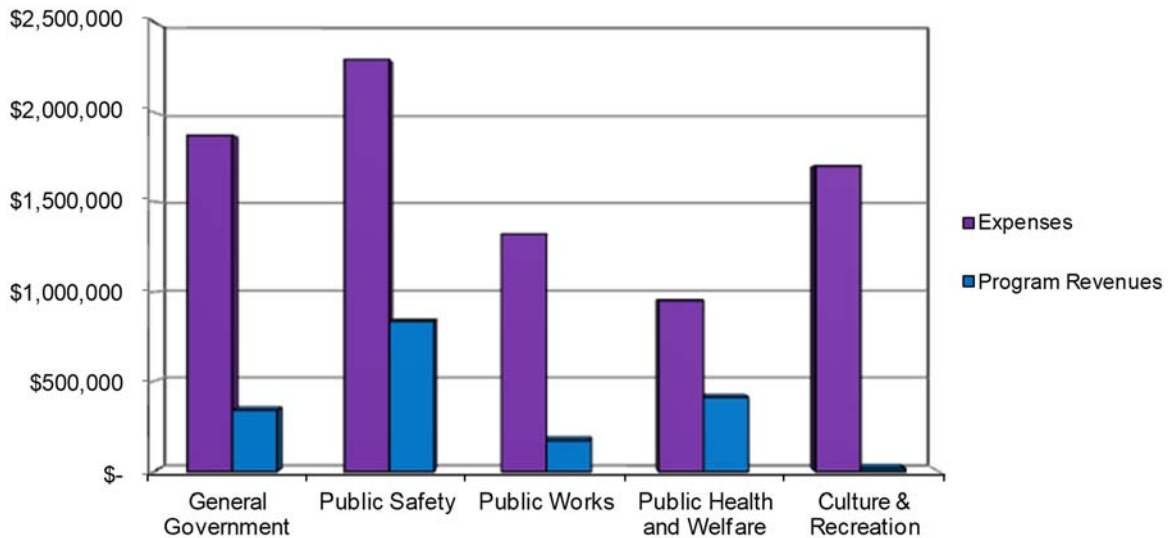


**Revenues by Sources - Governmental Activities
 June 30, 2017 and 2018**



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

**Expenses and Program Revenues
 Governmental Activities**



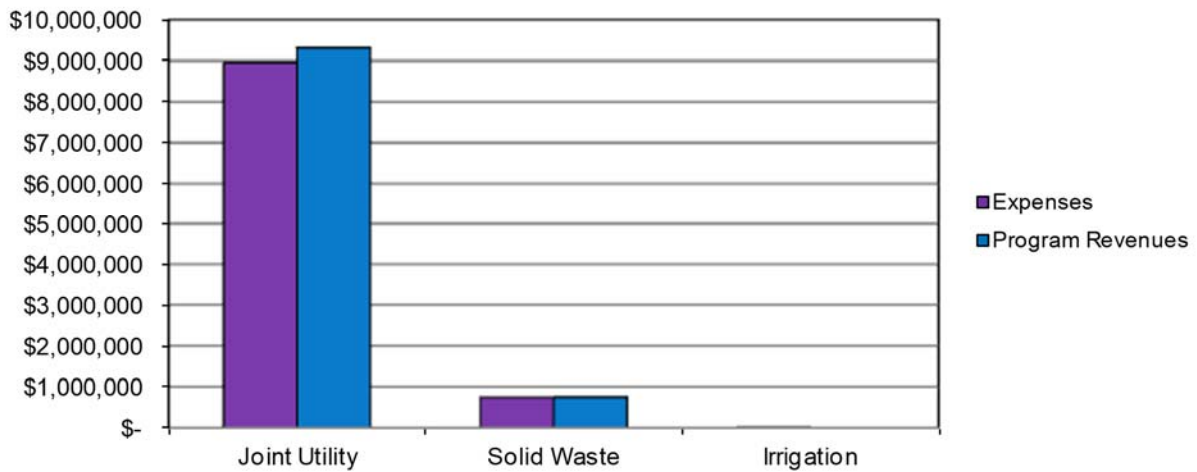
Note: This chart does not include tax revenues which are the primary source for most governmental activities.

City of Aztec, New Mexico
Management's Discussion and Analysis
June 30, 2018

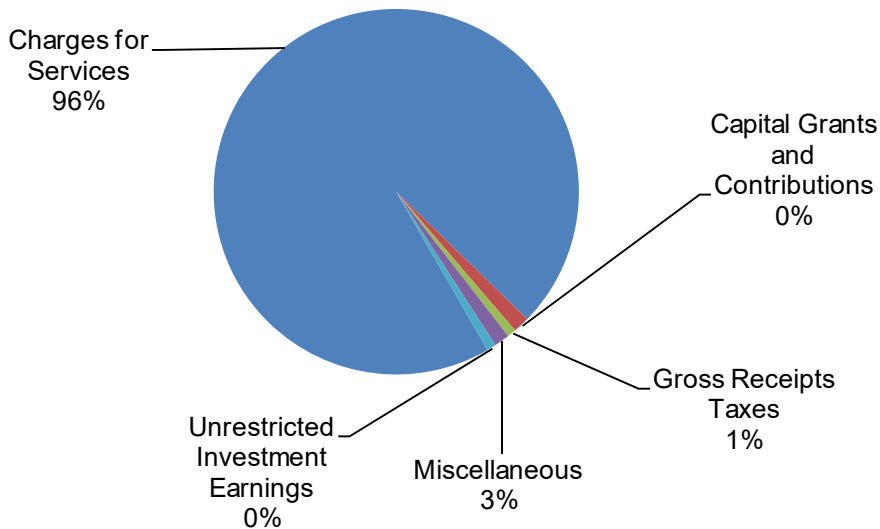
Business-type activities. For the City's business-type activities, the net position ending balance is \$36,795,356 and is an increase of \$9,320 or less than one percent. Key financial elements of the past year are as follows:

Operating expenses are 97.9 percent of revenues, resulting in a \$203,485 in operating gain. Operating transfer from the Joint Utility Fund to General Fund of \$650,000.

Expenses and Program Revenues - Business Type Activities



Revenues by Source - Business Type Activities



City of Aztec, New Mexico
Management's Discussion and Analysis
June 30, 2018

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City'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'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 itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Commission.

As of the June 30, 2018, the City's governmental funds reported combined fund balances of \$6,198,311, an increase of \$896,732 in comparison with the prior year. Approximately 48.2% of this total amount or \$2,988,251 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 (\$25,009), 2) restricted for particular purposes (\$3,062,065) or 3) committed for a particular purpose (\$122,986).

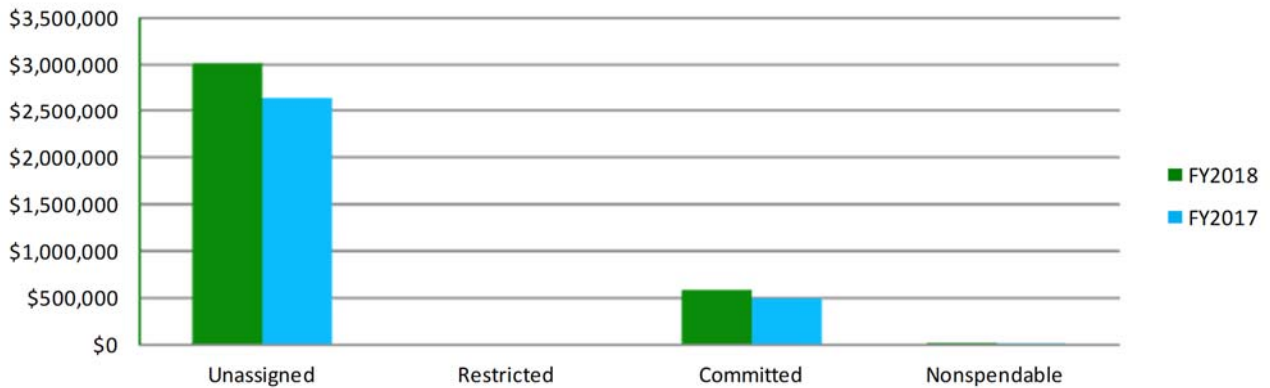
General Fund. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,017,947, while total fund balance increased to \$3,623,087. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 49.2% of total fund expenditures, while total fund balance represents 59.1% of the same amount.

The fund balance of the City's general fund increased \$469,672 or 14.9% during the current fiscal year.

General Fund revenue decreased by \$75,351 or 1.2%.

General Fund expenditures for FY2018 increased \$249,431 (4.2%), compared to FY17. A transfer from the Joint Utility Fund to General Fund, in the amount of \$650,000, was completed during the year.

General Fund Components of Fund Balance June 30, 2017 and 2018



Proprietary funds. The City'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 \$11,575,878, for solid waste \$31,507, and irrigation \$96,243. The total increase in net position for the joint utility fund was \$7,851. The net position for solid waste fund increased \$7,927 and the irrigation fund decreased by \$6,458.

General Fund Budgetary Highlights

Original budget compared to final budget. During the fiscal year, some of the adjustments the City Commission approved to the City's general fund budget included:

Funds for the purchase of property, renovations and operations of the HUB (a small business incubator) in the amount of \$251,000

Increase in donations to Animal Care and Control of \$20,000 and related expenditure increase of \$20,000.

An operating transfer to the Corrections Fund in the amount of \$5,000 due to the increased costs related to the San Juan County Detention Center.

City of Aztec, New Mexico
Management's Discussion and Analysis
June 30, 2018

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	\$ 3,825,464	\$ 4,315,550	\$ 490,086
Intergovernmental	494,293	366,714	(127,579)
Licenses, Fees, Fines	886,655	1,029,386	142,731
Miscellaneous	81,600	239,914	158,314
Transfer In	785,000	650,000	(135,000)
	<u>\$ 6,073,012</u>	<u>\$ 6,601,564</u>	<u>\$ 528,552</u>

Investment earnings exceeded the revenue estimate by \$20,678 (516%), due to increased cash reserves and increasing interest rates.

A review of actual expenditures compared to the appropriations in the final budget yields a positive variance of \$1,260,077, the result of managements continuing efforts in monitoring daily governmental operations.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2018, amounts to \$54,632,720 (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 decrease in capital assets for the current fiscal year was approximately 2.9%. The primary cause of this reduction was due to current year depreciation exceeded the value of new assets added.

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

	Governmental Activities		Business-Type Activities		Total	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Land	\$ 768,366	\$ 741,252	\$ 866,444	\$ 823,343	\$ 1,634,810	\$ 1,564,595
Buildings & System Improvements	5,110,821	5,236,732	27,950,845	24,480,818	33,061,666	29,717,550
Machinery & Equipment	1,814,366	2,053,598	-	-	1,814,366	2,053,598
Infrastructure	2,077,490	2,300,417	1,492,653	1,621,799	3,570,143	3,922,216
Construction in Progress	14,392,406	13,990,016	-	-	14,392,406	13,990,016
	2,050	980,771	135,217	4,034,786	137,267	5,015,557
Total	\$ 24,165,499	\$ 25,302,786	\$ 30,445,159	\$ 30,960,746	\$ 54,610,658	\$ 56,263,532

City of Aztec, New Mexico
Management’s Discussion and Analysis
June 30, 2018

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

- Aviation Tarmac Replacement – complete
- Sewer Interceptor Line Replacement – complete
- Western Drive Reconstruction – complete
- Purchase of property – 119 S Church

Additional information on the City’s capital assets can be found in note 6 on pages 65 through 67 of this report.

The City has commitments at year-end related to ongoing projects in the amount of \$50,858 for governmental activities and \$154,586 for business-type activities. Additional information on the City’s commitments can be found in note 19 on page 83 of this report.

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

City of Aztec Outstanding Debt							
	Governmental Activities		Business-Type Activities		Total		
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	
NMFA – Library	\$274,746	\$ 403,650	-	-	\$ 274,746	\$ 403,650	
NMFA – Capital Projects	2,839,980	2,897,024	-	-	2,839,980	2,897,024	
NMED – CWSRF 009R	-	-	2,966,785	3,233,766	2,966,785	3,233,766	
NMED – CWSRF021	-	-	3,324,802	3,324,802	3,324,802	3,324,802	
Capital Lease	104,780	122,682			104,780	122,682	
Total	\$ 3,219,506	\$ 3,423,356	\$ 6,291,587	\$ 6,558,568	\$ 9,511,093	\$ 9,981,924	

Additional information on the City’s long-term debt can be found in note 7 on pages 67 through 70 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 2018 assessed valuation of \$128,135,156, the City’s general obligation debt limit is \$5,125,406. The City presently has no general obligation bonds outstanding.

The City has finalized a long term agreement with New Mexico Environment Department (NMED) for a Clean Water State Revolving Fund loan (CWSRF021) in the amount of \$3,324,802, for 30 years with an interest rate of 1.2 percent, secured by Joint Utility net revenues. Debt service payments will begin in January 2019.



City of Aztec, New Mexico
Management's Discussion and Analysis
June 30, 2018

The City refinanced a long term agreement with NMED (CWSRF009R) in March 2018, reducing the interest rate to 1.2 percent on the balance of the loan \$3,233,766. The maturity date remains at June 2029 and the debt is secured by Joint Utility net revenues.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City and were considered in developing the 2018-2019 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 2018-2019.

Personnel expenditures will include a COLA increase.

During the current fiscal year, the unassigned fund balance in the general fund was \$3,017,947. The City has appropriated \$1,756,731 of this amount for spending in the 2018-2019 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

City of Aztec, New Mexico
Statement of Net Position
June 30, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets			
Cash and cash equivalents	\$ 2,235,809	\$ 1,312,138	\$ 3,547,947
Investments	3,107,958	10,652,160	13,760,118
Receivables			
Taxes	1,534,532	-	1,534,532
Utility receivables, net	-	1,169,740	1,169,740
Due from other governments	129,454	-	129,454
Other	169,364	55,066	224,430
Inventory	-	1,426,605	1,426,605
Prepaid expenses	25,009	1,630,420	1,655,429
Internal balances	(135,000)	135,000	-
Total current assets	7,067,126	16,381,129	23,448,255
Noncurrent assets			
Restricted cash and cash equivalents	69,859	950,728	1,020,587
Restricted investments	460,754	442,000	902,754
Capital assets	44,168,212	53,300,565	97,468,777
Less: accumulated depreciation	(20,002,713)	(22,855,406)	(42,858,119)
Total noncurrent assets	24,696,112	31,837,887	56,533,999
Total assets	31,763,238	48,219,016	79,982,254
Deferred outflows of resources			
Deferred outflows related to pension liability	1,286,814	411,030	1,697,844
Deferred outflows related to OPEB liability	57,573	21,981	79,554
Total deferred outflows of resources	1,344,387	433,011	1,777,398
Total assets and deferred outflows of resources	\$ 33,107,625	\$ 48,652,027	\$ 81,759,652

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

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Liabilities			
Current liabilities			
Accounts payable	\$ 431,585	\$ 918,196	\$ 1,349,781
Accrued payroll	168,955	85,896	254,851
Accrued compensated absences	438,241	144,532	582,773
Other accrued liabilities	62,930	3,309	66,239
Customer deposits payable	2,320	454,572	456,892
Unearned revenue	1,915	-	1,915
Accrued interest	-	19,087	19,087
Current portion of capital leases	18,718	-	18,718
Current portion of long-term debt	192,720	347,909	540,629
Total current liabilities	1,317,384	1,973,501	3,290,885
Noncurrent liabilities			
Accrued compensated absences	63,747	572	64,319
Capital leases payable	86,062	-	86,062
Notes payable	2,922,006	5,943,678	8,865,684
Net pension liability	4,546,486	2,213,646	6,760,132
Net OPEB liability	3,120,172	1,191,261	4,311,433
Total noncurrent liabilities	10,738,473	9,349,157	20,087,630
Total liabilities	12,055,857	11,322,658	23,378,515
Deferred inflows of resources			
Deferred inflows related to pension liability	739,943	262,885	1,002,828
Deferred inflows related to OPEB liability	710,144	271,128	981,272
Total deferred inflows of resources	1,450,087	534,013	1,984,100
Net Position			
Net investment in capital assets	20,945,993	24,153,572	45,099,565
Restricted for:			
Debt service	315,793	496,156	811,949
Capital projects	1,009,339	-	1,009,339
Special revenue	1,436,040	-	1,436,040
Repair and replacement	-	442,000	442,000
Unrestricted	(4,105,484)	11,703,628	7,598,144
Total net position	19,601,681	36,795,356	56,397,037
Total liabilities, deferred inflows of resources and net position	\$ 33,107,625	\$ 48,652,027	\$ 81,759,652

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

City of Aztec, New Mexico
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
General government	\$ 1,865,539	\$ 86,961	\$ 254,792	\$ -
Public safety	2,290,949	592,718	246,538	-
Public works	1,320,015	74,512	-	98,903
Culture and recreation	1,697,288	17,307	-	-
Health and welfare	952,236	407,988	2,864	-
Interest on long-term debt	157,804	-	-	-
Total governmental activities	8,283,831	1,179,486	504,194	98,903
Business-type Activities:				
Joint Utility	8,959,614	9,164,051	-	150,615
Solid Waste	747,453	753,981	-	-
Irrigation Assessment	7,480	-	-	-
Total business-type activities	9,714,547	9,918,032	-	150,615
Total primary government	\$ 17,998,378	\$ 11,097,518	\$ 504,194	\$ 249,518

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

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning, as originally stated

Net position, Restatement (Note 21)

Net position, beginning, as restated

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental	Business-type	Total
Activities	Activities	
\$ (1,523,786)	\$ -	\$ (1,523,786)
(1,451,693)	-	(1,451,693)
(1,146,600)	-	(1,146,600)
(1,679,981)	-	(1,679,981)
(541,384)	-	(541,384)
(157,804)	-	(157,804)
(6,501,248)	-	(6,501,248)
-	355,052	355,052
-	6,528	6,528
-	(7,480)	(7,480)
-	354,100	354,100
(6,501,248)	354,100	(6,147,148)
577,672	-	577,672
3,800,288	79,437	3,879,725
207,870	-	207,870
156,919	-	156,919
448,016	-	448,016
52,378	143,144	195,522
273,048	82,639	355,687
650,000	(650,000)	-
6,166,191	(344,780)	5,821,411
(335,057)	9,320	(325,737)
23,643,003	38,201,064	61,844,067
(3,706,265)	(1,415,028)	(5,121,293)
19,936,738	36,786,036	56,722,774
\$ 19,601,681	\$ 36,795,356	\$ 56,397,037

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

City of Aztec, New Mexico
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,391,781	\$ 844,028	\$ 2,235,809
Investments	1,862,224	1,245,734	3,107,958
Receivables	1,643,955	189,395	1,833,350
Prepaid assets	20,444	4,565	25,009
Restricted cash and cash equivalents	3,380	66,479	69,859
Restricted investments	-	460,754	460,754
Total assets	\$ 4,921,784	\$ 2,810,955	\$ 7,732,739
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	195,854	235,731	\$ 431,585
Accrued payroll	168,955	-	168,955
Unearned revenue	1,915	-	1,915
Other accrued liabilities	62,930	-	62,930
Customer deposits	2,320	-	2,320
Due to other funds	135,000	-	135,000
Total liabilities	566,974	235,731	802,705
Deferred inflows of resources			
Unavailable revenue - property taxes	731,723	-	731,723
Total deferred inflows of resources	731,723	-	731,723
Fund balances			
Nonspendable:			
Prepaid assets	20,444	4,565	25,009
Restricted for:			
Minimum fund balance	584,696	-	584,696
Capital projects	-	1,139,184	1,139,184
Public safety	-	206,435	206,435
Public works	-	1,047,192	1,047,192
Culture and recreation	-	84,558	84,558
Committed to:			
Economic development	-	115,129	115,129
Culture and Recreation	-	7,857	7,857
Unassigned (deficit)	3,017,947	(29,696)	2,988,251
Total fund balances	3,623,087	2,575,224	6,198,311
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,921,784	\$ 2,810,955	\$ 7,732,739

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

City of Aztec, New Mexico
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position
June 30, 2018

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

Fund balances - total governmental funds	\$	6,198,311
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		24,165,499
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		731,723
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds:		
Deferred outflows of resources - related to pension liability		1,286,814
Deferred outflows of resources - related to OPEB liability		57,573
Deferred inflows of resources - related to pension liability		(739,943)
Deferred inflows of resources - related to OPEB liability		(710,144)
Some liabilities, including notes payable, capital leases, accrued compensated absences, net pension liability and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(501,988)
Capital leases payable		(104,780)
Notes payable		(3,114,726)
Net pension liability		(4,546,486)
Net OPEB liability		(3,120,172)
Total net position of governmental activities	\$	19,601,681

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

City of Aztec, New Mexico
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 560,480	\$ -	\$ 560,480
Gross receipts	3,164,724	635,564	3,800,288
Gasoline and motor vehicle	37,295	170,575	207,870
Other taxes	105,035	51,884	156,919
Payment in lieu of tax	448,016	-	448,016
Intergovernmental:			
Federal operating grants	1,450	-	1,450
State operating grants	266,361	236,383	502,744
State capital grants	98,903	-	98,903
Charges for services	111,983	71,093	183,076
Licences and Fees	917,403	79,008	996,411
Investment income	24,678	27,700	52,378
Miscellaneous	239,914	3,133	243,047
Total revenues	5,976,242	1,275,340	7,251,582
Expenditures			
Current:			
General government	1,499,939	166,734	1,666,673
Public safety	1,795,680	144,398	1,940,078
Public works	489,126	69,288	558,414
Culture and recreation	980,515	-	980,515
Health and welfare	898,586	-	898,586
Capital outlay	444,684	184,250	628,934
Debt service:			
Principal	17,898	185,948	203,846
Interest	5,142	152,662	157,804
Total expenditures	6,131,570	903,280	7,034,850
Excess (deficiency) of revenues over expenditures	(155,328)	372,060	216,732
Other financing sources (uses)			
Proceeds from sale of capital assets	30,000	-	30,000
Transfers in	650,000	55,000	705,000
Transfers out	(55,000)	-	(55,000)
Total other financing sources (uses)	625,000	55,000	680,000
Net change in fund balance	469,672	427,060	896,732
Fund balance - beginning of year	3,153,415	2,148,164	5,301,579
Fund balance - end of year	\$ 3,623,087	\$ 2,575,224	\$ 6,198,311

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

City of Aztec, New Mexico

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds	\$	896,732
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay		628,934
Depreciation expense		(1,765,478)

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

Loss of disposition of capital assets		(744)
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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		17,192
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Governmental funds report City pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense:

City pension contributions		297,510
Pension expense		(531,110)
City OPEB contributions		57,573
OPEB expense		(124,051)

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

Increase in accrued compensated absences		(15,465)
Principal payments on capital lease payable		17,902
Principal payments on loans payable		185,948

Change in net position of governmental activities	\$	(335,057)
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The accompanying notes are an integral part of these financial statements.

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City of Aztec, New Mexico
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Budgetary Basis) and Actual - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes:				
Property	\$ 633,162	\$ 633,162	\$ 560,480	\$ (72,682)
Gross receipts	2,620,594	2,620,594	3,164,724	544,130
Gasoline and motor vehicle	34,080	34,080	37,295	3,215
Other	90,500	90,500	105,035	14,535
Payment in lieu of tax	447,128	447,128	448,016	888
Intergovernmental income:				
Federal operating grant	750	750	1,450	700
State operating grant	182,227	245,807	266,361	20,554
State capital grant	193,700	247,736	98,903	(148,833)
Charges for services	110,235	110,235	111,983	1,748
Licenses and fees	776,420	776,420	917,403	140,983
Investment income	4,000	4,000	24,678	20,678
Miscellaneous	38,600	81,600	239,914	158,314
Total revenues	5,131,396	5,292,012	5,976,242	684,230
Expenditures				
Current:				
General government	1,935,247	1,965,435	1,499,939	465,496
Public safety	1,970,073	1,885,973	1,795,680	90,293
Public works	752,572	760,593	489,126	271,467
Culture and recreation	1,201,302	1,222,372	980,515	241,857
Health and welfare	892,298	942,178	898,586	43,592
Capital outlay	193,700	602,602	444,684	157,918
Debt Service:				
Principal	16,825	12,494	17,898	(5,404)
Interest	-	-	5,142	(5,142)
Total expenditures	6,962,017	7,391,647	6,131,570	1,260,077
Excess (deficiency) of revenues				
over expenditures	(1,830,621)	(2,099,635)	(155,328)	1,944,307
Other financing sources (uses)				
Required fund balance (budgeted increase)	1,130,621	1,369,635	-	(1,369,635)
Proceeds from sale of capital assets	-	-	30,000	30,000
Transfers in	750,000	785,000	650,000	(135,000)
Transfers out	(50,000)	(55,000)	(55,000)	-
Total other financing sources (uses)	1,830,621	2,099,635	625,000	(1,474,635)
Net change in fund balance	-	-	469,672	469,672
Fund balance - beginning of year	-	-	3,153,415	3,153,415
Fund balance - end of year	\$ -	\$ -	\$ 3,623,087	\$ 3,623,087

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

City of Aztec, New Mexico
Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Funds		Total
	Joint Utility	Non-Major Enterprise Funds	
Assets			
Current assets			
Cash and cash equivalents	\$ 1,228,847	\$ 83,291	\$ 1,312,138
Investments	10,540,562	111,598	10,652,160
Utility receivables, net	1,110,877	58,863	1,169,740
Other	55,066	-	55,066
Inventory	1,426,605	-	1,426,605
Prepaid expenses	1,630,391	29	1,630,420
Due from other funds	135,000	-	135,000
Total current assets	16,127,348	253,781	16,381,129
Noncurrent assets			
Restricted cash and cash equivalents	950,717	11	950,728
Restricted investments	442,000	-	442,000
Capital assets	53,046,133	254,432	53,300,565
Less: accumulated depreciation	(22,699,326)	(156,080)	(22,855,406)
Total noncurrent assets	31,739,524	98,363	31,837,887
Total assets	47,866,872	352,144	48,219,016
Deferred outflows of resources			
Deferred outflow related to pension liability	404,946	6,084	411,030
Deferred outflow related to OPEB liability	21,616	365	21,981
Total deferred outflows of resources	426,562	6,449	433,011
Total assets and deferred outflows of resources	\$ 48,293,434	\$ 358,593	\$ 48,652,027

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

	Enterprise Funds		Total
	Joint Utility	Non-Major Enterprise Funds	
Liabilities			
Current liabilities			
Accounts payable	\$ 854,879	\$ 63,317	\$ 918,196
Accrued payroll	84,992	904	85,896
Accrued compensated absences	144,091	441	144,532
Other accrued liabilities	-	3,309	3,309
Meter deposits payable	454,561	11	454,572
Accrued interest	19,087	-	19,087
Current portion of notes payable	347,909	-	347,909
Total current liabilities	1,905,519	67,982	1,973,501
Noncurrent liabilities			
Accrued compensated absences	-	572	572
Notes payable	5,943,678	-	5,943,678
Net pension liability	2,178,383	35,263	2,213,646
Net OPEB liability	1,171,480	19,781	1,191,261
Total noncurrent liabilities	9,293,541	55,616	9,349,157
Total liabilities	11,199,060	123,598	11,322,658
Deferred inflows of resources			
Deferred inflows related to pension liability	258,494	4,391	262,885
Deferred inflows related to OPEB liability	266,626	4,502	271,128
Total deferred inflows of resources	525,120	8,893	534,013
Net position			
Net investment in capital assets	24,055,220	98,352	24,153,572
Restricted for:			
Debt service	496,156	-	496,156
Repair and replacement	442,000	-	442,000
Unrestricted	11,575,878	127,750	11,703,628
Total net position	36,569,254	226,102	36,795,356
Total liabilities, deferred inflows of resources, and net position	\$ 48,293,434	\$ 358,593	\$ 48,652,027

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

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City of Aztec, New Mexico
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds		
	Joint Utility	Non-Major Enterprise Funds	Total
Operating revenues			
Charges for services	\$ 9,164,051	\$ 748,973	\$ 9,913,024
Other fees	-	5,008	5,008
Total operating revenues	9,164,051	753,981	9,918,032
Operating expenses			
Personnel services	1,646,694	27,858	1,674,552
Utilities	355,296	-	355,296
Contractual Services	88,257	703,171	791,428
Supplies and purchased power	2,501,358	379	2,501,737
Other costs	1,884,161	14,959	1,899,120
Miscellaneous	265,263	-	265,263
Depreciation expense	1,984,543	8,059	1,992,602
Insurance expense	38,438	507	38,945
Total operating expenses	8,764,010	754,933	9,518,943
Operating income (loss)	400,041	(952)	399,089
Non-operating revenues (expenses)			
Gross receipts taxes	79,437	-	79,437
Interest expense	(85,406)	-	(85,406)
Investment income	141,178	1,966	143,144
Disposal of assets	(110,198)	-	(110,198)
Miscellaneous income	82,184	455	82,639
Total non-operating revenues (expenses)	107,195	2,421	109,616
Income (loss) before contributions and transfers	507,236	1,469	508,705
Capital grants	150,615	-	150,615
Transfers out	(650,000)	-	(650,000)
Change in net position	7,851	1,469	9,320
Net position, beginning, as originally stated	37,952,934	248,130	38,201,064
Net position, Restatement (Note 21)	(1,391,531)	(23,497)	(1,415,028)
Net position, beginning, as restated	36,561,403	224,633	36,786,036
Net position, ending	\$ 36,569,254	\$ 226,102	\$ 36,795,356

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

City of Aztec, New Mexico
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds		Total
	Joint Utility	Non-Major Enterprise Funds	
Cash flows from operating activities			
Cash received from user charges and others	\$ 9,048,723	\$ 745,176	\$ 9,793,899
Cash payments to employees for services	(1,542,189)	(25,368)	(1,567,557)
Cash payments to suppliers for goods and services	(5,295,329)	(714,554)	(6,009,883)
Net cash provided by operating activities	2,211,205	5,254	2,216,459
Cash flows from noncapital financing activities			
Gross receipts taxes	79,437	-	79,437
Miscellaneous income	1,270,681	455	1,271,136
Transfers and interfund activity	(785,536)	-	(785,536)
Net cash provided by noncapital financing activities	564,582	455	565,037
Cash flows from investing activities			
Reclassification from cash to investments	(10,982,562)	43,625	(10,938,937)
Interest on investments	141,178	1,966	143,144
Net cash provided (used) by investing activities	(10,841,384)	45,591	(10,795,793)
Cash flows from capital and related financing activities			
Acquisition of capital assets	(1,587,213)	-	(1,587,213)
Capital grants	150,615	-	150,615
Interest paid	(88,963)	-	(88,963)
Principal payments on bonds, loans, and notes payable	(266,980)	-	(266,980)
Net cash (used) by capital and related financing activities	(1,792,541)	-	(1,792,541)
Net increase/(decrease) in cash and cash equivalents	(9,858,138)	51,300	(9,806,838)
Cash and cash equivalents - beginning of year	12,037,702	32,002	12,069,704
Cash and cash equivalents - end of year	\$ 2,179,564	\$ 83,302	\$ 2,262,866

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

	Enterprise Funds		Total
	Joint Utility	Non-Major Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 400,041	\$ (952)	\$ 399,089
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,984,543	8,059	1,992,602
Noncash pension/OPEB expense	95,170	1,987	97,157
Changes in assets, liabilities and deferred outflows of resources:			
Utilities receivables, net	(99,436)	(8,805)	(108,241)
Inventory	(38,797)	-	(38,797)
Prepaid expenses	347,179	(29)	347,150
Deferred outflows - subsequent contributions	2,626	(314)	2,312
Accounts payable	(470,938)	1,182	(469,756)
Accrued payroll	17,364	(86)	17,278
Accrued compensated absences	(10,655)	903	(9,752)
Other accrued liabilities	-	3,309	3,309
Unearned revenue	(24,603)	-	(24,603)
Meter deposits payable	8,711	-	8,711
Net cash provided by operating activities	\$ 2,211,205	\$ 5,254	\$ 2,216,459

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

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City of Aztec, New Mexico
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

Assets	
Cash	\$ 7,436
<hr/>	
Total assets	\$ 7,436
<hr/> <hr/>	
Liabilities	
Deposits held for others	\$ 7,436
<hr/>	
Total liabilities	\$ 7,436
<hr/> <hr/>	

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Aztec (the City), which was incorporated in 1905, 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. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

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.

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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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.

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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 City reports the following proprietary fund as a major fund:

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

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.

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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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, 2018, the City's money that is with the New Mexico Finance Authority is subject to valuation.

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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

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 10th and April 10th 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. The City had no tax abatements requiring separate disclosure under GASB Statement No. 77.

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: 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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

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 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.

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

Prepaid expense: 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 amortized each year of the contract is the net savings by month, which is based upon the kilowatt hours used.

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 items, changes in proportion \$63,672, changes of assumptions \$338,841, difference between expected and actual experience \$309,049, net difference between projected and actual earnings of \$551,575, and employer contributions subsequent to measurement date in the amount of \$434,707 are reported on the Statement of Net Position. In addition, the City has one type of this item present on the Statement of Net Position, which arises due to the implementation of GASB Statement No. 75 and the related OPEB liability. Accordingly, the item, employer contributions subsequent to measurement date in the amount of \$79,554 is reported on the Statement of Net Position. These amounts will be deferred and recognized as outflows of resources the appropriate subsequent periods.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

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)

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.

The City has recorded \$731,723 related to property taxes considered “unavailable”. In addition, the City has four types of items that qualify for reporting in this category in both the governmental and business-type activities, which arise due to the implementation of GASB Statement No. 68 and the related net pension liability. Accordingly, the items, change in assumptions of \$96,022, changes in proportion of \$79,845, differences between expected and actual experience of \$620,877, and employer contributions subsequent to measurement date in the amount of \$206,084 are reported on the Statement of Net Position. These amounts are deferred and amortized into pension expense in future periods. Additionally, the City has three types of items that qualify for reporting in this category in both the governmental and business-type activities, which arise due to the implementation of GASB Statement No. 75 and the related OPEB liability. Accordingly, the items, changes in assumption \$753,798, differences between expected and actuarial experience \$165,450, and net difference between projected and actual investment earnings \$62,024 are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

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)

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments 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 \$25,009 in nonspendable fund balance at June 30, 2018.

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 \$3,062,065 in restricted fund balances at June 30, 2018.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

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)

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 expenditures as required by the DFA – LGD. At June 30, 2018, the City reported \$584,696 in minimum fund balance. The City also has committed fund balances for economic development and culture and recreation in the amount of \$115,129 and \$7,857 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, 2018.

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 \$2,988,251 in unassigned fund balances at June 30, 2018.

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 \$584,696 at June 30, 2018.

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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

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)

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

Net Investment in Capital Asset – 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.

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 51, 103 and 109.

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 and associated deferred outflows and deferred inflows, net OPEB liability and associated deferred outflows and deferred inflows, 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.

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 fund types of the City.

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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

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, 2018.

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.

All of the City's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposits out-of-state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in-state.

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, 2018, \$7,131,518 of the City's bank balance of \$7,881,518 was subject to custodial credit risk. \$5,641,000 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name and \$1,490,518 of the City's deposits was uninsured and uncollateralized at June 30, 2018.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

	Citizens Bank	Vectra Bank	Total
Amount of deposits	\$ 7,131,518	\$ 750,000	\$ 7,881,518
FDIC coverage	(500,000)	(250,000)	(750,000)
Total uninsured public funds	6,631,518	500,000	7,131,518
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	5,141,000	500,000	5,641,000
Uninsured and uncollateralized	\$ 1,490,518	\$ -	\$ 1,490,518
Collateral requirement (50%)	\$ 3,315,759	\$ 250,000	\$ 3,565,759
Pledged securities	5,141,000	724,650	5,865,650
Over (under) collateralized	\$ 1,825,241	\$ 474,650	\$ 2,299,891

The collateral pledged is listed on the Schedule of Collateral Pledged by Depository for Public Funds. 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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

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:

Cash and cash equivalents, Statement of Net Position	\$ 3,547,947
Investments, Statement of Net Position	13,760,118
Restricted cash and cash equivalents, Statement of Net Position	1,020,587
Restricted investments, Statement of Net Position	902,754
Agency funds cash and cash equivalents, Statement of Fiduciary Assets and Liabilities	7,436
<hr/>	
Total cash and cash equivalents and investments	19,238,842
Plus: outstanding checks	51,318
Less: outstanding deposits	(6,241)
Less: cash and investments with NMFA	(522,989)
Less: New MexiGROW LGIP	(10,876,867)
Less: petty cash	(2,545)
<hr/>	
Bank balance of deposits	\$ 7,881,518
<hr/>	

Investments

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at amortized cost. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

In addition, the City has investments, which are considered restricted held in U.S. Treasury Notes at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) loans.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

The City's investments at June 30, 2018 were as follows:

Investment Type	Weighted Average Maturities	Fair Value	Rating**
	100 day - WAM (F)		
New MexiGROW LGIP	50 day - WAM (R)	\$ 10,876,867	AAAm
U.S. Treasury Notes	<1 year	522,989	AA+
		\$ 11,399,856	

** Based on Standard & Poor's rating

In addition, to the investments noted above, there are \$3,263,016 of certificates of deposits that are greater than 90 days and therefore are considered investments in the Statement of Net Position.

Credit Risk-Investments. With respect to credit risk, the LGIP is rated AAAm by Standard & Poor's. Therefore, the LGIP reports AAAm for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

Concentration Risk-Investments. GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as LGIP, are excluded from the requirement of disclosing concentration of credit risk.

Foreign Currency Risk-Investments. GASB Statement No. 40 defines foreign currency risk as the potential that changes in exchange rates may adversely affect the fair value of an investment or deposit. The LGIP does not have foreign currency risk as all investments are denominated in US dollars.

Interest Rate Risk-Investments. GASB Statement No. 40 defines interest rate risk as the potential that interest rate changes may adversely affect the fair value of an investment.

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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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.

U.S. Treasury Money Market Mutual Funds are valued at the daily closing price as reported by the fund. These investments held by the City are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the City are deemed to be actively traded.

The City's investment of \$10,876,867 with the *New MexiGROW LGIP* is valued at amortized cost.

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 City maintained a balance of \$522,989 in investments at June 30, 2018, which required fair value disclosure. The following table sets forth by level within the fair value hierarchy, the City's assets at fair value as of June 30, 2018:

	Total	Fair Value Measurement Inputs		
		Level 1	Level 2	Level 3
U.S. Treasury Money Market Mutual Fund	\$ 522,989	\$ 522,989	\$ -	\$ -
Total investments	\$ 522,989	\$ 522,989	\$ -	\$ -

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 4: RECEIVABLES

Receivables as of June 30, 2018, are as follows:

	General Fund	Non-Major Governmental Funds	Total
Property taxes	\$ 759,069	\$ -	\$ 759,069
Gross receipts taxes	549,016	108,242	657,258
Gasoline and oil taxes	-	28,398	28,398
Franchise and lodgers taxes	38,535	51,272	89,807
Miscellaneous	21,136	1,083	22,219
Charges for services	144,320	-	144,320
Court fees	2,425	400	2,825
Intergovernmental-grants:			
State	124,613	-	124,613
Federal	4,841	-	4,841
Totals	1,643,955	189,395	1,833,350

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 \$731,723 for the City for the year ended June 30, 2018.

Proprietary fund receivables as of June 30, 2018, are as follows:

	Joint Utility Fund	Non-Major Enterprise Funds	Total
Utility receivables	\$ 1,334,396	\$ 84,061	\$ 1,418,457
Less: Allowances	(223,519)	(25,198)	(248,717)
Other receivables:			
Gross receipts taxes	13,528	-	13,528
Miscellaneous	41,538	-	41,538
Totals	\$ 1,165,943	\$ 58,863	\$ 1,224,806

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 5: TRANSFERS AND INTERFUND RECEIVABLES

Operating transfers were made to supplement other funding sources, as follows:

Transfers In	Transfers Out	
Local Government Correction Fund	General Fund	\$ 25,000
Airport Fund	General Fund	30,000
General Fund	Joint Utility Fund	650,000
		<u>\$ 705,000</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, 2018 is as follows:

Due From	Due To	
Joint Utility Fund	General Fund	135,000
		<u>\$ 135,000</u>

The City purchased land and a building with money that was borrowed from the Joint Utility Fund. The City is still in the process of determining when repayment will occur.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 6: CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land and construction in progress are not subject to depreciation.

	Balance					Balance
	June 30, 2017	Additions	Deletions	Transfers		June 30, 2018
Capital assets not being depreciated:						
Land	\$ 741,252	\$ 27,114	\$ -	\$ -		\$ 768,366
Construction in progress	980,771	2,050	-	(980,771)		2,050
Total capital assets not being depreciated	1,722,023	29,164	-	(980,771)		770,416
Capital assets being depreciated:						
Buildings	8,925,003	176,957	(4,527)	-		9,097,433
Improvements	4,049,175	42,213	(18,540)	925		4,073,773
Machinery and equipment	7,042,399	128,630	(597,081)	(10,918)		6,563,030
Infrastructure	22,431,744	251,970	-	979,846		23,663,560
Total capital assets being depreciated	42,448,321	599,770	(620,148)	969,853		43,397,796
Total capital assets	44,170,344	628,934	(620,148)	(10,918)		44,168,212
Accumulated depreciation:						
Buildings	(3,688,270)	(302,125)	3,783	-		(3,986,612)
Improvements	(1,995,577)	(282,370)	18,540	-		(2,259,407)
Machinery and equipment	(4,741,982)	(351,557)	597,081	10,918		(4,485,540)
Infrastructure	(8,441,728)	(829,426)	-	-		(9,271,154)
Total accumulated depreciation	(18,867,557)	(1,765,478)	619,404	10,918		(20,002,713)
Net capital assets	\$ 25,302,787	\$ (1,136,544)	\$ (744)	\$ -		\$ 24,165,499

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 6: CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

General government	\$	72,941
Public safety		203,611
Public works		760,452
Public health and welfare		38,292
Culture and recreation		690,182
Total	\$	1,765,478

Business-Type Activities:

	Balance June 30, 2017	Additions	Deletions	Transfers	Adjustments/ Reclassification	Balance June 30, 2018
Capital assets not being depreciated:						
Land & Water Rights	\$ 823,343	\$ -	\$ -	\$ 43,101	\$ -	\$ 866,444
Construction in progress	4,034,786	114,850	-	(4,014,419)	-	135,217
Total capital assets not being depreciated	4,858,129	114,850	-	(3,971,318)	-	1,001,661
Capital assets being depreciated:						
Building and systems	42,522,384	1,348,336	(247,168)	3,971,318	(17,094)	47,577,776
Machinery and equipment	4,864,244	146,088	(287,976)	-	(1,230)	4,721,126
Total capital assets being depreciated	47,386,628	1,494,424	(535,144)	3,971,318	(18,324)	52,298,902
Total capital assets	52,244,757	1,609,274	(535,144)	-	(18,324)	53,300,563
Accumulated depreciation:						
Building and systems	(18,041,566)	(1,741,306)	162,741	-	(6,800)	(19,626,931)
Machinery and equipment	(3,242,445)	(251,296)	262,206	-	3,062	(3,228,473)
Total accumulated depreciation	(21,284,011)	(1,992,602)	424,947	-	(3,738)	(22,855,404)
Net capital assets	\$ 30,960,746	\$ (383,328)	\$ (110,197)	\$ -	\$ (22,062)	\$ 30,445,159

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 6: CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2018 was charged to business-type activities as follows:

Joint Utility	\$	1,984,543
Solid Waste		789
Irrigation assessment		7,270
Total	\$	1,992,602

NOTE 7: LONG-TERM LIABILITIES

Governmental Activities

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the Statement of Net Position:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Notes Payable:					
NMFA Public Library	\$ 403,650	\$ -	\$ 128,904	\$ 274,746	\$ 134,435
NMFA Capital Improvements	2,897,024	-	57,044	2,839,980	58,285
Capital Leases	122,682	-	17,902	104,780	18,718
Total Notes Payable	3,423,356	-	203,850	3,219,506	211,438
Compensated Absences					
	486,523	453,706	438,241	501,988	438,241
Total Long-term liabilities	\$ 3,909,879	\$ 453,706	\$ 642,091	\$ 3,721,494	\$ 649,679

Notes outstanding for governmental activities at June 30, 2018 consisted of the following loans.

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2018	Pledged Revenues
NMFA - 2004 Library Loan	09/01/04	05/01/20	3.966%	1,679,942	\$ 274,746	Gross receipts taxes
NMFA - PP 2192 Loan	10/24/08	05/01/31	2.03% - 4.89%	3,367,380	2,839,980	Gross receipts taxes

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 7: LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the notes payable for governmental activities as of June 30, 2018, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	207,162	111,058	318,220
2024-2028	1,218,461	401,908	1,620,369
2029-2031	912,428	90,137	1,002,565
	\$ 3,114,726	\$ 1,132,891	\$ 4,247,617

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:

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2018
Yamaha M15031618	03/28/15	02/28/20	4.60%	\$ 104,650	\$ 67,762
Yamaha M15061775	04/28/15	03/28/20	4.60%	56,350	37,018

The following schedule presents future minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 18,718	\$ 4,318	\$ 23,036
2020	86,062	2,502	88,564
	\$ 104,780	\$ 6,820	\$ 111,600

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, 2018, compensated absences increased by \$15,465 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 7: LONG-TERM LIABILITIES (Continued)

Business-Type Activities

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the proprietary funds' Statement of Net Position:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Notes Payable					
NMED CWSRF 009	\$ 3,233,765	\$ -	\$ 3,233,765	\$ -	\$ -
NMED CWSRF 009R	-	3,233,765	266,980	2,966,785	255,358
NMED CWSRF 021	3,324,802	-	-	3,324,802	92,551
Total Notes Payable	6,558,567	3,233,765	3,500,745	6,291,587	347,909
Compensated					
Absences	154,746	162,089	171,731	145,104	144,532
Total Long-term liabilities	\$ 6,713,313	\$ 3,395,854	\$ 3,672,476	\$ 6,436,691	\$ 492,441

The City entered into a refinance long-term agreement with the New Mexico Environment Department (CWSRF009R) in the original amount of \$3,233,765 dated March 23, 2018. The loan is payable in annual payments of \$290,959, including interest at 1.2 percent, through June 2029. The Joint Utilities Fund reports the outstanding principal.

The City finalized the long-term agreement with the New Mexico Environment Department (CWSRF021) in the amount of \$3,324,802 on February 27, 2018. The loan is payable in annual payments of \$132,626, including interest at 1.2 percent, through January 2048. The Joint Utilities Fund reports the outstanding principal.

Notes outstanding for business-type activities at June 30, 2018 consisted of the following loans:

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2018	Pledged Revenues
CWSRF 009R Loan	02/03/10	06/30/29	1.200%	\$ 3,233,765	\$ 2,966,785	Net Revenues
CWSRF 021	2/27/2018	01/28/48	1.200%	3,324,802	3,324,802	Net Revenues

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 7: LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the notes payable for business-type activities as of June 30, 2018, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 347,909	\$ 61,911	\$ 409,820
2020	352,442	58,904	411,346
2021	356,491	55,860	412,351
2022	360,769	52,780	413,549
2023	365,098	49,663	414,761
2024-2028	1,892,270	200,233	2,092,503
2029-2033	822,781	130,069	952,850
2034-2038	567,957	95,175	663,132
2039-2043	602,862	60,270	663,132
2044-2048	623,008	23,220	646,228
	<u>\$ 6,291,587</u>	<u>\$ 788,085</u>	<u>\$ 7,079,672</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, 2018, compensated absences decreased by \$9,642 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 8: OPERATING LEASES

Operating Lease Commitments. The City leases certain equipment under numerous operating leases. Rental expense for the year ended June 30, 2018, was \$25,449.

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable terms in excess of one year as of June 30, 2018.

Fiscal Year Ending June 30,	Principal
2019	\$ 24,646
2020	16,819
2021	7,697
2022	4,116
2023	2,229
	\$ 55,507

NOTE 9: CAPITAL APPROPRIATIONS

The City received a fund capital appropriation project through the Department of Cultural Affairs, New Mexico State Library Division in the amount of \$21,038. A status of the project follows.

Project No.	Original Appropriation Award	Appropriation Period	Expenditures to Date	Outstanding Encumbrances	Unencumbered Balance
GOB-A5110	\$ 21,038	9/25/2017-6/30/2021	\$ 3,384	-	\$ 17,654

NOTE 10: 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, 2018, 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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 11: 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. The Airport Fund, a non-major governmental fund, reported a deficit fund balance of \$28,295 for the year ended June 30, 2018.
- 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, 2018.
- 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, 2018.

NOTE 12: 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, 2017 available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 12: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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 FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 40 of the PERA FY16 annual audit report at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.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 \$435,247 and there were no employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2018.

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, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2017.

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, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer.

Regular and any adjustment contributions that applied to fiscal year 2017 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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 12: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

For PERA Fund Municipal General Division, at June 30, 2018, the City reported a liability of \$4,735,096 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was 0.3446 percent, which was a decrease of 0.0251 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Municipal General Division pension expense of \$529,265. At June 30, 2018, the City reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 61,309	\$ 213,328
Differences between expected and actual experience	186,058	242,518
Net difference between projected and actual earnings on pension plan investments	388,486	-
Changes of assumption	218,358	48,931
Contributions subsequent to the measurement date	292,146	-
Total	\$ 1,146,357	\$ 504,777

For Municipal General, \$292,146 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (90,601)
2018	(370,943)
2019	(1,423)
2020	113,533

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 12: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

For PERA Fund Municipal Police Division, at June 30, 2018, the City reported a liability of \$2,025,036 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was 0.3645 percent, which was a decrease of 0.0006 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Municipal Police Division pension expense of \$196,830. At June 30, 2018, the City reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 2,364	\$ 72,602
Differences between expected and actual experience	122,991	378,358
Net difference between projected and actual earnings on pension plan investments	163,089	-
Changes of assumption	120,483	47,089
Contributions subsequent to the measurement date	143,100	-
Total	\$ 552,027	\$ 498,049

For Municipal Police, \$143,100 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 59,906
2018	(78,946)
2019	60,477
2020	47,685

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 12: 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, 2016 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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 year smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for the first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years, 2.75% all other years
Mortality assumptions	RP-2000 mortality tables (combined table for healthy post-retirements, 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, 2016 (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 to include Real Estate Equity	20.00	7.35
Total	100.00%	

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 12: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.518 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 7.51% 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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

PERA Fund Municipal General Division

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City of Aztec's proportionate share of the net pension liability	\$ 7,421,459	\$ 4,735,096	\$ 2,501,011

PERA Fund Municipal Police Division

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City of Aztec's proportionate share of the net pension liability	\$ 3,229,371	\$ 2,025,036	\$ 1,036,701

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY17 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. At June 30, 2018 there were no contributions due and payable to PERA for the City.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 13: POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN

General Information about the OPEB

Plan description. Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	160,035
<hr/>	
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	97,349
	97,349

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 13: POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (Continued)

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the City were \$79,661 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported a liability of \$4,311,434 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the City’s proportion was 0.09514 percent.

For the year ended June 30, 2018, the City recognized OPEB expense of \$171,409. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 753,798
Net difference between projected and actual earnings on OPEB plan investments	-	62,023
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
City's contributions subsequent to the measurement date	79,554	-
Differences between expected and actual experience	-	165,451
Total	\$ 79,554	\$ 981,272

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 13: POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (Continued)

Deferred outflows of resources totaling \$79,554 represent City’s contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (208,625)
2020	(208,625)
2021	(208,625)
2022	(208,625)
2023	(146,772)
<u>Total</u>	<u>\$ (981,272)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 13: POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (Continued)

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non U.S. - emerging markets	12.2
Non U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
\$ 5,229,702	\$ 4,311,434	\$ 3,590,970

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 13: POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (Continued)

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rates	1% Increase
\$ 3,667,171	\$ 4,311,434	\$ 4,813,799

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the City has no payable for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

NOTE 14: 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, 2018 in the remaining cases.

NOTE 15: 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 16: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 13, 2018, which is the date on which the financial statements were available to be issued.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 17: RESTRICTED NET POSITION

The government-wide statement of net position reports \$3,699,328 of restricted net position, all of which is restricted by enabling legislation or debt reserves. See pages 51, 103, and 109 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

NOTE 18: 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 19: COMMITMENTS

The City has various construction and purchase commitments as of June 30, 2018. The funding to cover the various commitments was grant funding, bond and/or note proceeds, including bonds, grants, and cash reserves.

The City's outstanding commitment for contracts at June 30, 2018, was \$50,858. It relates to the hilltop crossing project and the Aztec arterial project.

Description	Total Contract	Remaining Commitment
Hilltop Crossing	\$ 6,372	\$ 4,322
Aztec Arterial Project	349,838	46,536
Total	\$ 356,210	\$ 50,858

The City's outstanding commitment for contracts at June 30, 2018, was \$154,586, which relates to various projects in the Joint Utility Fund.

Description	Total Contract	Remaining Commitment
Electric Substation #2 Right of Way Acquisition	\$ 16,705	\$ 16,402
NM173 3PH Electric Line Extension	No external commitment	30,000
Solar Farm SCADA and Fiber Upgrade	30,495	5,127
Chargepoint EV System	6,028	-
US550 8" Sewerline	14,108	3,192
East Aztec Upper Water Tank SCADA Upgrades	17,183	17,183
Church Alley Sewerline Replacement	11,760	11,760
ROW Research for Solar Farm #2	30,240	25,953
1 Ton Truck Purchase	44,969	44,969
Total	\$ 171,488	\$ 154,586

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 20: SUBSEQUENT PRONOUNCEMENTS

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 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.

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* 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 June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* was issued. 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.

In June 2018, GASB Statement No. 90 *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*) 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.

City of Aztec, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 21: RESTATEMENT OF NET POSITION

The objective of a net position restatement is to accurately reflect prior period's net position and improve the relevancy and usefulness of financial information. The City restated net position in the amount of (\$3,706,265) for governmental activities and (\$1,415,028) for business-type activities related to the implementation of GASB Statement No. 75 to recognize the beginning effect on prior year net position of the OPEB Liability. The combined effect of the restatements are as follows:

Statement of Activities

	Governmental Activities	Business-Type Activities	Total
Net Position June 30, 2017, as originally stated	\$ 23,643,003	\$ 38,201,064	\$ 61,844,067
Restatement related to implementation of GASB 75	(3,706,265)	(1,415,028)	(5,121,293)
Net Position June 30, 2017, as restated	\$ 19,936,738	\$ 36,786,036	\$ 56,722,774

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds

	Joint Utility Fund	Non-Major Enterprise Funds	Total
Net Position June 30, 2017, as originally stated	\$ 37,952,934	\$ 248,130	\$ 38,201,064
Restatement related to implementation of GASB 75	(1,391,531)	(23,497)	(1,415,028)
Net Position June 30, 2017, as restated	\$ 36,561,403	\$ 224,633	\$ 36,786,036

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Required Supplementary Information

City of Aztec, New Mexico
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*

	2018	2017
	Measurement	Measurement
	Date	Date
	(As of and for	(As of and for
	the Year Ended	the Year Ended
	June 30, 2017)	June 30, 2016)
Proportion of the net pension liability	0.3446%	0.3697%
Proportionate share of the net pension liability	\$ 4,735,096	\$ 5,906,562
Covered payroll	\$ 3,026,778	\$ 3,182,789
Proportionate share of the net pension liability as a percentage of its covered payroll	156.44%	185.58%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

*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.

2016	2015
Measurement	Measurement
Date	Date
(As of and for	(As of and for
the Year Ended	the Year Ended
June 30, 2015)	June 30, 2014)
0.3587%	0.3579%
\$ 3,657,257	\$ 2,792,004
\$ 2,984,716	\$ 2,798,547
122.53%	99.77%
76.99%	81.29%

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

City of Aztec, New Mexico
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*

	2018	2017
	Measurement	Measurement
	Date	Date
	(As of and for	(As of and for
	the Year Ended	the Year Ended
	June 30, 2017)	June 30, 2016)
Proportion of the net pension liability	0.3645%	0.3639%
Proportionate share of the net pension liability	\$ 2,025,036	\$ 2,684,962
Covered payroll	\$ 751,268	\$ 723,725
Proportionate share of the net pension liability as a percentage of its covered payroll	269.55%	370.99%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

*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.

2016	2015
Measurement	Measurement
Date	Date
(As of and for	(As of and for
the Year Ended	the Year Ended
June 30, 2015)	June 30, 2014)
0.4481%	0.4526%
\$ 1,786,380	\$ 1,339,815
\$ 728,090	\$ 774,735
245.35%	172.94%
76.99%	81.29%

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

City of Aztec, New Mexico
Schedule of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017
Contractually required contributions	\$ 292,146	\$ 289,057
Contributions in relation to the contractually required contribution	(292,146)	(289,057)
Contribution deficiency (excess)	\$ -	\$ -
City of Aztec's covered payroll	\$ 3,059,125	\$ 3,026,778
Contributions as a percentage of covered payroll	9.55%	9.55%

*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 .

As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
\$ 302,365	\$ 283,548
<u>(302,365)</u>	<u>(283,548)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 3,182,789	\$ 2,984,716
9.50%	9.50%

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

City of Aztec, New Mexico
Schedule of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA Municipal Police Division
Last 10 Fiscal Years*

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017
Contractually required contributions	\$ 143,100	\$ 141,990
Contributions in relation to the contractually required contribution	(143,100)	(141,990)
Contribution deficiency (excess)	\$ -	\$ -
City of Aztec's covered payroll	\$ 757,145	\$ 751,268
Contributions as a percentage of covered payroll	18.90%	18.90%

*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 .

As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
\$ 136,784	\$ 137,609
(136,784)	(165,833)
<u>\$ -</u>	<u>\$ (28,224)</u>
\$ 723,725	\$ 728,090
18.90%	22.78%

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

City of Aztec, New Mexico
Schedule of City's Proportionate Share of the Net OPEB Liability
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years*

		2018
		Measurement
		Date
		(As of and for
		the Year Ended
		June 30, 2017)
City of Aztec's proportion of the net OPEB liability		0.09514%
City of Aztec's proportionate share of the net OPEB liability	\$	4,311,434
City of Aztec's covered-employee payroll	\$	3,775,735
City of Aztec's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		114.19%
Plan fiduciary net position as a percentage of the total OPEB liability		11.34%

* 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.

City of Aztec, New Mexico
Schedule of Employer Contributions
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years*

		As of and for the Year Ended June 30, 2018
Contractually required contributions	\$	79,661
Contributions in relation to the contractually required contribution		(79,661)
Contribution deficiency (excess)	\$	-
City of Aztec's covered-employee payroll	\$	3,963,197
Contributions as a percentage of covered-employee payroll		2.00%

* 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.*

City of Aztec, New Mexico
Notes to Required Supplementary Information
June 30, 2018

Public Employees Retirement Association (PERA) Plan

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2016-PERA-Valuation-Report-FINAL.pdf>. See the notes to the financial statements on page 90 which summarizes actuarial assumptions and methods effective with the June 30, 2016 valuation.

New Mexico Retiree Health Care Authority (NMRHCA) Plan

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHCA FY17 audit available at http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM_RHCA_Audited_FS_6.30.17.pdf.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2017 report is available at http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NMRHCA_5507316_Final_per_Auditor_update_Final_Report_11.21.17.pdf. See the notes to the financial statements beginning on page 24, which summarizes actuarial assumptions and methods effective with the June 30, 2017 valuation.

See independent auditors' report.

Supplementary Information

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City of Aztec, New Mexico
Nonmajor Governmental Fund Descriptions
June 30, 2018

SPECIAL REVENUE FUNDS

Municipal Road Fund: This fund was established to account for gasoline tax monies received pursuant to Section 7-1-6.9 NMSA 1978.

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.

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

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.

City of Aztec, New Mexico
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue

	Municipal Road Fund	Law Enforcement Protection	Local Government Correction	Economic Development Fund	Impact Fees Fund
Assets					
Cash and cash equivalents	\$ 471,523	\$ 214	\$ 14,599	\$ -	\$ 3,241
Investments	631,695	286	19,559	115,129	4,342
Receivables	55,459	-	400	-	-
Prepaid assets	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
Restricted investments	-	-	-	-	-
Total assets	\$ 1,158,677	\$ 500	\$ 34,558	\$ 115,129	\$ 7,583
Liabilities					
Accounts payable	\$ 111,485	\$ -	\$ 18,666	\$ -	\$ -
Total liabilities	111,485	-	18,666	-	-
Fund balances					
Nonspendable:					
Prepaid assets	-	-	-	-	-
Restricted for:					
Capital projects	-	-	-	-	-
Public safety	-	500	15,892	-	-
Public works	1,047,192	-	-	-	-
Culture and recreation	-	-	-	-	-
Committed to:					
Economic development	-	-	-	115,129	-
Culture and recreation	-	-	-	-	7,583
Unassigned (deficit)	-	-	-	-	-
Total fund balances	1,047,192	500	15,892	115,129	7,583
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,158,677	\$ 500	\$ 34,558	\$ 115,129	\$ 7,583

See independent auditor's report.

Special Revenue				Capital Projects			Total Nonmajor
Lodgers' Tax Fund	State Fire Fund	Recreation Fund	Airport Fund	Capital Projects	Community Development Block Grant Fund	Governmental Funds	
\$ 15,399	\$ 81,362	\$ 117	\$ 17,040	\$ 240,433	\$ 100	\$ 844,028	
20,630	109,001	157	22,828	322,107	-	1,245,734	
51,272	-	-	1,083	81,181	-	189,395	
-	3,164	-	1,401	-	-	4,565	
-	-	-	-	62,234	4,245	66,479	
-	-	-	-	460,754	-	460,754	
\$ 87,301	\$ 193,527	\$ 274	\$ 42,352	\$ 1,166,709	\$ 4,345	\$ 2,810,955	
\$ 2,743	\$ 320	\$ -	\$ 70,647	\$ 31,870	\$ -	\$ 235,731	
2,743	320	-	70,647	31,870	-	235,731	
-	3,164	-	1,401	-	-	4,565	
-	-	-	-	1,134,839	4,345	1,139,184	
-	190,043	-	-	-	-	206,435	
-	-	-	-	-	-	1,047,192	
84,558	-	-	-	-	-	84,558	
-	-	-	-	-	-	115,129	
-	-	274	-	-	-	7,857	
-	-	-	(29,696)	-	-	(29,696)	
84,558	193,207	274	(28,295)	1,134,839	4,345	2,575,224	
\$ 87,301	\$ 193,527	\$ 274	\$ 42,352	\$ 1,166,709	\$ 4,345	\$ 2,810,955	

See independent auditor's report.

City of Aztec, New Mexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue				
	Municipal Road Fund	Law Enforcement Protection	Local Government Correction	Economic Development Fund	Impact Fees Fund
Revenues					
Taxes:					
Gross receipts	\$ 158,888	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	170,575	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental:					
State operating grants	-	27,800	-	-	-
Charges for services	-	-	-	-	-
Licenses and fees	-	-	77,008	-	2,000
Investment income	10,575	160	-	1,222	70
Other	-	-	-	-	-
Total revenues	340,038	27,960	77,008	1,222	2,070
Expenditures					
Current:					
General government	-	-	102,712	-	-
Public safety	-	27,576	-	-	-
Public works	16,872	-	-	-	-
Capital outlay	88,545	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	105,417	27,576	102,712	-	-
Excess (deficiency) of revenues over expenditures	234,621	384	(25,704)	1,222	2,070
Other financing sources (uses)					
Transfers in	-	-	25,000	-	-
Total other financing sources (uses)	-	-	25,000	-	-
Net change in fund balances	234,621	384	(704)	1,222	2,070
Fund balances - beginning of year	812,571	116	16,596	113,907	5,513
Fund balances - end of year	\$ 1,047,192	\$ 500	\$ 15,892	\$ 115,129	\$ 7,583

See independent auditor's report.

Special Revenue				Capital Projects			Total Nonmajor
Lodgers' Tax Fund	State Fire Fund	Recreation Fund	Airport Fund	Capital Projects	Community Development Block Grant Fund	Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ 476,676	\$ -	\$ 635,564	
-	-	-	-	-	-	170,575	
51,884	-	-	-	-	-	51,884	
-	208,583	-	-	-	-	236,383	
-	-	-	71,093	-	-	71,093	
-	-	-	-	-	-	79,008	
520	1,533	-	670	12,950	-	27,700	
1,746	713	-	674	-	-	3,133	
54,150	210,829	-	72,437	489,626	-	1,275,340	
48,529	-	-	-	15,493	-	166,734	
-	116,822	-	-	-	-	144,398	
-	-	-	52,416	-	-	69,288	
-	12,215	-	83,490	-	-	184,250	
-	-	-	-	185,948	-	185,948	
-	-	-	-	152,662	-	152,662	
48,529	129,037	-	135,906	354,103	-	903,280	
5,621	81,792	-	(63,469)	135,523	-	372,060	
-	-	-	30,000	-	-	55,000	
-	-	-	30,000	-	-	55,000	
5,621	81,792	-	(33,469)	135,523	-	427,060	
78,937	111,415	274	5,174	999,316	4,345	2,148,164	
\$ 84,558	\$ 193,207	\$ 274	\$ (28,295)	\$ 1,134,839	\$ 4,345	\$ 2,575,224	

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City of Aztec, New Mexico
Nonmajor Proprietary Fund Descriptions
June 30, 2018

PROPRIETARY FUNDS

Solid Waste Fund: This fund accounts for the activities of the City's solid waste services.

Irrigation Assessment Fund: This fund accounts for the activities of the City's irrigation assessment activities.

City of Aztec, New Mexico
Combining Statement of Net Position
Proprietary Funds
June 30, 2018

	Non-Major Enterprise Funds		
	Solid Waste	Irrigation Assessment	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 42,185	\$ 41,106	\$ 83,291
Investments	56,528	55,070	111,598
Utility receivables, net	58,796	-	58,796
Other	-	67	67
Prepaid expenses	29	-	29
Total current assets	157,538	96,243	253,781
Noncurrent assets			
Restricted cash and cash equivalents	11	-	11
Capital assets	50,407	204,025	254,432
Less: accumulated depreciation	(49,681)	(106,399)	(156,080)
Total noncurrent assets	737	97,626	98,363
Total assets	158,275	193,869	352,144
Deferred outflows of resources			
Deferred outflow related to pension liability	6,084	-	6,084
Deferred outflow related to OPEB liability	365	-	365
Total deferred outflows of resources	6,449	-	6,449
Total assets and deferred outflows of resources	\$ 164,724	\$ 193,869	\$ 358,593

See independent auditors' report.

	Non-Major Enterprise Funds		
	Solid Waste	Irrigation Assessment	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 63,317	\$ -	\$ 63,317
Accrued payroll	904	-	904
Accrued compensated absences	441	-	441
Other accrued liabilities	3,309	-	3,309
Meter deposits payable	11	-	11
Total current liabilities	67,982	-	67,982
Noncurrent liabilities			
Accrued compensated absences	572	-	572
Net pension liability	35,263	-	35,263
Net OPEB liability	19,781	-	19,781
Total noncurrent liabilities	55,616	-	55,616
Total liabilities	123,598	-	123,598
Deferred inflows of resources			
Deferred inflows related to pension liability	4,391	-	4,391
Deferred inflows related to OPEB liability	4,502	-	4,502
Total deferred inflows of resources	8,893	-	8,893
Net position			
Net investment in capital assets	726	97,626	98,352
Unrestricted	31,507	96,243	127,750
Total net position	32,233	193,869	226,102
Total liabilities, deferred inflows of resources, and net position	\$ 164,724	\$ 193,869	\$ 358,593

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City of Aztec, New Mexico
Combining Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Non-Major Enterprise Funds		
	Solid Waste	Irrigation Assessment	Total
Operating revenues			
Charges for services	\$ 748,973	\$ -	\$ 748,973
Other fees	5,008	-	5,008
Total operating revenues	753,981	-	753,981
Operating expenses			
Personnel services	27,858	-	27,858
Contractual Services	703,171	-	703,171
Supplies and purchased power	169	210	379
Other costs	14,959	-	14,959
Depreciation expense	789	7,270	8,059
Insurance expense	507	-	507
Total operating expenses	747,453	7,480	754,933
Operating income (loss)	6,528	(7,480)	(952)
Non-operating revenues (expenses)			
Investment income	944	1,022	1,966
Miscellaneous income	455	-	455
Total non-operating revenues (expenses)	1,399	1,022	2,421
Income (loss) before contributions and transfers	7,927	(6,458)	1,469
Change in net position	7,927	(6,458)	1,469
Net position - beginning, as originally stated	47,803	200,327	248,130
Net position, Restatement (Note 21)	(23,497)	-	(23,497)
Net position - beginning, as restated	24,306	200,327	224,633
Net position - end of year	\$ 32,233	\$ 193,869	\$ 226,102

See independent auditors' report.

City of Aztec, New Mexico
Combining Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Non-Major Enterprise Funds		
	Solid Waste	Irrigation Assessment	Total
Cash flows from operating activities			
Cash received from user charges	\$ 744,849	\$ 327	\$ 745,176
Cash payments to employees for services	(25,368)	-	(25,368)
Cash payments to suppliers for goods and services	(714,344)	(210)	(714,554)
Net cash provided by operating activities	5,137	117	5,254
Cash flows from noncapital financing activities			
Miscellaneous income	455	-	455
Net cash provided by noncapital financing activities	455	-	455
Cash flows from investing activities			
Reclassification from investments to cash	3,908	39,717	43,625
Interest on investments	944	1,022	1,966
Net cash provided by investing activities	4,852	40,739	45,591
Net increase in cash and cash equivalents	10,444	40,856	51,300
Cash and cash equivalents - beginning of year	31,752	250	32,002
Cash and cash equivalents - end of year	\$ 42,196	\$ 41,106	\$ 83,302

See independent auditors' report.

	Non-Major Enterprise Funds		
	Solid Waste	Irrigation Assessment	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 6,528	\$ (7,480)	\$ (952)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	789	7,270	8,059
Noncash pension/OPEB expense	1,987	-	1,987
Changes in assets, liabilities and deferred outflows of resources:			
Utilities receivables, net	(9,132)	327	(8,805)
Prepaid expenses	(29)	-	(29)
Deferred outflows - subsequent contributions	(314)	-	(314)
Accounts payable	1,182	-	1,182
Accrued payroll	(86)	-	(86)
Accrued compensated absences	903	-	903
Other accrued liabilities	3,309	-	3,309
Net cash provided by operating activities	\$ 5,137	\$ 117	\$ 5,254

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Supporting Schedules

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City of Aztec, New Mexico
Schedule of Deposit Accounts
June 30, 2018

Bank Name/ Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Totals
Citizens Bank of Farmington					
Operating Account	Demand Account	\$ 199,804	\$ -	\$ -	\$ 199,804
CDBG Project	Demand Account	4,245	-	-	4,245
Municipal Court Bond Account	Demand Account	2,470	-	90	2,380
ST&POL Interest Checking	Demand Account	4,338,469	6,241	48,384	4,296,326
CB Motor Vehicle	Demand Account	3,844	-	2,844	1,000
Employee Association	Demand Account	7,436	-	-	7,436
Certificate of Deposit	Time Account	500,000	-	-	500,000
Certificate of Deposit	Time Account	1,000,000	-	-	1,000,000
Certificate of Deposit	Time Account	75,250	-	-	75,250
Certificate of Deposit	Time Account	1,000,000	-	-	1,000,000
Total Citizens Bank of Farmington		7,131,518	6,241	51,318	7,086,441
Vectra Bank					
Certificate of Deposit	Time Account	750,000	-	-	750,000
Total Vectra Bank		750,000	-	-	750,000
Bank of Albuquerque					
AZTEC - Cash	NMFA Cash	86	-	-	86
AZTEC - Reserve Fund Payable	NMFA Cash	151,690	-	-	151,690
AZTEC 3 - Cash	NMFA Cash	51,807	-	-	51,807
AZTEC 3 - Reserve Fund Payable	NMFA Cash	319,406	-	-	319,406
Total Bank of Albuquerque		522,989	-	-	522,989
LGIP Investments					
New MexiGROW- LGIP		10,876,867	-	-	10,876,867
Total LGIP		10,876,867	-	-	10,876,867
Total Deposits and Investments		\$ 19,281,374	\$ 6,241	\$ 51,318	\$ 19,236,297
Add: Petty cash					2,545
Less: Restricted cash and cash equivalents, Statement of Net Position					(1,020,587)
Less: Investments, Statement of Net Position					(13,760,118)
Less: Restricted investments, Statement of Net Position					(902,754)
Less: Agency cash, Statement of Fiduciary Assets and Liabilities					(7,436)
Total unrestricted cash and cash equivalents					\$ 3,547,947

See independent auditors' report.

City of Aztec, New Mexico
Schedule of Collateral Pledged By Depository for Public Funds
June 30, 2018

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2018	Location of Safekeeper
Citizens Bank					
	Federal Home Loan Bank	9/15/2031	3137AFP22	\$ 5,141,000	Dallas, TX
Total Citizens Bank				5,141,000	
Vectra Bank					
	SBA Pool #507229	2/25/2030	83164JA63	724,650	Denver, CO
Total Vectra Bank				724,650	
Total Pledged Collateral				\$ 5,865,650	

See independent auditors' report.

City of Aztec, New Mexico
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2018

	Balance June 30, 2017		Additions		Deletions		Balance June 30, 2018
Employee Association Trust Fund							
Assets							
Cash and cash equivalents	\$ 8,784	\$	4,597	\$	5,945	\$	7,436
Total assets	\$ 8,784	\$	4,597	\$	5,945	\$	7,436
Liabilities							
Deposits held for others	\$ 8,784	\$	4,597	\$	5,945	\$	7,436
Total liabilities	\$ 8,784	\$	4,597	\$	5,945	\$	7,436

See independent auditors' report.

City of Aztec, New Mexico
Schedule of Joint Powers Agreements
For the Year Ended June 30, 2018

Joint Power Agreement	Participants (including City of Aztec)	Responsible Party	Description
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.

Total Project	Total Estimated Project Amount and Amount Applicable to Party	Amount contributed By City During Current Fiscal Year		Audit Responsibility
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	\$	6,327	San Juan County Crimestoppers, Inc.
variable	\$68.52/day/prisoner through 6/30/17; rate recalculated July 1 in subsequent years	\$	102,711	San Juan County
variable	pro-rata share of costs	\$	9,000	San Juan County Criminal Justice Training Authority
variable	.5% of mill levy assessed on property taxes	\$	-	San Juan Water Commission
variable	pro-rata share (10%) of costs of MPO (operational and special projects)	\$	3,426	City of Farmington

See independent auditors' report.

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Statistical Section

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City of Aztec, New Mexico
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
June 30, 2018

		2018
Governmental Funds Capital Assets:		
Land	\$	768,366
Buildings & Structures		9,097,433
Improvements Other than Buildings		4,073,773
Equipment & Machinery		6,563,030
Infrastructure		23,663,560
Construction (Projects) in Process		2,050
<hr/>		
Total Governmental Funds Capital Assets	\$	44,168,212
<hr/>		
Investment in Governmental Funds Capital Assets by Source:		
General Fund	\$	13,388,699
Special revenue funds		19,996,602
Capital projects funds		10,389,949
Donations		392,962
<hr/>		
Total Governmental Funds Capital Assets	\$	44,168,212
<hr/>		

City of Aztec, New Mexico
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2018

FUNCTION AND ACTIVITY	Improvements			
	Land	Buildings & Improvements	Other than Buildings	Machinery and Equipment
General Government:				
Legislative	\$ 55,855	\$ 12,398	\$ -	\$ -
Economic Development (HUB)	27,114	108,116	16,887	8,000
Visitor Center	-	-	-	-
Judicial	-	40,046	-	32,968
Executive	63,587	189,933	1,605	81,254
Finance Administration	-	402,117	-	62,300
Motor Vehicle	-	447,278	-	9,442
Community Development	-	-	-	78,693
Information Systems	-	-	-	156,603
Municipal Building Maint	-	180,162	68,575	38,043
Project Management	-	-	7,933	12,034
Total General Government	146,556	1,380,050	95,000	479,337
Public Safety:				
Police	-	655,954	2,500	866,410
Fire	35,051	411,471	31,523	2,706,743
Animal Control	-	968,373	39,720	162,514
Total Public Safety	35,051	2,035,798	73,743	3,735,667
Public Works:				
Streets	150,115	268,045	246,912	947,428
Electric	-	-	-	-
Total Public Works	150,115	268,045	246,912	947,428
Culture and Recreation:				
Parks & Recreation	426,644	1,303,073	3,620,320	697,314
Golf Course	-	-	-	161,000
Library	-	1,947,936	6,499	45,298
Airport	10,000	42,008	11,239	275,935
Total Culture and Recreation	436,644	3,293,017	3,638,058	1,179,547
Health and Welfare:				
Community Center	-	385,224	20,060	221,051
NESJC Family Center	-	1,735,299	-	-
Total Health and Welfare	-	2,120,523	20,060	221,051
Total Capital Assets	\$ 768,366	\$ 9,097,433	\$ 4,073,773	\$ 6,563,030

Infrastructure	Construction in Progress	Total
\$ -	\$ -	\$ 68,253
-	-	160,117
-	-	-
-	-	73,014
-	-	336,379
-	-	464,417
-	-	456,720
-	-	78,693
-	-	156,603
5,225	-	292,005
-	-	19,967
5,225	-	2,106,168
-	-	1,524,864
-	-	3,184,788
-	-	1,170,607
-	-	5,880,259
20,259,206	2,050	21,873,756
18,646	-	18,646
20,277,852	2,050	21,892,402
238,277	-	6,285,628
-	-	161,000
-	-	1,999,733
3,142,206	-	3,481,388
3,380,483	-	11,927,749
-	-	626,335
-	-	1,735,299
-	-	2,361,634
\$ 23,663,560	\$ 2,050	\$ 44,168,212

City of Aztec, New Mexico
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
June 30, 2018

FUNCTION AND ACTIVITY	Capital Assets			
	June 30, 2017	Additions	Reclassified	Transfers
General Government:				
Legislative	\$ 70,119	\$ -	\$ -	\$ -
Economic Development (HUB)	24,887	135,230	-	-
Visitor Center	18,550	-	-	(18,550)
Judicial	84,627	-	-	-
Executive	345,917	-	-	-
Finance Administration	504,016	-	-	-
Motor Vehicle	459,575	-	-	-
Community Development	86,275	-	-	-
Information Systems	233,104	-	-	-
Municipal Building Maint	241,938	42,213	-	20,553
Project Management	40,520	-	-	(20,553)
Total General Government	2,109,529	177,443	-	(18,550)
Public Safety:				
Police	1,685,483	65,422	-	18,550
Fire	3,282,881	12,215	-	-
Animal Control	1,175,923	-	-	-
Total Public Safety	6,144,287	77,637	-	18,550
Public Works:				
Streets	21,743,090	132,550	-	19,842
Water	19,842	-	-	(19,842)
Electric	18,646	-	-	-
Total Public Works	21,781,578	132,550	-	-
Culture and Recreation:				
Parks & Recreation	6,323,650	8,549	-	-
Golf Course	161,000	-	-	-
Airport	3,361,758	121,470	-	-
Library	2,048,186	-	-	(17,974)
Total Culture and Recreation	11,894,594	130,019	-	(17,974)
Health and Welfare:				
Community Center	505,056	111,285	-	17,974
NESJC Family Center	1,735,299	-	-	-
Total Health and Welfare	2,240,355	111,285	-	17,974
Total Capital Assets	\$ 44,170,343	\$ 628,934	\$ -	\$ -
Accumulated Depreciation	\$ 18,867,555	\$ 1,765,481	\$ -	\$ -

<u>Deductions</u>	<u>Capital Assets June 30, 2018</u>
\$ (1,866)	\$ 68,253
-	160,117
-	-
(11,613)	73,014
(9,538)	336,379
(39,599)	464,417
(2,855)	456,720
(7,582)	78,693
(76,501)	156,603
(12,699)	292,005
-	19,967
<u>(162,253)</u>	<u>2,106,168</u>
(244,591)	1,524,864
(110,308)	3,184,788
(5,316)	1,170,607
<u>(360,215)</u>	<u>5,880,259</u>
(21,726)	21,873,756
-	-
-	18,646
<u>(21,726)</u>	<u>21,892,402</u>
(46,571)	6,285,628
-	161,000
(1,840)	3,481,388
(30,479)	1,999,733
<u>(78,890)</u>	<u>11,927,749</u>
(7,980)	626,335
-	1,735,299
<u>(7,980)</u>	<u>2,361,634</u>
<u>\$ (631,064)</u>	<u>\$ 44,168,212</u>
<u>\$ (630,322)</u>	<u>\$ 20,002,713</u>

City of Aztec, New Mexico
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	FISCAL YEAR		
	2009	2010	2011
Governmental activities			
Net investment in capital assets	\$ 15,048,147	\$ 12,817,692	\$ 15,877,838
Restricted	857,112	739,306	4,553,662
Unrestricted	8,620,444	7,802,526	4,006,565
Total governmental activities net position	\$ 24,525,703	\$ 21,359,524	\$ 24,438,065
Business-type activities			
Net investment in capital assets	\$ 16,940,492	\$ 21,749,963	\$ 21,481,586
Restricted	92,465	69,135	443,456
Unrestricted	10,533,764	12,369,283	13,537,163
Total business-type activities net position	\$ 27,566,721	\$ 34,188,381	\$ 35,462,205
Primary government			
Net investment in capital assets	\$ 31,988,639	\$ 34,567,655	\$ 37,359,424
Restricted	949,577	808,441	4,997,118
Unrestricted	19,154,208	20,171,809	17,543,728
Total primary government net position	\$ 52,092,424	\$ 55,547,905	\$ 59,900,270

Source: City of Aztec Annual Financial Reports

Note: FY2017 restated is a result of GASB 75 implementation

FISCAL YEAR						
2012	2013	2014	2015	2016	2017	2018
					Restated	
\$ 16,106,487	\$ 16,357,638	\$ 18,187,236	\$ 17,883,982	\$ 19,890,658	\$ 21,879,431	\$ 20,945,993
3,983,424	3,806,581	2,528,759	2,877,803	2,483,331	2,327,719	2,761,172
5,187,030	4,075,048	3,909,535	(920,431)	(73,648)	(4,270,412)	(4,105,484)
\$ 25,276,941	\$ 24,239,267	\$ 24,625,530	\$ 19,841,354	\$ 22,300,341	\$ 19,936,738	\$ 19,601,681
\$ 23,814,365	\$ 25,110,714	\$ 25,384,751	\$ 25,066,433	\$ 25,303,796	\$ 24,402,177	\$ 24,153,572
250,000	555,000	555,000	555,000	555,000	938,156	938,156
12,547,460	11,615,482	12,124,521	12,198,095	11,904,056	11,445,701	11,703,628
\$ 36,611,825	\$ 37,281,196	\$ 38,064,272	\$ 37,819,528	\$ 37,762,852	\$ 36,786,034	\$ 36,795,356
\$ 39,920,852	\$ 41,468,352	\$ 43,571,987	\$ 42,950,415	\$ 45,194,454	\$ 46,281,608	\$ 45,099,565
4,233,424	4,361,581	3,083,759	3,432,803	3,038,331	3,265,875	3,699,328
17,734,490	15,690,530	16,034,056	11,277,664	11,830,408	7,175,289	7,598,144
\$ 61,888,766	\$ 61,520,463	\$ 62,689,802	\$ 57,660,882	\$ 60,063,193	\$ 56,722,772	\$ 56,397,037

City of Aztec, New Mexico
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	FISCAL YEAR		
	2009	2010	2011
Expenses			
Governmental Activities			
General Government	\$ 1,983,249	\$ 2,257,458	\$ 2,199,348
Public Safety	2,862,497	3,755,435	1,891,687
Public Works	1,921,141	3,887,767	1,370,015
Health & Welfare	-	-	620,409
Culture and Recreation	1,414,843	2,289,542	1,317,231
Interest on Long Term Debt	-	-	-
Total Governmental Activities	8,181,730	12,190,202	7,398,690
Business Type Activities			
Joint Utility	7,995,060	9,367,458	8,610,592
Solid Waste	649,266	660,642	672,493
Irrigation	7,159	8,016	9,309
Golf Course	-	-	-
Total Business Type Activities	8,651,485	10,036,116	9,292,394
Total Expenses	16,833,215	22,226,318	16,691,084
Program Revenues			
Governmental activities			
Charges for services			
General Government	168,223	150,871	234,996
Public Safety	676,813	512,697	444,413
Public Works	94,643	84,884	28,480
Health & Welfare	-	-	25,531
Culture and Recreation	82,711	74,042	49,566
Operating grants and contributions	429,943	437,993	269,709
Capital grants and contributions	2,692,365	2,742,777	3,578,843
Total Governmental Activities	4,144,698	4,003,264	4,631,538
Business-type activities			
Charges for services			
Joint Utility	9,806,660	9,569,623	9,534,607
Solid Waste	659,621	678,640	691,561
Irrigation	13,159	13,159	13,159
Golf Course	-	-	-
Operating grants and contributions	-	-	-
Capital grants and contributions	308,650	5,689,497	172,931
Total Business-Type Activities	10,788,090	15,950,919	10,412,258
Total Program Revenues	\$ 14,932,788	\$ 19,954,183	\$ 15,043,796
Net (Expenses)/Revenues			
Governmental activities	\$ (4,037,032)	\$ (8,186,938)	\$ (2,767,152)
Business-type activities	2,136,605	5,914,803	1,119,864
Total Net Expenses	\$ (1,900,427)	\$ (2,272,135)	\$ (1,647,288)

(Continued)

FISCAL YEAR						
2012	2013	2014	2015	2016	2017	2018
\$ 1,961,789	\$ 2,246,743	\$ 1,964,074	\$ 2,326,401	\$ 1,568,493	\$ 1,770,834	\$ 1,865,539
1,915,374	2,114,730	2,165,969	1,997,270	1,971,740	2,174,181	2,290,949
2,196,404	1,888,341	1,681,645	1,290,631	1,667,557	1,519,726	1,320,015
675,436	636,508	900,447	665,443	452,399	890,773	952,236
1,442,998	1,862,384	1,638,610	1,647,198	1,477,217	1,822,992	1,697,288
189,666	184,288	179,861	173,822	166,988	160,028	157,804
8,381,667	8,932,994	8,530,606	8,100,765	7,304,394	8,338,534	8,283,831
8,549,579	9,165,391	9,392,921	9,037,980	10,013,305	8,869,976	8,959,614
693,121	691,877	729,951	706,207	715,993	722,332	747,453
14,492	12,199	7,759	8,259	9,679	8,088	7,480
-	-	-	128,158	466,443	-	-
9,257,192	9,869,467	10,130,631	9,880,604	11,205,420	9,600,396	9,714,547
17,638,859	18,802,461	18,661,237	17,981,369	18,509,814	17,938,930	17,998,378
284,305	744,822	730,086	747,857	796,156	48,816	86,961
390,107	231,869	85,887	83,521	83,017	573,001	592,718
28,919	395	-	-	-	9,888	74,512
27,640	44,568	-	-	-	459,357	407,988
49,401	32,032	5,500	4,000	2,601	7,429	17,307
756,548	451,773	793,464	511,129	777,635	509,528	504,194
943,526	16,524	900,000	-	2,262,442	2,726,499	98,903
2,480,446	1,521,983	2,514,937	1,346,507	3,921,851	4,334,518	1,782,583
9,465,404	9,596,002	9,817,481	9,748,818	9,714,773	8,660,578	9,164,051
687,382	680,822	683,547	672,228	665,087	671,389	753,981
13,159	13,159	13,159	13,159	13,159	-	-
-	-	-	62,326	117,335	-	-
-	-	-	-	552	-	-
96,640	114,652	70,915	25,401	138,155	401,735	150,615
10,262,585	10,404,635	10,585,102	10,521,932	10,649,061	9,733,702	10,068,647
\$ 12,743,031	\$ 11,926,618	\$ 13,100,039	\$ 11,868,439	\$ 14,570,912	\$ 14,068,220	\$ 11,851,230
\$ (5,901,221)	\$ (7,411,011)	\$ (6,015,669)	\$ (6,754,258)	\$ (3,382,543)	\$ (4,004,016)	\$ (6,501,248)
1,005,393	535,168	454,471	641,328	(556,359)	133,306	354,100
\$ (4,895,828)	\$ (6,875,843)	\$ (5,561,198)	\$ (6,112,930)	\$ (3,938,902)	\$ (3,870,710)	\$ (6,147,148)

City of Aztec, New Mexico
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	FISCAL YEAR		
	2009	2010	2011
General Revenues and Other Changes in Net Assets			
Governmental Activities			
Taxes			
Gross receipts taxes	\$ 5,384,771	\$ 4,090,147	\$ 4,255,156
Property taxes	537,994	522,553	571,668
Franchise taxes	478,811	474,311	544,923
Other taxes	193,978	237,649	187,401
Miscellaneous	102,597	176,437	247,095
Unrestricted investment earnings	164,524	58,916	40,310
Donation of capital assets	-	-	-
Loss on disposition	-	-	-
Transfers	(696,453)	(539,254)	(860)
Total general revenues and transfers	6,166,222	5,020,759	5,845,693
Business-type Activities			
Environmental taxes	112,593	85,308	88,721
Unrestricted investment earnings	172,500	82,295	64,379
Miscellaneous	-	-	-
Loss on disposition	-	-	-
Transfers	696,453	539,254	860
Total Business-type activities	981,546	706,857	153,960
Total primary government	\$ 7,147,768	\$ 5,727,616	\$ 5,999,653
Change in Net Position			
Governmental activities	\$ 2,129,190	\$ (3,166,179)	\$ 3,078,541
Business-type activities	3,118,151	6,621,660	1,273,824
Total Change in Net Position	\$ 5,247,341	\$ 3,455,481	\$ 4,352,365

Source: City of Aztec Annual Financial Report

(Concluded)

FISCAL YEAR						
2012	2013	2014	2015	2016	2017	2018
\$ 5,029,168	\$ 4,816,122	\$ 4,761,159	\$ 4,646,288	\$ 3,888,208	\$ 3,499,512	\$ 3,800,288
588,699	592,685	631,249	617,819	649,691	723,750	577,672
552,008	564,375	588,965	577,449	572,951	152,467	604,935
180,947	183,573	206,771	239,237	233,832	225,259	207,870
378,685	199,082	202,254	202,075	589,539	774,610	273,048
23,867	20,984	12,751	11,784	15,711	21,750	52,378
-	-	-	-	-	69,356	-
(13,277)	(3,484)	(1,217)	(2,222)	(13,602)	-	-
-	-	-	(35,000)	(95,000)	(120,027)	650,000
6,740,097	6,373,337	6,401,932	6,257,430	5,841,330	5,346,677	6,166,191
102,074	100,623	99,433	96,873	81,333	73,203	79,437
42,153	33,580	13,088	24,155	39,529	69,799	143,144
-	-	216,084	300,654	316,019	41,877	82,639
-	-	-	(3,517)	(32,198)	-	-
-	-	-	35,000	95,000	120,027	(650,000)
144,227	134,203	328,605	453,165	499,683	304,906	(344,780)
\$ 6,884,324	\$ 6,507,540	\$ 6,730,537	\$ 6,710,595	\$ 6,341,013	\$ 5,651,583	\$ 5,821,411
\$ 838,876	\$ (1,037,674)	\$ 386,263	\$ (496,828)	\$ 2,458,787	\$ 1,342,661	\$ (335,057)
1,149,620	669,371	783,076	1,094,493	(56,676)	438,212	9,320
\$ 1,988,496	\$ (368,303)	\$ 1,169,339	\$ 597,665	\$ 2,402,111	\$ 1,780,873	\$ (325,737)

City of Aztec, New Mexico
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	FISCAL YEAR		
	2009	2010	2011
General Fund			
Reserved	\$ 706,187	\$ 588,192	\$ 658,710
Unreserved	4,677,120	4,617,847	-
Nonspendable	-	-	991,707
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	3,660,757
Total general fund	\$ 5,383,307	\$ 5,206,039	\$ 5,311,174
All other governmental funds			
Reserved	\$ 150,925	\$ 151,114	\$ 3,280
Unreserved	7,113,428	4,545,704	-
Nonspendable	-	-	-
Restricted	-	-	3,894,952
Committed	-	-	159,155
Assigned	-	-	-
Unassigned	-	-	-
Total all other governmental funds	\$ 7,264,353	\$ 4,696,818	\$ 4,057,387

Source: City of Aztec Annual Financial Report

FISCAL YEAR						
2012	2013	2014	2015	2016	2017	2018
\$ 701,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
700	4,445	1,976	5,536	10,288	13,491	20,444
-	702,138	741,721	713,702	634,194	-	-
-	-	-	-	-	495,662	584,696
-	-	-	-	-	-	-
4,774,649	3,708,584	2,901,221	2,202,285	2,385,755	2,644,262	3,017,947
<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>	<u>\$ 3,623,087</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
1,413	4,436	4,110	5,113	4,993	-	4,565
3,282,058	3,104,443	2,374,508	2,718,264	2,363,202	2,028,470	2,477,369
138,983	144,362	150,141	154,426	120,129	119,694	122,986
-	-	-	-	-	-	-
-	-	-	-	-	-	(29,696)
<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>	<u>\$ 2,575,224</u>

City of Aztec, New Mexico
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	FISCAL YEAR		
	2009	2010	2011
Revenues			
Taxes	\$ 6,532,742	\$ 5,311,666	\$ 5,523,540
Licenses and permits	57,827	62,683	63,336
Intergovernmental	3,122,308	3,180,770	3,848,552
Charges for services	398,851	324,776	356,739
Fines	565,712	435,035	362,911
Investment earnings	164,524	58,916	40,310
Miscellaneous	102,597	176,437	247,095
Total Revenues	10,944,561	9,550,283	10,442,483
Expenditures			
Current			
General Government	1,833,036	1,763,356	1,804,289
Public Safety	2,651,381	2,409,157	1,728,707
Public Works	1,625,807	1,413,715	970,391
Health & Welfare	-	-	553,191
Culture and Recreation	1,205,663	1,143,772	1,087,033
Debt			
Principal	196,093	156,847	144,353
Interest	159,915	201,088	195,574
Capital Outlay	4,051,683	4,667,897	4,492,381
Total expenditures	11,723,578	11,755,832	10,975,919
Excess of revenues over (under) expenditures	(779,017)	(2,205,549)	(533,436)
Other Financing Sources (Uses)			
Operating transfers in	866,218	680,999	189,763
Operating transfers out	(1,562,671)	(1,220,253)	(190,623)
Proceeds from long-term debt, net	-	-	-
Proceeds from sale of capital assets	-	-	-
Bonds Issued	3,367,380	-	-
Total other financing sources and uses	2,670,927	(539,254)	(860)
Net change in fund balances	\$ 1,891,910	\$ (2,744,803)	\$ (534,296)
Debt service as a percentage of noncapital expenditures	4%	4%	5%

Source: City of Aztec Annual Financial Report

FISCAL YEAR						
2012	2013	2014	2015	2016	2017	2018
\$ 6,329,548	\$ 6,143,275	\$ 6,188,144	\$ 6,080,793	\$ 5,341,878	\$ 4,536,978	\$ 4,725,557
62,258	64,651	76,768	68,161	74,761	1,012,707	996,411
1,700,074	689,376	1,693,464	511,129	3,040,077	3,236,027	603,097
328,007	359,333	332,955	374,904	439,632	85,784	183,076
390,107	408,623	411,750	392,313	367,381	-	-
23,867	20,984	12,751	11,784	15,711	21,750	52,378
378,685	199,082	202,254	202,075	589,539	774,610	691,063
9,212,546	7,885,324	8,918,086	7,641,159	9,868,979	9,667,856	7,251,582
1,886,575	2,034,603	1,933,642	2,286,838	1,874,668	1,574,053	1,666,673
1,783,255	1,978,046	1,943,569	1,887,636	1,823,867	1,791,894	1,940,078
1,531,750	1,205,751	1,110,026	784,922	1,115,638	736,972	558,414
633,678	595,731	852,462	629,950	542,776	819,179	898,586
1,081,789	1,275,462	990,588	1,059,608	1,027,602	1,146,768	980,515
149,400	153,943	158,826	165,939	173,708	179,555	203,846
190,551	185,236	179,861	173,822	166,800	160,028	157,804
2,424,940	1,687,313	3,243,843	991,795	3,329,685	3,490,113	628,934
9,681,938	9,116,085	10,412,817	7,980,510	10,054,744	9,898,562	7,034,850
(469,392)	(1,230,761)	(1,494,731)	(339,351)	(185,765)	(230,706)	216,732
233,975	209,000	434,469	422,000	88,000	81,823	705,000
(233,975)	(209,000)	(434,469)	(457,000)	(183,000)	(68,099)	(55,000)
-	-	-	-	-	-	-
-	-	-	-	-	-	30,000
-	-	-	-	-	-	-
-	-	-	(35,000)	(95,000)	13,724	680,000
\$ (469,392)	\$ (1,230,761)	\$ (1,494,731)	\$ (374,351)	\$ (280,765)	\$ (216,982)	\$ 896,732
5%	4%	4%	5%	5%	5%	6%

City of Aztec, New Mexico
Electric Kilowatt Sales and Revenue
Last Ten Fiscal Years

Fiscal Year	Commercial		Residential	
	kWh	Revenue	kWh	Revenue
2018	26,788,951	\$ 3,131,193	16,080,566	\$ 2,086,782
2017	26,817,595	\$ 3,120,566	16,042,645	\$ 2,121,981
2016	27,061,582	\$ 3,592,765	16,371,181	\$ 2,376,165
2015	27,853,954	\$ 3,673,266	16,329,646	\$ 2,377,477
2014	28,412,734	\$ 3,685,410	16,878,943	\$ 2,452,343
2013	27,229,673	\$ 3,559,886	17,033,678	\$ 2,472,746
2012	26,674,939	\$ 3,536,290	17,173,811	\$ 2,490,411
2011	26,285,044	\$ 3,496,998	17,110,914	\$ 2,484,012
2010	25,676,747	\$ 3,617,655	17,322,982	\$ 2,512,129
2009	26,362,110	\$ 3,583,043	16,691,038	\$ 2,356,362
Change 2009-2018	1.62%	-12.61%	-3.66%	-11.44%

Source: City of Aztec Electric Utility

Street and Yard Lights		Total	
kWh	Revenue	kWh	Revenue
638,004	\$ 78,618	43,507,521	\$ 5,296,593
629,952	\$ 87,689	43,490,192	\$ 5,330,236
632,522	\$ 88,284	44,065,285	\$ 6,057,213
639,428	\$ 88,384	44,823,028	\$ 6,139,127
614,904	\$ 85,353	45,906,581	\$ 6,223,106
553,797	\$ 78,057	44,817,148	\$ 6,110,689
552,344	\$ 77,761	44,401,094	\$ 6,104,463
540,961	\$ 76,858	43,936,919	\$ 6,057,867
522,124	\$ 75,091	43,521,853	\$ 6,204,875
465,054	\$ 67,739	43,518,202	\$ 6,007,144
37.19%	16.06%	-0.02%	-11.83%

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**City of Aztec, New Mexico
Electric Rates by Customer Type
as of June 30, 2018**

Type of Customer

Commercial

Power Supply:

\$0.055 per kWh

Small Commercial <50kW

\$30.0000 per month

\$0.0600 per kWh

Large Commercial 50k - 150 kW

\$60.0000 per month

\$0.0550 per kWh

Residential

Power Supply:

\$0.055 per kWh

User Cost:

\$12.2500 per month 0 -100 kWh

\$0.0650 per kWh 101 - 500 kWh

\$0.0550 per kWh 501 and above

Solar Rates

Residential - Limited to 200 amp or less

Power Supply:

\$0.055 per kWh

User Cost:

\$38.0000 per month

Commercial - Limited to 50 kW

Power Supply:

\$0.055 per kWh

User Cost:

\$100.0000 per month

Street and Yard Lighting

\$7.50 100 or 150 watt HPS

\$14.00 250 watt HPS

\$25.00 400 watt HPS

Source: City of Aztec Municipal Code, Chapter 16, Article IV

**City of Aztec, New Mexico
Electric Principal Revenue Payers
Current Year and Nine Years Ago**

	Fiscal Year 2018		
	Revenue	Rank	Percentage of Revenue
AZTEC MUNICIPAL SCHOOLS	\$ 464,105	1	8.91%
SAN JUAN COUNTY	322,680	2	6.20%
SAFEWAY	253,005	3	4.86%
HILLCORP	140,186	4	2.69%
WESTERN REFINING	98,291	5	1.89%
AZTEC WELL SERVICE	95,840	6	1.84%
FOUR CORNERS GOOD SAM	73,578	7	1.41%
MCDONALD'S OF AZTEC	44,186	9	0.85%
CENTURYLINK, INC	45,479	8	0.87%
MCELVAIN ENERGY			
PEPSI BOTTLING	42,365	10	0.81%
Total	\$ 1,579,715		30.34%

Source: City of Aztec Electric Utility System

Fiscal Year 2009		
Revenue	Rank	Percentage of Revenue
\$ 521,958	1	8.81%
348,124	2	5.87%
268,816	3	4.54%
136,115	5	2.30%
42,530	10	0.72%
92,141	6	1.55%
46,673	8	0.79%
46,539	9	0.79%
184,501	4	3.11%
48,841	7	0.82%
\$ 1,736,238		29.30%

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City of Aztec, New Mexico
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years

Fiscal Year	Gross Receipts				Total Taxes
	Tax	Property Tax	Franchise Tax	Other Taxes	
2018	\$ 3,800,288	\$ 560,480	\$ 156,919	\$ 207,870	\$ 4,725,557
2017	3,499,512	659,740	152,467	225,259	4,536,978
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
Change 2009-2018	-29%	4%	-67%	7%	-28%

Source: City of Aztec Annual Financial Report

City of Aztec, New Mexico
Taxable Gross Receipts by Industry
Last Ten Fiscal Years

Ending 6/30	FISCAL YEAR		
	2009	2010	2011
Agriculture	\$ 32,000	\$ 34,759	\$ 13,186
Mining	47,218,262	26,321,710	17,689,324
Utilities	3,621,352	3,370,924	3,233,545
Construction	49,389,628	35,834,152	26,175,393
Manufacturing	11,806,566	8,157,517	9,220,855
Wholesale Trade	24,848,993	13,832,221	18,843,145
Retail Trade	38,004,248	35,622,179	34,872,717
Transportation	338,041	451,200	583,062
Information and Cultrual	9,492,745	12,584,386	14,493,738
Finance and Insurance	808,828	704,552	462,510
Real Estate	9,713,103	5,212,524	4,508,303
Professional, Scientific, Technical Svcs	8,177,986	5,464,276	5,990,621
Management	-	-	-
Administrative & Support	801,766	1,258,041	666,814
Educational Services	54,731	30,014	166,731
Health Care	4,070,566	5,158,455	5,332,469
Arts	343,503	340,469	422,510
Accomodation and Food Services	22,760,552	21,165,241	19,218,703
Other Services	40,499,807	26,511,890	24,334,400
Public Administration	552,166	1,288,441	3,301,903
Food Distribution (c)	27,880,221	25,456,717	30,064,276
Medical Distribution (c)	2,333,903	2,657,490	2,972,524
Unclassified/Undisclosed (a)	7,223,669	6,620,966	6,907,697
Total	\$ 309,972,634	\$ 238,078,124	\$ 229,474,428
City Direct Sales Tax Rate	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%.

FISCAL YEAR						
2012	2013	2014	2015	2016	2017	2018
\$ 386	\$ 825	\$ 221	\$ 12,548	\$ 12,518	\$ 1,626	\$ 59,750
21,172,800	19,852,855	20,192,110	10,126,077	3,104,953	3,432,780	3,873,440
3,103,283	3,143,834	3,654,621	2,891,595	1,647,533	1,731,836	1,674,817
31,681,821	13,292,359	19,570,979	11,938,201	9,062,824	8,557,402	8,040,602
9,480,883	17,029,297	10,426,483	6,019,867	7,751,923	6,245,851	6,167,960
23,766,014	18,176,166	18,777,600	8,161,651	5,259,936	3,258,746	2,532,727
35,412,028	38,133,131	35,888,110	20,552,737	19,863,623	19,363,541	22,874,447
3,274,041	1,919,283	3,176,828	2,424,693	1,790,784	1,954,983	138,665
16,325,683	17,571,531	17,465,490	9,673,272	9,303,559	9,123,399	8,733,757
526,014	1,036,083	1,028,359	211,079	210,686	173,951	222,142
5,615,172	7,552,828	7,164,855	6,114,118	2,694,583	3,055,383	3,414,485
11,916,579	7,637,572	10,817,766	7,718,100	4,580,248	7,034,194	7,015,673
9,159	-	(4,855)	-	-	-	-
1,224,552	1,189,407	1,036,219	1,342,644	598,170	771,795	938,074
72,607	130,759	93,903	4,860	12,582	130,112	150,775
6,295,117	12,103,614	12,350,566	8,059,103	6,907,380	4,235,502	9,362,974
668,414	809,766	843,752	459,162	396,033	379,272	307,979
20,716,855	21,590,290	21,137,269	14,900,495	12,059,854	12,129,034	12,449,792
25,814,290	37,417,600	41,935,669	29,107,132	13,988,728	12,423,033	13,048,219
1,815,007	3,480,221	2,051,366	376,657	1,118,355	677,042	987,392
47,914,152	42,859,200	30,137,103	27,510,731	19,665,197	16,772,650	19,087,953
3,575,834	4,449,545	4,347,034	4,748,745	3,129,131	2,433,004	2,352,905
5,281,766	4,103,890	6,206,455	2,125,736	396,085	435,388	281,483
\$ 275,662,455	\$ 273,480,056	\$ 268,297,903	\$ 174,479,204	\$ 123,554,685	\$ 114,320,525	\$ 123,716,010
1.8125%	1.8125%	1.8125%	1.8125%	1.8125%	1.8125%	1.8125%

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City of Aztec, New Mexico
Direct and Overlapping Gross Receipts Tax Rates
Last Ten Fiscal Years

Fiscal Year	State GRT Rate	City Share of State GRT Rate	City Direct Rate	San Juan County Rate	Total City GRT Rate
2018	3.9000%	1.2250%	1.8125%	1.0625%	8.0000%
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%

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

City of Aztec, New Mexico
Taxable Gross Receipts Payers by Industry
Current Year and One Year Ago

Ending 6/30	Fiscal Year 2018			
	Number of Filers (12 Mo. Avg.)	Percentage of Total Filers	Taxable Gross Receipts	Percentage of Total Gross Receipts
Agriculture	0	0.06%	\$ 59,750	0.05%
Mining	5	1.01%	3,873,440	3.13%
Utilities	6	1.09%	1,674,817	1.35%
Construction	38	7.32%	8,040,602	6.50%
Manufacturing	20	3.91%	6,167,960	4.99%
Wholesale Trade	36	6.88%	2,532,727	2.05%
Retail Trade	135	25.84%	22,874,447	18.49%
Transportation	5	0.93%	138,665	0.11%
Information and Cultural	61	11.62%	8,733,757	7.06%
Finance and Insurance	6	1.22%	222,142	0.18%
Real Estate	28	5.33%	3,414,485	2.76%
Professional, Scientific, Technical Svcs	37	7.12%	7,015,673	5.67%
Management	-	0.00%	-	0.00%
Administrative & Support	17	3.33%	938,074	0.76%
Educational Services	4	0.80%	150,775	0.12%
Health Care	16	3.04%	9,362,974	7.57%
Arts	3	0.50%	307,979	0.25%
Accommodation and Food Services	15	2.91%	12,449,792	10.06%
Other Services	77	14.84%	13,048,219	10.55%
Public Administration	1	0.11%	987,392	0.80%
Food Distribution (a) (c)		0.00%	19,087,953	15.43%
Medical Distribution (a) (c)		0.00%	2,352,905	1.90%
Unclassified/Undisclosed (a)	11	2.15%	281,483	0.23%
Total	521	100.00%	\$ 123,716,010	100.00%

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%.

Fiscal Year 2017

Number of Filers (12 Mo. Avg.)	Percentage of Total Filers	Taxable Gross Receipts	Percentage of Total Gross Receipts
-	0.00%	\$ 1,626	0.00%
7	1.36%	3,432,780	3.00%
4	0.78%	1,731,836	1.51%
42	8.17%	8,557,402	7.49%
22	4.28%	6,245,851	5.46%
33	6.42%	3,258,746	2.85%
131	25.49%	19,363,541	16.94%
5	0.97%	1,954,983	1.71%
55	10.70%	9,123,399	7.98%
8	1.56%	173,951	0.15%
29	5.64%	3,055,383	2.67%
38	7.39%	7,034,194	6.15%
-	0.00%	-	0.00%
19	3.70%	771,795	0.68%
3	0.58%	130,112	0.11%
16	3.11%	4,235,502	3.70%
4	0.78%	379,272	0.33%
18	3.50%	12,129,034	10.61%
79	15.37%	12,423,033	10.87%
1	0.19%	677,042	0.59%
	0.00%	16,772,650	14.67%
	0.00%	2,433,004	2.13%
	0.00%	435,388	0.38%
514	100.00%	\$ 114,320,525	100.00%

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

Fiscal Year	Residential Property	Nonresidential Property	Oil & Gas (Prod & Equip)	Less: Tax Exempt Property	Total Taxable Assessed Value
2018	\$ 92,711,566	\$ 73,055,297	\$ 961,893	\$ 38,977,957	\$ 127,750,799
2017 (a)	91,021,342	73,565,652	783,998	38,771,523	126,599,469
2016 (a)	89,059,828	73,279,324	893,795	38,478,931	124,754,016
2015 (a)	86,997,132	73,551,505	1,840,330	38,171,923	124,217,044
2014 (a)	84,700,152	73,364,127	1,568,658	39,788,615	119,844,322
2013 (a)	81,726,608	68,244,297	1,465,076	37,664,240	113,771,741
2012 (a)	79,015,509	65,560,274	2,167,166	33,966,265	112,776,684
2011 (a)	76,107,648	64,766,468	2,289,210	31,343,483	111,819,843
2010 (a)	71,221,070	48,261,348	1,934,406	15,956,123	105,460,701
2009 (a)	68,249,133	45,888,088	5,050,153	15,339,339	103,848,035

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

Total Direct Residential Tax Rate	Total Direct Non Residential Tax Rate	Total Direct Oil & Gas Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
4.4750%	6.8730%	6.8730%	\$ 383,636,033	33.3%
4.3910%	6.8730%	6.8730%	380,178,586	33.3%
4.3850%	6.8730%	6.8730%	374,636,685	33.3%
4.4440%	6.8680%	6.8730%	373,024,156	33.3%
4.4810%	6.8730%	6.8730%	359,892,859	33.3%
4.5710%	6.8730%	6.8730%	341,656,880	33.3%
4.5870%	6.5090%	6.8730%	338,668,721	33.3%
4.5550%	5.9410%	6.8730%	335,795,324	33.3%
4.5700%	5.8730%	6.8730%	316,698,802	33.3%
4.8600%	6.3240%	6.8730%	311,855,961	33.3%

City of Aztec, New Mexico
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Overlapping Rates					
	City of Aztec			San Juan County		
	Operating Millage	Total Direct Rate	State Debt Service	Operational	Water Reserve	Total County
2018						
Residential	4.475%	4.475%	1.360%	6.200%	0.500%	6.700%
Commercial	6.873%	6.873%	1.360%	8.000%	0.500%	8.500%
2017						
Residential	4.391%	4.391%	1.360%	6.045%	0.500%	6.545%
Commercial	6.873%	6.873%	1.360%	8.000%	0.500%	8.500%
2016						
Residential	4.385%	4.385%	1.360%	6.029%	0.500%	6.529%
Commercial	6.873%	6.873%	1.360%	8.000%	0.500%	8.500%
2015						
Residential	4.444%	4.444%	1.360%	5.729%	0.500%	6.229%
Commercial	6.868%	6.868%	1.360%	8.000%	0.500%	8.500%
2014						
Residential	4.481%	4.481%	1.360%	5.731%	0.500%	6.231%
Commercial	6.873%	6.873%	1.360%	8.000%	0.500%	8.500%
2013						
Residential	4.571%	4.571%	1.360%	5.810%	0.500%	6.310%
Commercial	6.873%	6.873%	1.360%	8.000%	0.500%	8.500%
2012						
Residential	4.587%	4.587%	1.360%	5.826%	0.500%	6.326%
Commercial	6.509%	6.509%	1.360%	8.000%	0.500%	8.500%
2011						
Residential	4.555%	4.555%	1.362%	5.767%	0.500%	6.267%
Commercial	5.941%	5.941%	1.362%	8.000%	0.500%	8.500%
2010						
Residential	4.663%	4.663%	1.530%	5.925%	0.500%	6.425%
Commercial	5.817%	5.817%	1.530%	8.000%	0.500%	8.500%
2009						
Residential	4.570%	4.570%	1.150%	5.812%	0.500%	6.312%
Commercial	5.873%	5.873%	1.150%	8.000%	0.500%	8.500%

Overlapping Rates

Aztec Municipal District				San Juan College			Total Direct and Overlapping
Operational	Debt Service	Capital Imp	Total School District	Operational	Debt Service	Total College	
0.261%	10.192%	1.871%	12.324%	3.392%	0.600%	3.992%	28.851%
0.500%	10.192%	2.000%	12.692%	4.500%	0.600%	5.100%	34.525%
0.255%	10.227%	1.830%	12.312%	3.314%	0.600%	3.914%	28.522%
0.500%	10.227%	2.000%	12.727%	4.500%	0.600%	5.100%	34.560%
0.255%	10.764%	1.827%	12.846%	3.263%	0.600%	3.863%	28.983%
0.500%	10.764%	2.000%	13.264%	4.500%	0.600%	5.100%	35.097%
0.258%	8.393%	1.849%	10.500%	3.113%	0.600%	3.713%	26.246%
0.500%	8.393%	2.000%	10.893%	4.500%	0.600%	5.100%	32.721%
0.260%	6.676%	1.862%	8.798%	3.114%	0.600%	3.714%	24.584%
0.500%	6.676%	2.000%	9.176%	4.500%	0.600%	5.100%	31.009%
0.263%	8.448%	1.886%	10.597%	3.154%	0.600%	3.754%	26.592%
0.500%	8.448%	2.000%	10.948%	4.500%	0.600%	5.100%	32.781%
0.263%	6.517%	1.886%	8.666%	3.162%	0.420%	3.582%	24.521%
0.500%	6.517%	2.000%	9.017%	4.500%	0.420%	4.920%	30.306%
2.131%	4.567%	1.870%	8.568%	3.133%	0.600%	3.733%	24.485%
0.500%	4.567%	2.000%	7.067%	4.500%	0.600%	5.100%	27.970%
2.185%	4.640%	1.917%	8.742%	3.212%	0.600%	3.812%	25.172%
0.499%	4.640%	1.996%	7.135%	4.500%	0.600%	5.100%	28.082%
2.133%	5.497%	1.871%	9.501%	3.156%	0.600%	3.756%	25.289%
0.500%	5.497%	2.000%	7.997%	4.500%	0.600%	5.100%	28.620%

**City of Aztec, New Mexico
Principal Property Tax Payers
Current Year and Nine Years Ago**

Fiscal Year 2018

	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
AZTEC WELL SERVICING CO	\$ 2,463,203	1	0.64%
BOTTLING GROUP LLC	1,475,949	3	0.38%
PRESIDENTIAL HOSPITALITY LLC	1,125,162	4	0.29%
NEW MEXICO GAS COMPANY	1,527,379	2	0.40%
SAFeway STORES 46 INC	1,106,155	5	0.29%
FEDERAL EXPRESS	1,088,078	6	0.28%
NORTH STAR DWC AND MSW COOP INC	961,166	8	0.25%
COMCAST OF NEW MEXICO INC	1,029,041	7	0.27%
HIGH TECH RENTAL TOOLS LLC			
QWEST CORPORATION			
AZTEC WELL SERVICING CO INC			
WPX ENERGY INC	879,193	9	0.23%
UNITED FOOD STORE NO 3 INC	789,601	10	0.21%
WILLIAM FOUR CORNERS LLC			
UNITED FOOD STORE #1 INC			
PROBST PROPERTIES LLC			
ACE SERVICES INC			
WILLIAMS PRODUCTION COMPANY			
SUNLAND CONST OF EUNICE INC			
HELMERICH AND PAYNE INTNL DRL CO			
Z C INC			
WILLIAMS FIELD SERVICES CO LLC			
DAYSOFF INVESTMENTS LLC			
AZTEC PROPERTIES			
KLIEN RICKY L AND CINDY L			
STEP BACK INN			
Total	\$ 12,444,927		3.24%

Source: San Juan County Assessor's Office

Fiscal Year 2009

Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
\$ 1,606,280	2	0.52%
1,346,643	3	0.43%
891,916	7	0.29%
1,988,714	1	0.64%
1,243,026	4	0.40%
1,005,388	5	0.32%
681,166	10	0.22%
836,372	8	0.27%
899,099	6	0.29%
831,728	9	0.27%
<hr/>		
\$ 11,330,332		3.63%

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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 AUDITOR'S REPORT

Wayne A. Johnson
New Mexico State Auditor
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 of the City of Aztec, New Mexico (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item FS 2017-001 that we consider to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 a matter that is 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 item 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
December 13, 2018

City of Aztec, New Mexico
Schedule of Findings and Responses
For the Year Ended June 30, 2018

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 |

SECTION II – PRIOR YEAR AUDIT FINDINGS

FS 2017-001 — Deficiencies in Internal Controls Over Electric Department Inventory (Significant Deficiency) – Modified and Repeated

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

FA 2017-001 – Lack of Controls Over Procurement Suspension and Debarment (Significant Deficiency) – Resolved

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

NM 2017-002 — Travel and Per Diem (Other Noncompliance) – Modified and Repeated

City of Aztec, New Mexico
Schedule of Findings and Responses
For the Year Ended June 30, 2018

SECTION III – FINANCIAL STATEMENT FINDINGS

FS 2017-001 — Deficiencies in Internal Controls Over Electric Department Inventory (Significant Deficiency) – Modified and Repeated

Condition: The City does not have a written policy for accounting for inventory, which gives employees the ability to remove inventory items without filling out job tickets and inventory counts only occur at year-end. It was further noted that the City does not have controls over the inventory process.

In addition, for one of nine inventory items reviewed, it was noted that 15 items were left off the count, which resulted in an understatement of inventory in the amount of \$8,167.50.

Status of Prior Year Finding: After fiscal year-end (August 2018), the City approved an inventory policy.

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.

City's Response: The City of Aztec Electric Director finalized the Electric Department Inventory Management Policy in August 2018 and implemented the policy in September 2018. Bi-annual inventory counts will be conducted in January and June, beginning in January 2019. The Finance Director will reconcile the physical counts to the general ledger and work with the Electric Director to resolve any discrepancies. Without the addition of personnel and/or automated systems, City management does not consider a quarterly inventory count to be a goal, which could be achieved with existing resources.

City of Aztec, New Mexico
Schedule of Findings and Responses
For the Year Ended June 30, 2018

SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS

NM 2017-002 — Travel and Per Diem (Other Noncompliance) – Modified and Repeated

Condition: For one of seven travel and per diem transactions reviewed, it was noted that an employee was over the out-of-state allowable meal allowance by \$1.91.

Status of Prior Year Finding: The City made progress in the current year; however, there was an instance noted in the current year.

Criteria: 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 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 state allowed 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.

City’s Response: As a result of the finding with the FY 2017 audit, in February 2018, the Finance Director updated the Travel Policy for City Employees and Public Officers (AR2018-58), updated electronic forms for compliance with the travel policy, and conducted trainings with department heads and finance department staff. The specific instance cited in this FY 2018 finding occurred in October 2017 prior to the changes implemented in February 2018. The Finance Director will monitor policy and procedures throughout the year to ensure compliance with the Per Diem and Mileage Act.

EXIT CONFERENCE

An exit conference was held on December 13, 2018 telephonically. In attendance were the following:

Representing the City of Aztec:

Sherri Sipe	Commissioner
Steve Mueller	City Manager
Kathy Lamb	Finance Director

Representing Carr, Riggs & Ingram, LLC:

Danny Martinez, CPA, CGFM	Partner
Benjamin A. Martinez, CPA	Manager
Sara Specht, CFE	Supervising Senior

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.