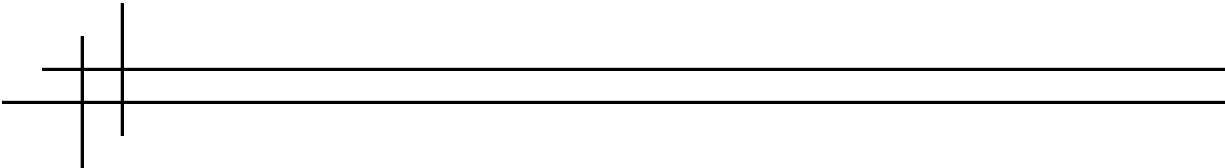


State of New Mexico
Town of Carrizozo

Annual Financial Report
June 30, 2016

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



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State of New Mexico
Town of Carrizozo
Official Roster
June 30, 2016

Board of Trustees

Yovanne Lucero	Mayor
Chris Ventura	Mayor Pro-Tem
Rick Hyatt	Trustee
Tommy Guevara	Trustee
Ray Dean	Trustee

Administrative Official

Leann Weihbrecht	Clerk/Treasurer
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De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Town of Carrizozo

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue fund of the Town of Carrizozo (Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds, and the budgetary comparisons for the major capital projects and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Town as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Town as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Information

The Vendor Schedule has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

De'Ann Willoughby CPA PC

Clovis, New Mexico
November 16, 2016

Financial Section

State of New Mexico
Town of Carrizozo
Government-Wide Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 379,542	\$ 55,128	\$ 434,670
Receivables			
Accounts	0	55,900	55,900
Taxes	35,928	390	36,318
Due from Grantor	31,693	0	31,693
Total Current Assets	<u>447,163</u>	<u>111,418</u>	<u>558,581</u>
Noncurrent Assets			
Restricted Cash	56,491	65,888	122,379
Capital Assets	10,206,183	4,560,592	14,766,775
Less: Accumulated Depreciation	<u>(6,116,218)</u>	<u>(1,679,911)</u>	<u>(7,796,129)</u>
Total Noncurrent Assets	<u>4,146,456</u>	<u>2,946,569</u>	<u>7,093,025</u>
Total Assets	<u>4,593,619</u>	<u>3,057,987</u>	<u>7,651,606</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions			
Actuarial Experience	20,219	0	20,219
Changes in Proportion	1,668	0	1,668
Contributions Subsequent to Measurement Date	<u>29,159</u>	<u>0</u>	<u>29,159</u>
Total Deferred Outflows of Resources	<u>51,046</u>	<u>0</u>	<u>51,046</u>
Liabilities			
Current Liabilities			
Accounts Payable	19,598	14,383	33,981
Accrued Salaries and Benefits	5,417	3,173	8,590
Compensated Absences	10,769	3,285	14,054
Accrued Interest	0	8,029	8,029
Current Portion of Long-Term Debt	<u>47,490</u>	<u>10,550</u>	<u>58,040</u>
Total Current Liabilities	<u>83,274</u>	<u>39,420</u>	<u>122,694</u>
Noncurrent Liabilities			
Customer Deposits	0	43,278	43,278
Loans	256,273	419,896	676,169
Pension Liability	<u>393,994</u>	<u>0</u>	<u>393,994</u>
Total Noncurrent Liabilities	<u>650,267</u>	<u>463,174</u>	<u>1,113,441</u>
Total Liabilities	<u>733,541</u>	<u>502,594</u>	<u>1,236,135</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions			
Actuarial Experience	2,507	0	2,507
Changes of Assumptions	11,662	0	11,662
Investment Experience	<u>1,137</u>	<u>0</u>	<u>1,137</u>
Total Deferred Inflows of Resources	<u>15,306</u>	<u>0</u>	<u>15,306</u>
Net Position			
Net Investment in Capital Assets	3,842,693	2,450,235	6,292,928
Unrestricted	<u>53,125</u>	<u>105,158</u>	<u>158,283</u>
Total Net Position	<u>\$ 3,895,818</u>	<u>\$ 2,555,393</u>	<u>\$ 6,451,211</u>

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

State of New Mexico
Town of Carrizozo
Government-Wide Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net(Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 319,686	\$ 7,609	\$ 160,942	\$ 0	\$ (151,135)	\$ 0	(151,135)
Public Safety	569,296	56,940	169,750	0	(342,606)	0	(342,606)
Public Works	312,120	1,810	0	397,772	87,462	0	87,462
Culture & Recreation	90,747	4,749	0	31,693	(54,305)	0	(54,305)
Interest	5,979	0	0	0	(5,979)	0	(5,979)
Total Governmental Activities	1,297,828	71,108	330,692	429,465	(466,563)	0	(466,563)
Business-type Activities							
Water & Sewer	452,342	340,539	0	25,580	0	(86,223)	(86,223)
Sanitation	154,106	126,857	0	0	0	(27,249)	(27,249)
Total Business-type Activities	\$ 606,448	\$ 467,396	\$ 0	\$ 25,580	0	(113,472)	(113,472)
General Revenues							
Taxes							
Property					76,533	0	76,533
Franchise					24,362	0	24,362
Gross Receipts					308,337	6,893	315,230
Gasoline					31,948	0	31,948
Other					15,392	0	15,392
Miscellaneous					480	0	480
Total General Revenues					457,052	6,893	463,945
Other Items							
Transfers					(26,550)	26,500	
Change in Net Position					(36,061)	(80,079)	(116,090)
Net Position - Beginning					3,931,879	2,635,472	6,567,351
Net Position - Ending					\$ 3,895,818	\$ 2,555,393	\$ 6,451,211

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

State of New Mexico
Town of Carrizozo
Governmental Funds
Balance Sheet
June 30, 2016

	<u>General</u>	<u>Special Revenue Fire</u>	<u>Capital Projects</u>
Assets			
Cash and Cash Equivalents	\$ 177,453	\$ 42,062	\$ 0
Receivables (Net of Allowance for Uncollectible if Applicable)			
Taxes	32,234	0	0
Due from Grantors	0	0	31,693
Interfund Balance	31,693	0	0
Restricted Cash	12,705	43,786	0
Total Assets	\$ <u>254,085</u>	\$ <u>85,848</u>	\$ <u>31,693</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 12,259	\$ 1,844	\$ 0
Accrued Salaries and Benefits	5,417	0	0
Interfund Balance	0	0	31,693
Total Liabilities	<u>17,676</u>	<u>1,844</u>	<u>31,693</u>
Deferred Inflows of Revenue			
Unavailable Revenue	<u>14,659</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>14,659</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for:			
Special Revenue Fund	0	84,004	0
Unassigned	<u>221,750</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>221,750</u>	<u>84,004</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	\$ <u>254,085</u>	\$ <u>85,848</u>	\$ <u>31,693</u>

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

State of New Mexico
Town of Carrizozo
 Governmental Funds
 Balance Sheet
 June 30, 2016

	Non-Major Governmental Funds	Total Governmental Funds
Assets		
Cash and Cash Equivalents	\$ 160,027	\$ 379,542
Receivables (Net of Allowance for Uncollectible if Applicable)		
Taxes	3,694	35,928
Due from Grantors	0	31,693
Interfund Balance	0	31,693
Restricted Cash	0	56,491
Total Assets	<u>\$ 163,721</u>	<u>\$ 535,347</u>
Liabilities		
Current Liabilities		
Accounts Payable	\$ 5,495	\$ 19,598
Accrued Salaries and Benefits	0	5,417
Interfund Balance	0	31,693
Total Liabilities	<u>5,495</u>	<u>56,708</u>
Deferred Inflows of Revenue		
Unavailable Revenue	<u>0</u>	<u>14,659</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>14,659</u>
Fund Balances		
Restricted for:		
Special Revenue Fund	158,226	242,230
Unassigned	0	221,750
Total Fund Balances	<u>158,226</u>	<u>463,980</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 163,721</u>	<u>\$ 535,347</u>

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

State of New Mexico
Town of Carrizozo
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2016

Total Fund Balance - Governmental Funds \$ 463,980

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 14,659

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 10,206,183	
Accumulated Depreciation	<u>(6,116,218)</u>	4,089,965

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	51,046	
Deferred Inflows Related to Pensions	<u>(15,306)</u>	35,740

Long-term and certain other liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Loans Payable	(303,763)	
Pension Liability	<u>(393,994)</u>	(697,757)

Compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds. (10,769)

Total Net Position - Governmental Activities \$ 3,895,818

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

State of New Mexico
Town of Carrizozo
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2016

	General	Special Revenue Fire	Capital Projects
Revenues			
Taxes			
Property	\$ 83,346	\$ 0	\$ 0
Franchise	24,362	0	0
Gross Receipts	301,244	0	0
Gasoline	0	0	0
Other	7,897	0	0
Charges for Services	21,387	0	0
License, Fees and Fines	3,520	0	0
Federal Grants	0	0	429,466
State Grants	160,942	147,920	0
Assessments	0	0	0
Miscellaneous	97	383	0
Total Revenues	602,795	148,303	429,466
Expenditures			
Current			
General Government	307,936	0	0
Public Safety	290,433	192,602	0
Public Works	42,823	0	0
Culture and Recreation	57,605	0	0
Capital Outlay	0	0	415,532
Debt Service			
Principal	7,918	38,581	0
Interest	200	5,779	0
Total Expenditures	706,915	236,962	415,532
Excess (Deficiency) of Revenues Over Expenditures	(104,120)	(88,659)	13,934
Other Financing Sources (Uses)			
Transfers	18,160	0	(13,934)
Total Other Sources (Uses)	18,160	0	(13,934)
Net Change in Fund Balance	(85,960)	(88,659)	0
Fund Balance at Beginning of year	307,710	172,663	0
Fund Balance End of Year	\$ 221,750	\$ 84,004	\$ 0

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

State of New Mexico
Town of Carrizozo
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2016

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Taxes		
Property	\$ 0	\$ 83,346
Franchise	0	24,362
Gross Receipts	7,093	308,337
Gasoline	31,948	31,948
Other	7,495	15,392
Charges for Services	0	21,387
License, Fees and Fines	0	3,520
Federal Grants		
State Grants	21,800	330,662
Assessments	46,200	46,200
Miscellaneous	0	480
Total Revenues	<u>114,536</u>	<u>1,295,100</u>
Expenditures		
Current		
General Government	0	307,936
Public Safety	20,806	503,841
Public Works	40,030	82,853
Culture and Recreation	8,259	65,864
Capital Outlay	0	415,532
Debt Service		
Principal	0	46,499
Interest	0	5,979
Total Expenditures	<u>69,095</u>	<u>1,428,504</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>45,441</u>	<u>(133,404)</u>
Other Financing Sources (Uses)		
Transfers	<u>(30,776)</u>	<u>(26,550)</u>
Total Other Sources (Uses)	<u>(30,776)</u>	<u>(26,550)</u>
Net Change in Fund Balance	14,665	(159,954)
Fund Balance at Beginning of year	<u>143,561</u>	<u>623,934</u>
Fund Balance End of Year	<u>\$ 158,226</u>	<u>\$ 463,980</u>

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

State of New Mexico
Town of Carrizozo
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2016

Net Change in Fund Balance \$ (159,954)

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

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2015	\$ (21,472)	
Property Taxes Receivable, June 30, 2016	<u>14,659</u>	(6,813)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	(302,306)	
Capital Outlays	<u>415,532</u>	113,226

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	29,159	
Pension Expense	<u>(55,971)</u>	(26,812)

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

46,499

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2015	8,562	
Compensated Absences, June 30, 2016	<u>(10,769)</u>	<u>(2,207)</u>

Changes in Net Position of Governmental Activities	\$	<u><u>(36,061)</u></u>
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The notes to the financial statements are an integral part of this statement.

State of New Mexico

Town of Carrizozo

General Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
Property	\$ 82,000	\$ 82,000	\$ 83,346	\$ 1,346
Franchise	45,000	45,000	29,370	(15,630)
Gross Receipts	356,000	356,000	308,808	(47,192)
Motor Vehicle	10,000	10,000	7,897	(2,103)
Charges for Services	31,354	31,354	21,388	(9,966)
License, Fees and Fines	3,900	3,900	3,520	(380)
State Grants	145,000	145,000	160,942	15,942
Miscellaneous	1,000	1,000	97	(903)
Total Revenues	<u>674,254</u>	<u>674,254</u>	<u>615,368</u>	<u>(58,886)</u>
Expenditures				
Executive				
Personnel Services	8,400	8,400	7,154	1,246
Benefits	643	643	547	96
Operating Expense	9,881	9,881	8,283	1,598
Total Executive	<u>18,924</u>	<u>18,924</u>	<u>15,984</u>	<u>2,940</u>
Financial				
Personnel Services	110,612	110,612	104,632	5,980
Benefits	39,373	39,373	39,301	72
Operating Expense	113,535	113,535	110,598	2,937
Total Financial	<u>263,520</u>	<u>263,520</u>	<u>254,531</u>	<u>8,989</u>
Professional Services				
Legal Fees	44,110	44,110	32,088	12,022
Total Professional Services	<u>44,110</u>	<u>44,110</u>	<u>32,088</u>	<u>12,022</u>
Police				
Personnel Services	149,094	149,094	160,936	(11,842)
Benefits	100,190	100,190	93,415	6,775
Operating Expense	39,402	39,402	34,887	4,515
Total Police	<u>288,686</u>	<u>288,686</u>	<u>289,238</u>	<u>(552)</u>

State of New Mexico
Town of Carrizozo
General Fund
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Highway & Streets				
Operating Expense	\$ 20,969	\$ 20,969	\$ 20,969	\$ 0
Total Highway & Streets	<u>20,969</u>	<u>20,969</u>	<u>20,969</u>	<u>0</u>
Airport				
Operating Expense	28,350	28,350	18,993	9,357
Total Airport	<u>28,350</u>	<u>28,350</u>	<u>18,993</u>	<u>9,357</u>
Parks and Recreation				
Personnel Services	17,040	17,040	12,135	4,905
Benefits	1,303	1,303	928	375
Operating Expense	<u>17,506</u>	<u>17,506</u>	<u>22,714</u>	<u>(5,208)</u>
Total Parks and Recreation	<u>35,849</u>	<u>35,849</u>	<u>35,777</u>	<u>72</u>
Golf Course				
Operating Expense	<u>25,623</u>	<u>25,623</u>	<u>22,990</u>	<u>2,633</u>
Total Golf Course	<u>25,623</u>	<u>25,623</u>	<u>22,990</u>	<u>2,633</u>
Debt Service				
Principal	0	0	7,918	(7,918)
Interest	<u>0</u>	<u>0</u>	<u>200</u>	<u>(200)</u>
Total Debt Service	<u>0</u>	<u>0</u>	<u>8,118</u>	<u>(8,118)</u>
Total Expenditures	<u>726,031</u>	<u>726,031</u>	<u>698,688</u>	<u>27,343</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(51,777)</u>	<u>(51,777)</u>	<u>(83,320)</u>	<u>(31,543)</u>
Other Financing Sources (Uses)				
Transfers	<u>0</u>	<u>0</u>	<u>18,161</u>	<u>18,161</u>
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>18,161</u>	<u>18,161</u>
Net Change in Cash Balance	(51,777)	(51,777)	(65,159)	(13,382)
Cash Balance Beginning of Year	<u>287,010</u>	<u>287,010</u>	<u>287,010</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 235,233</u>	<u>\$ 235,233</u>	<u>\$ 221,851</u>	<u>\$ (13,382)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (65,159)	
Net Change in Taxes Receivable			(19,386)	
Net Change in Accounts Payable			(2,812)	
Net Change in Salaries & Benefits			(5,417)	
Net Change in Deferred Property Taxes			6,814	
Net Change in Fund Balance			<u>\$ (85,960)</u>	

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

State of New Mexico
Town of Carrizozo
Special Revenue-Fire Fund
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 147,920	\$ 147,920	\$ 147,920	\$ 0
Interest	0	0	383	383
Total Revenues	<u>147,920</u>	<u>147,920</u>	<u>148,303</u>	<u>383</u>
Expenditures				
Public Safety				
Operating	321,612	321,612	191,787	129,825
Debt Service				
Principal	0	0	38,581	(38,581)
Interest	0	0	5,779	(5,779)
Total Expenditures	<u>321,612</u>	<u>321,612</u>	<u>236,147</u>	<u>85,465</u>
Excess (Deficiency) of Revenues Over Expenditures	(173,692)	(173,692)	(87,844)	85,848
Cash Balance Beginning of Year	<u>173,692</u>	<u>173,692</u>	<u>173,692</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 85,848</u>	<u>\$ 85,848</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (87,844)	
Net Change in Account Payable			(815)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (88,659)</u>	

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

State of New Mexico
Town of Carrizozo
Propriety Fund
Statement of Net Position
June 30, 2016

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 55,128
Receivables (net of allowance for uncollectible accounts)	
Accounts	55,900
Taxes	390
Total Current Assets	<u>111,418</u>
Noncurrent Assets	
Restricted Cash	65,888
Capital Assets	4,560,592
Less Accumulated Depreciation	<u>(1,679,911)</u>
Total Noncurrent Assets	<u>2,946,569</u>
 Total Assets	 <u>3,057,987</u>
Liabilities	
Current Liabilities	
Accounts Payable	14,383
Accrued Salaries and Benefits	3,173
Accrued Compensated Absences	3,285
Accrued Interest	8,029
Current Portion of Bonds Payable	<u>10,550</u>
Total Current Liabilities	<u>39,420</u>
Noncurrent Liabilities	
Customer Deposits	43,278
Revenue Bonds	<u>419,896</u>
Total Noncurrent Liabilities	<u>463,174</u>
 Total Liabilities	 <u>502,594</u>
Net Position	
Net Investment in Capital Assets	2,450,235
Unrestricted	105,158
Total Net Position	<u>\$ 2,555,393</u>

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

State of New Mexico
Town of Carrizozo
 Propriety Fund
 Statement of Revenue, Expenses and Changes in Net Position
 For the Year Ended June 30, 2016

Operating Revenues	
Sales & Service	\$ 467,396
Total Operating Revenues	<u>467,396</u>
Operating Expenses	
Salaries & Benefits	204,101
Operating	294,661
Depreciation	91,494
Total Operating Expenses	<u>590,256</u>
Operating Income (Loss)	<u>(122,860)</u>
Nonoperating Revenue (Expenses)	
Environmental Taxes	6,893
State Capital Grant	25,580
Transfers In	26,500
Interest Expense	<u>(16,192)</u>
Total Nonoperating Revenue (Expense)	<u>42,781</u>
Change in Net Position	(80,079)
Total Net Position - Beginning	<u>2,635,472</u>
Total Net Position - Ending	<u>\$ 2,555,393</u>

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

State of New Mexico
Town of Carrizozo
Propriety Fund
Combined Statement of Cash Flows
For the Year Ended June 30, 2016

Cash Flows from Operating Activities	
Cash Received From Customers	\$ 540,185
Cash Paid to Suppliers and Employees	(546,239)
Net Cash Provided by Operating Activities	<u>(6,054)</u>
Cash Flows from Noncapital Financing Activities	
Environmental Gross Receipt Tax	6,893
Net Cash Provided by Noncapital Financing Activities	<u>6,893</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(12,797)
State Capital Grant	25,580
Transfers In	26,500
Principal Paid	(10,280)
Interest Paid	(16,192)
Net Cash Provided by Capital & Related Financing Activities	<u>12,811</u>
Net Increase (Decrease) in Cash	13,650
Cash, Beginning of Year	<u>107,366</u>
Cash, End of Year	<u>\$ 121,016</u>
Cash and Cash Equivalents	\$ 55,128
Restricted Cash	65,888
Total Cash	<u>\$ 121,016</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (122,860)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	91,494
Change in Assets and Liabilities	
Net Change in Accounts Receivable	12,156
Net Change in Taxes Receivable	183
Net Change in Accounts Payable	10,893
Net Change in Accrued Salaries	3,173
Net Change in Compensated Absences	(2,487)
Net Change in Accrued Interest	(134)
Net Change in Customer Deposits	1,528
Net Cash Provided by Operating Activities	<u>\$ (6,054)</u>

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

A. Summary of Significant Accounting Policies

The financial statements of the Town of Carrizozo (Town) have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant of the Town's accounting policies are described below.

Financial Reporting Entity

The Town of Carrizozo was incorporated under the laws of the State of New Mexico. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Town has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected town members are financially accountable. There are no other primary governments with which the Town Board Members are financially accountable or which the Town has a significant relationship.

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Town are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below.

Basis of Presentation & Basis of Accounting
Government-Wide Financial Statements (GWFS)

The government-wide financial statements (the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the activities of the Town. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level. The effect of interfund activity, within the governmental and business-type activities columns, 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, deferred outflow of resources, liabilities and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular program and 3) capital grants or contributions restricted to meeting capital requirements of a particular program. Taxes and other items not properly included amount program revenues are reported instead as general revenues.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the government-wide financial statements.

Revenues

Taxes. Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

Grants. Government mandated nonexchange transaction and voluntary nonexchange transactions. Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

Revenue Recognition for Grants.

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider.
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).
3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.

4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Town has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town and accounts for all revenues and expenditures of the Town not encompassed within other funds.

Fire Fund - To account for the operation and maintenance of the Town Fire department. Financing is primarily from an annual state fire allotment. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

Capital Projects - To account for capital projects funded by state and federal grants with a local match. The project was an addition to the airport runway.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position.

Additionally, the Town reports the following non-major funds types:

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

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Town's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the Town's general revenues. Program revenues include charges for services or applicants who purchase, use or directly benefit from the goods or services provided by the given function. Program revenues include fees and fines for public service and charges for recreational activities. Grants include small cities assistance and fire protection and law enforcements grants and a subsidy from the county for animal control.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Budgetary Control

1. Prior to June 1, the Town's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.
3. The Town treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Trustees and the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The level of budget authority is at the fund level.

The Proprietary Funds group accounts for funds received in the course of the operation of self-supporting functions which receive their revenues from providing goods or services to internal or external customers. The two types of funds that make up this category are:

1. Enterprise Funds. Enterprise Funds account for operations carried out and financed like a business operation, usually designated to be self-supporting through fees for services and generating revenues from outside sources. The Town has two of these funds , including the Water, Sewer and Sanitation. Enterprise Funds are budgeted as separate cost centers but as integral parts of the work programs.

2. Internal Service Fund (ISF). An ISF accounts for financing goods or services provided by an organizational unit of the Town to other units of the Town, on a self-liquidating, fee-for-service basis. The Town of Carrizozo does not have an ISF Fund.

Cash and Cash Equivalents

The Town'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.

The Town is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Town may be invested in :

(a) bonds or negotiable securities of the United States, the state or any county, municipality or Town which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Prepaid Items

Prepaid balances are for payments made by the Town in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

The County collects the Town's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Town on a monthly basis. The Town accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets

Capital assets, which includes property, plant, equipment (including software), and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings, Improvements and Infrastructure	40-50 Years
Infrastructure	5-50 Years
Equipment and Vehicles	3-20 Years

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The Town did not have activity in short-term debt.

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet. There are no outstanding Capital Leases.

Unearned and Unavailable Revenue

The Town reports unearned and unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Compensated Absences

All full-time employees are entitled to five to twenty vacation days (depending on employment) a maximum of 20 days can be accrued. Earned but unused vacation is paid out upon separation of employment.

Each permanent employee of the Town accrues sick leave as working days with full pay on the basis of three hours (3) hours per pay period. Sick leave may be granted only from duty because of personal illness, legal quarantine, or medical, dental, or optical appointments. In case of an extended sickness in excess of the accumulated sick leave, annual leave may be applied to sick leave. Employee's can accrue up to 240 hours of sick leave and may be eligible to receive 50% of sick leave upon leaving the Town if they have 25 years of service or leaves after turning the age of 66.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

Restricted Net Position

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Waste Water and the Solid Waste Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of each budget actual.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. Expenditures in the fund financial statements are classified by character and proprietary fund by operating and non-operating.

B. Deposits and Investments

The Town is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>	Balance Per Bank 6/30/16	Reconciled Balance	<u>Type</u>
General Operating Account	\$ 331,578	\$ 295,713	Checking Interest Bearing
TOTAL Deposited	331,578	295,713	
Less: FDIC Coverage	(250,000)		
Uninsured Amount	81,578		
50% collateral requirement	40,789		
Pledged securities	140,527		
Over (Under) requirement	\$ 99,738		

State of New Mexico
Town of Carrizozo
Notes to the Financial Statements
June 30, 2016

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNMA	3138ATDB3	\$ 140,527	10/01/2026	Bank of NY Melon
		<u>\$ 140,527</u>		

City Bank

<u>Name of Account</u>	<u>Balance Per Bank 6/30/16</u>	<u>Reconciled Balance</u>	<u>Type</u>
General Fund	\$ 11,302	\$ 11,302	Checking Interest Bearing
General Fund	30,133	30,133	Checking Interest Bearing
Veterans Memorial Park	751	751	Checking Non-Interest Bearing
Town of Carrizozo-RUS	22,360	22,360	Checking Non-Interest Bearing
CDBG	50	50	Checking Non-Interest Bearing
TOTAL Deposited	<u>64,596</u>	<u>\$ 64,596</u>	
Less: FDIC Coverage	<u>(64,596)</u>		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	<u>\$ 0</u>		

First Savings Bank

<u>Name of Account</u>	<u>Balance Per Bank 6/30/16</u>	<u>Reconciled Balance</u>	<u>Type</u>
Operating Account	\$ 140,249	\$ 140,249	Checking Interest Bearing
TOTAL Deposited	<u>140,249</u>	<u>\$ 140,249</u>	
Less: FDIC Coverage	<u>(140,249)</u>		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	<u>\$ 0</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

Bank of America

<u>Name of Account</u>	<u>Balance Per Bank 6/30/16</u>	<u>Reconciled Balance</u>	<u>Type</u>
Fire Pumper Truck-IV PP-2164	\$ 29,166	\$ 29,166	Savings
Construct Town Hall-KMD PP-1758	12,705	12,705	Savings
New Service Truck Fire Depart-DC/CM RPL-2559	14,621	14,621	Savings
TOTAL Deposited	<u>\$ 56,492</u>	<u>\$ 56,492</u>	

The Bank of America is the agent for New Mexico Finance Authority (Authority). The Authority is responsible for FDIC coverage and pledged securities.

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 446,741
Collateralized:	
Collateral held by the pledging bank in Town's name	140,527
Uninsured and uncollateralized	<u>5,647</u>
Total Deposits	<u>\$ 592,915</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016 \$5,647 of the Town's bank balance of \$592,915 was exposed to custodial credit risk.

There was \$12,705 in restricted cash in the General Fund and \$43,756 in the Fire Fund for debt retirement for a loan for the construction of Town Hall and fire trucks financed by New Mexico Finance Authority. The restricted cash in the Utility fund is the customer deposits held by the Town of \$43,278 and RUS Loan of \$22,610.

C. Receivables

Receivables as of June 30, 2016, were as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major Funds</u>
Franchise Taxes	\$ 404	\$ 0	\$ 0
Gross Receipts Taxes	17,171	0	0
Property Taxes	14,659	0	0
Gasoline Taxes	0	0	3,059
Other Taxes	0	0	635
Due from Grantor	0	31,693	0
	<u>\$ 32,234</u>	<u>\$ 31,693</u>	<u>\$ 3,694</u>

All receivable balances are expected to be collected within one year.

D. Interfund Receivables, Payables and Transfers

Transfers were made from the General Fund and Valle Del Sol Fund to the Utility Fund and the of \$10,000 and \$16,500 respectively to cover shortfalls. There was a transfer to the capital projects for a local match of \$5,000 from Municipal Streets and a transfer from Capital Projects to General to pay back prior year loans of \$18,934. There was a transfer from Corrections to General of \$9,226.

State of New Mexico
Town of Carrizozo
Notes to the Financial Statements
June 30, 2016

E. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2016, is as follows:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 127,102	\$ 0	\$ 0	\$ 127,102
Construction in Progress	0	0	0	0
Total Capital Assets, not being Depreciated	127,102	0	0	127,102
Capital Assets, being Depreciated				
Infrastructure	4,771,983	413,520	0	5,185,503
Buildings & Improvements	3,455,399	2,011	0	3,457,410
Equipment	1,436,168	0	0	1,436,168
Total Capital Assets, being Depreciated	10,556,740	415,531	0	10,079,081
Total Capital Assets	\$ 10,683,842	\$ 415,531	\$ 0	\$ 10,206,183
Less Accumulated Depreciation				
Infrastructure	\$ 3,264,970	\$ 189,916	\$ 0	\$ 3,454,886
Buildings & Improvements	2,097,342	50,688	0	2,148,030
Equipment	451,600	61,702	0	513,302
Total Accumulated Depreciation	5,511,606	302,306	0	6,116,218
Capital Assets, net	\$ 4,567,624	\$ 113,225	\$ 0	\$ 4,089,965

Depreciation expense was charged to governmental activities as follows:

General	\$ 10,000
Public Safety	50,760
Public Works	216,663
Culture & Recreation	24,883
Total depreciation expenses	\$ 302,306

	Balance 6/30/15	Increases	Decreases	Balance 6/30/16
Business-Type Activities				
Capital Assets not being Depreciated				
Land	\$ 8,000	\$ 0	\$ 0	\$ 8,000
Total Capital Assets not being Depreciated	8,000	0	0	8,000
Capital Assets, being Depreciated				
Utility System	4,437,290	12,797	0	4,450,087
Equipment	102,505	0	0	102,505
Total Capital Assets at Historical Cost	4,547,795	12,797	0	4,560,592
Less Accumulated Depreciation				
Utility System	1,491,151	89,648	0	1,580,799
Equipment	97,266	1,846	0	99,112
Total Accumulated Depreciation	1,588,417	91,494	0	1,679,911
Capital Assets, net	\$ 2,959,378	\$ (78,697)	\$ 0	\$ 2,880,681

F. Long-Term Liabilities and Other Liabilities

Notes Payable

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/15	Additions	Reductions	Balance 6/30/16	Amounts Due Within One Year
Governmental Activities					
Notes Payable					
NMFA-Town Hall	\$ 80,078	\$ 0	\$ 7,918	\$ 72,160	7,938
NMFA-Fire Truck	178,842	0	8,921	169,921	9,125
NMFA-Fire Truck	91,342	0	29,660	61,682	30,427
Total Notes Payable	\$ 350,262	\$ 0	\$ 46,499	\$ 303,763	47,490
Other Liabilities					
Compensated Absences					
Absences	\$ 8,562	\$ 10,644	\$ 8,437	\$ 10,769	10,769
Total Other Liabilities	\$ 8,562	\$ 10,644	\$ 8,437	\$ 10,769	10,769

Description	Maturity	Annual Payments	Interest Rate	Balance
NMFA-Town Hall	2025	\$ 8,117	3-4%	\$ 72,160
NMFA-Fire Truck	2021	12,979	3-4%	169,921
NMFA-Fire Truck	2017	31,767	2%	61,682
				\$ 303,763

The annual requirements to amortize the loans as of June 30, 2016, including interest payments are as follows:

	Principal	Interest	Total
2017	\$ 47,490	\$ 4,988	\$ 52,478
2018	48,582	3,897	52,479
2019	50,255	2,707	52,962
2020	61,631	1,317	62,948
2021	63,533	101	63,634
2022-2025	32,272	202	32,474
	\$ 303,763	\$ 13,212	\$ 316,975

Business-Type Activities

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/15	Additions	Reductions	Balance 6/30/16	Amounts Due Within One Year
USDA Bonds	\$ 362,790	\$ 0	\$ 5,950	\$ 356,840	6,220
NMFA-Colonias	77,936	0	4,330	73,606	4,330
Total Notes Payable	\$ 440,726	\$ 0	\$ 10,280	\$ 430,446	10,550

State of New Mexico
Town of Carrizozo
Notes to the Financial Statements
June 30, 2016

Other Liabilities

Compensated

Absences	\$	5,772	\$	5,639	\$	8,126	\$	3,285	\$	3,285
Total Other Liabilities	\$	5,772	\$	5,639	\$	8,126	\$	3,285	\$	3,285

Description	Maturity	Annual Payments	Interest Rate	Balance
USDA Bonds	2045	\$ 22,273	4.50%	\$ 356,840
NMFA-Colonias	2033	4,330	0.00%	73,606
				<u>430,446</u>

The annual requirements to amortize the loans as of June 30, 2016, including interest payments are as follows:

	Principal	Interest	Total
2017	\$ 10,550	\$ 16,058	\$ 26,608
2018	10,830	15,778	26,608
2019	11,120	15,485	26,605
2020	11,430	15,180	26,610
2021	11,740	14,860	26,600
2022-2026	64,040	68,987	133,027
2027-2031	74,470	58,551	133,021
2032-2036	74,476	45,549	120,025
2037-2041	82,020	29,346	111,366
2042-2044	79,770	9,159	88,929
	<u>\$ 430,446</u>	<u>\$ 288,953</u>	<u>\$ 630,470</u>

G. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Town are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to Town are Municipal Plan 2 (Plan) and Police 5 (Police). Statutorily required contributions to the pension plan from the Town were \$7,537 for the Plan and \$21,622 for Police for the year ended June 30, 2016.

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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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 Town'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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal Plan 2 (Plan) at June 30, 2016, the Town reported a liability of \$113,174 and for Police 5 (Police) \$280,820 for a total of \$393,994 for its proportionate share of the net pension liability. At June 30, 2015, the Town's proportion for the Plan was 0.0111% which is an increase of 0.0001% and for Police 0.0584% which is an increase of \$0.0067% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of 55,971. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Plan Deferred Outflows of Resources	Police Deferred Outflows of Resources	Total Deferred Outflows of Resources
Differences between expected and actual experience	\$ 596	\$ 19,623	\$ 20,219
Changes of assumptions	0	0	0
Net difference between projected and actual earnings on pension plan investments	0	0	0
Changes in proportion and differences between the Town's contributions and proportionate share of	0	1,668	1,668
Town's contributions subsequent to the measurement date	<u>7,537</u>	<u>21,622</u>	<u>29,159</u>
Total	<u>\$ 8,133</u>	<u>\$ 42,913</u>	<u>\$ 51,046</u>

State of New Mexico
Town of Carrizozo
Notes to the Financial Statements
June 30, 2016

	Plan Deferred Inflows of Resources	Police Deferred Inflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual experience	\$ (2,507)	\$ 0	\$ (2,507)
Changes of assumptions	(44)	(11,618)	(11,662)
Net difference between projected and actual earnings on pension plan investments	(358)	(779)	(1,137)
Changes in proportion and differences between the Town's contributions and proportionate share of	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ (2,909)</u>	<u>\$ (12,397)</u>	<u>\$ (15,306)</u>

The Plan's \$7,537 and Police's \$21,622 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Plan	Police	Total
2016	\$ (2,998)	\$ (2,391)	\$ (5,389)
2017	(2,998)	(2,391)	(5,389)
2018	(2,998)	(2,391)	(5,389)
2019	6,085	14,399	20,484
2020	0	0	0
Total	<u>\$ (2,909)</u>	<u>\$ 7,226</u>	<u>\$ 4,317</u>

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
(1) Investment rate of return	7.75% annual rate, net of investment expense
(2) Projected benefit payment	100 years
(3) Payroll growth	3.50% annual rate
(4) Projected salary increases	3.50 to 14.25% annual rate
(5) Includes inflation at	3.00% annual rate

(6) Mortality Assumption	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 projection to 2018 using Scale AA.
(7) Experience Study Dates	July 1, 2008 to June 30, 2013

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%

Discount rate. The discount rate used to measure the total pension liability was 7.75 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 7.75% 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 Town's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Town's net pension liability in the Municipal Plan 2 and Police 5 PERA Fund Divisions that the Town participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Town's proportionate share of the net pension liability for the Plan	\$ 192,691	\$ 113,174	\$ 47,062

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Town's proportionate share of the net pension liability for Police	\$ 463,757	\$ 280,820	\$ 130,749

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

H. Retiree Health Care

The Retiree Health Care Act (10-7C-1 to 10-7C-16 NMSA 1978 provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D. Of Chapter 6 Laws of 1990, the Town has elected not to participate in the program.

I. Commitments

The Town is involved in construction projects due to Colonias Funding, street grants, and community center improvement grants.

J. Contingent Liabilities

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

K. Risk Management

The Town participates in the New Mexico Self-Insurers Fund for medical insurance coverage for their employees. Commercial Insurance covers all other losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. There are no claim liabilities at year end. The officials and certain employees of the Town are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

L. Joint Powers Agreements

The Lincoln County Solid Waste Authority (Authority) was established in 1991 and has no stated termination date. It acts as its own fiscal agent as do other such cooperative organizations and provides an independent audit. All powers rest with the Authority including budgetary, finance and bonded debt. The participants in the Authority have also entered into a joint powers agreement with Otero County, Alamogordo, Tularosa and Cloudcroft for the purpose of forming the Otero/Lincoln County Regional Landfill. The financial information for this venture is included in the fiscal agent's (Alamogordo) audit report. The Town of Carrizozo has committed the Environmental Gross Receipts Tax collected (current year's amount was \$7,172) to service bonds issued by Alamogordo to construct the facility. The bonds matured during this fiscal year. The Town represents approximately 1/6 of the total JPA.

There are no required capital contributions to the joint power entities and the only financial transactions are for charges for services in the normal course of business.

M. Subsequent Events

Subsequent events were evaluated through November 16, 2016 which is the date the financial statements were available to be issued.

**Supplemental Information Related to
Major Funds**

State of New Mexico
Town of Carrizozo
Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grants	\$ 950,121	\$ 950,121	\$ 397,772	\$ (552,349)
State Grants	747,000	747,000	29,693	(717,307)
Total Revenues	<u>1,697,121</u>	<u>1,697,121</u>	<u>427,465</u>	<u>(1,269,656)</u>
Expenditures				
Public Works				
Capital Outlay	1,735,428	1,735,428	415,531	1,319,897
Total Expenditures	<u>1,735,428</u>	<u>1,735,428</u>	<u>415,531</u>	<u>1,319,897</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(38,307)</u>	<u>(38,307)</u>	<u>11,934</u>	<u>50,241</u>
Other Financing Sources (Uses)				
Transfers	68,000	68,000	(13,934)	(81,934)
Total Other Sources (Uses)	<u>68,000</u>	<u>68,000</u>	<u>(13,934)</u>	<u>(81,934)</u>
Net Change in Cash Balance	29,693	29,693	(2,000)	(31,693)
Cash Balance Beginning of Year	<u>(29,693)</u>	<u>(29,693)</u>	<u>(29,693)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (31,693)</u>	<u>\$ (31,693)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (2,000)	
Net Change in Due from Grantor			2,000	
Net Change in Fund Balance			<u>\$ 0</u>	

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

**Supplemental Information Related to
Nonmajor Funds**

Nonmajor Special Revenue Funds

Law Enforcement Fund -To account for funds received from the State of New Mexico for law enforcement purposes. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

Correction Fund - To account for the collection of fines which are used to supplement the cost of prisoner housing. The fund was created by the authority of state statute. (Section 29-1301 NASA 1978)

Lodgers Tax Fund - To account for a Lodger's Tax which is to be used for cultural and recreational purposes. The fund was created by the authority of state statute. (NMSA 3-38-13 to 24)

Municipal Streets Fund - To account for the receipts and expenditures of special gasoline tax which is restricted for use in repairing and maintaining roads and streets within the municipality. Authority for this fund is NMSA 7-1-6.9 and 7-13-1 to 18.

Valle Del Sol Fund - To account for a reserve account used to improvements to roads, sewer system, and the water system. The fund was created by the authority of state statute.

State of New Mexico
Town of Carrizozo
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2016

	<u>Law</u> <u>Enforcement</u>	<u>Corrections</u>	<u>Lodgers Tax</u>
Assets			
Cash and Cash Equivalents	\$ 1,477	\$ 0	\$ 8,097
Receivables			
Taxes	0	0	635
Due from Grantor	0	0	0
Total Assets	<u>\$ 1,477</u>	<u>\$ 0</u>	<u>\$ 8,732</u>
Liabilities			
Accounts Payable	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted for:			
Special Revenue	<u>1,477</u>	<u>0</u>	<u>8,732</u>
Total Fund Balance	<u>1,477</u>	<u>0</u>	<u>8,732</u>
Total Liabilities and Fund Balance	<u>\$ 1,477</u>	<u>\$ 0</u>	<u>\$ 8,732</u>

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

State of New Mexico
Town of Carrizozo
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2016

	<u>Municipal Streets</u>	<u>Valle Del Sol</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 44,652	\$ 105,801	\$ 160,027
Receivables			
Taxes	3,059	0	3,694
Due from Grantor	0	0	0
Total Assets	<u>\$ 47,711</u>	<u>\$ 105,801</u>	<u>\$ 163,721</u>
Liabilities			
Accounts Payable	\$ 4,645	\$ 850	\$ 5,495
Total Liabilities	<u>4,645</u>	<u>850</u>	<u>5,495</u>
Fund Balance			
Restricted for:			
Special Revenue	<u>43,066</u>	<u>104,951</u>	<u>158,226</u>
Total Fund Balance	<u>43,066</u>	<u>104,951</u>	<u>158,226</u>
Total Liabilities and Fund Balance	<u>\$ 47,711</u>	<u>\$ 105,801</u>	<u>\$ 163,721</u>

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

State of New Mexico
Town of Carrizozo
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2016

	Law Enforcement	Corrections	Lodgers Tax
Revenues			
Taxes			
Gasoline	\$ 0	\$ 0	\$ 0
Gross Receipts	0	0	0
Other	0	0	7,495
State Grant	21,800	0	0
Federal Grant	0	0	0
Assessments	0	0	0
Total Revenues	<u>21,800</u>	<u>0</u>	<u>7,495</u>
Expenditures			
Current			
Public Safety	20,806	0	0
Public Works	0	0	0
Culture & Recreation	0	0	8,259
Capital Outlay	0	0	0
Total Expenditures	<u>20,806</u>	<u>0</u>	<u>8,259</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>994</u>	<u>0</u>	<u>(764)</u>
Other Financing Sources (Uses)			
Transfers	0	(9,226)	0
Total Other Sources (Uses)	<u>0</u>	<u>(9,226)</u>	<u>0</u>
Net Change in Fund Balance	994	(9,226)	(764)
Fund Balances at Beginning of Year	<u>483</u>	<u>9,226</u>	<u>9,496</u>
Fund Balance End of Year	<u>\$ 1,477</u>	<u>\$ 0</u>	<u>\$ 8,732</u>

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

State of New Mexico
Town of Carrizozo
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2016

	Municipal Streets	Valle Del Sol	Total
Revenues			
Taxes			
Gasoline	\$ 31,948	\$ 0	\$ 31,948
Gross Receipts	7,093	0	7,093
Other	0	0	7,495
State Grant	0	0	21,800
Federal Grant	0	0	0
Assessments	0	46,200	46,200
Total Revenues	<u>39,041</u>	<u>46,200</u>	<u>114,536</u>
Expenditures			
Current			
Public Safety	0	0	20,806
Public Works	29,361	10,669	40,030
Culture & Recreation	0	0	8,259
Capital Outlay	0	0	0
Total Expenditures	<u>29,361</u>	<u>10,669</u>	<u>69,095</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,680</u>	<u>35,531</u>	<u>45,441</u>
Other Financing Sources (Uses)			
Transfers	(5,000)	(16,550)	(30,776)
Total Other Sources (Uses)	<u>(5,000)</u>	<u>(16,550)</u>	<u>(30,776)</u>
Net Change in Fund Balance	4,680	18,981	14,665
Fund Balances at Beginning of Year	<u>38,386</u>	<u>85,970</u>	<u>143,561</u>
Fund Balance End of Year	<u>\$ 43,066</u>	<u>\$ 104,951</u>	<u>\$ 158,226</u>

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

State of New Mexico

Town of Carrizozo

Special Revenue Fund-Law Enforcement Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 21,800	\$ 21,800	\$ 21,800	\$ 0
Total Revenues	<u>21,800</u>	<u>21,800</u>	<u>21,800</u>	<u>0</u>
Expenditures				
Public Safety				
Operating	<u>21,800</u>	<u>21,800</u>	<u>20,806</u>	<u>994</u>
Total Expenditures	<u>21,800</u>	<u>21,800</u>	<u>20,806</u>	<u>994</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	994	994
Cash Balance Beginning of Year	<u>483</u>	<u>483</u>	<u>483</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 483</u>	<u>\$ 483</u>	<u>\$ 1,477</u>	<u>\$ 994</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>994</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>994</u>	

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

State of New Mexico
Town of Carrizozo
Special Revenue Fund-Correction Fund
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Correction Fees	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Public Safety				
Fees	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers	(9,226)	(9,226)	(9,226)	0
Total Other Sources (Uses)	<u>(9,226)</u>	<u>(9,226)</u>	<u>(9,226)</u>	<u>0</u>
Net Change in Cash Balance	(9,226)	(9,226)	(9,226)	0
Cash Balance Beginning of Year	<u>9,226</u>	<u>9,226</u>	<u>9,226</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (9,226)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (9,226)</u>	

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

State of New Mexico

Town of Carrizozo

Special Revenue Fund-Lodgers Tax Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Lodgers Tax	\$ 7,500	\$ 7,500	\$ 7,087	\$ (413)
Total Revenues	<u>7,500</u>	<u>7,500</u>	<u>7,087</u>	<u>(413)</u>
Expenditures				
Culture & Recreation				
Operating Expense	<u>9,050</u>	<u>9,050</u>	<u>8,509</u>	<u>541</u>
Total Expenditures	<u>9,050</u>	<u>9,050</u>	<u>8,509</u>	<u>541</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,550)	(1,550)	(1,422)	128
Cash Balance Beginning of Year	<u>9,519</u>	<u>9,519</u>	<u>9,519</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 7,969</u>	<u>\$ 7,969</u>	<u>\$ 8,097</u>	<u>\$ 128</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,422)	
Net Change in Taxes Receivable			408	
Net Change in Accounts Payable			<u>250</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (764)</u>	

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

State of New Mexico

Town of Carrizozo

Special Revenue Fund-Municipal Streets Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Gross Receipts Tax	\$ 31,000	\$ 31,000	\$ 33,148	\$ 2,148
Gasoline Tax	8,500	8,500	7,093	(1,407)
Total Revenues	<u>39,500</u>	<u>39,500</u>	<u>40,241</u>	<u>741</u>
Expenditures				
Public Works				
Operating Expense	46,250	46,250	26,655	19,595
Capital Outlay	0	0	0	0
Total Expenditures	<u>46,250</u>	<u>46,250</u>	<u>26,655</u>	<u>19,595</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,750)</u>	<u>(6,750)</u>	<u>13,586</u>	<u>20,336</u>
Other Financing Sources (Uses)				
Transfers	0	0	(5,000)	(5,000)
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>(5,000)</u>	<u>(5,000)</u>
Net Change in Cash Balance	(6,750)	(6,750)	8,586	15,336
Cash Balance Beginning of Year	<u>36,066</u>	<u>36,066</u>	<u>36,066</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 29,316</u>	<u>\$ 29,316</u>	<u>\$ 44,652</u>	<u>\$ 15,336</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 8,586	
Net Change in Taxes Receivable			(1,200)	
Net Change in Accounts Payable			(2,706)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 4,680</u>	

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

State of New Mexico

Town of Carrizozo

Special Revenue Fund-Valle Del Sol

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Assessments	\$ 40,000	\$ 40,000	\$ 46,200	\$ 6,200
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>46,200</u>	<u>6,200</u>
Expenditures				
Public Works				
Operating Expense	<u>28,500</u>	<u>28,500</u>	<u>9,819</u>	<u>18,681</u>
Total Expenditures	<u>28,500</u>	<u>28,500</u>	<u>9,819</u>	<u>18,681</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>11,500</u>	<u>11,500</u>	<u>36,381</u>	<u>24,881</u>
Other Financing Sources (Uses)				
Transfers	<u>0</u>	<u>0</u>	<u>(16,550)</u>	<u>(16,550)</u>
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>(16,550)</u>	<u>(16,550)</u>
Net Change in Cash Balance	11,500	11,500	19,831	8,331
Cash Balance Beginning of Year	<u>85,970</u>	<u>85,970</u>	<u>85,970</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 97,470</u>	<u>\$ 97,470</u>	<u>\$ 105,801</u>	<u>\$ 8,331</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 19,831	
Net Change in Accounts Payable			<u>(850)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 18,981</u>	

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

Required Supplemental Information

State of New Mexico
Town of Carrizozo
Schedules of Required Supplementary Information for Pension Plan

Schedule of the Town's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Town's proportion of the net pension liability	0.06270%	0.06950%
Town's proportionate share of the net pension liability	\$ 168,531	\$ 393,994
Town's covered-employee payroll	\$ 242,162	\$ 216,246
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.59%	182.20%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

*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, the Town will present information for those years for which information is available.

Schedule of Town's Contributions

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 31,518	\$ 29,158
Contributions in relation to the contractually required contribution	<u>31,518</u>	<u>29,158</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Town's covered-employee payroll	\$ 242,162	\$ 216,246
Contributions as a percentage of covered-employee payroll	13.02%	13.48%

* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

State of New Mexico

Town of Carrizozo

Notes to Required Supplementary Information

For the Year Ended June 30, 2016

Changes in Benefit Terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at: http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of Assumptions – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at: http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-302015%20PERA%20Valuation%20Report_FINAL.pdf.

Other Supplemental Information

State of New Mexico
Town of Carrizozo
 Propriety-Utility Fund
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Non-GAAP-Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales & Service				
Water & Sewer	\$ 425,200	\$ 425,200	\$ 354,172	\$ (71,028)
Sanitation	108,000	108,000	126,857	18,857
Environmental Gross Receipt Tax	0	0	7,076	7,076
State Grant	0	0	25,580	25,580
Transfers In	0	0	26,500	26,500
Total Revenues	<u>533,200</u>	<u>533,200</u>	<u>540,185</u>	<u>6,985</u>
Expenditures				
Water & Sewer				
Personal Services	154,286	154,286	144,961	9,325
Benefits	66,550	66,550	58,454	8,096
Operating Expenses	195,091	195,091	140,795	54,296
Capital Outlay	0	0	12,797	(12,797)
Debt Service				
Principal	10,280	10,280	10,280	0
Interest	16,326	16,326	16,326	0
Sanitation				
Contract Services	112,000	112,000	142,922	(30,922)
Total Expenditures	<u>554,533</u>	<u>554,533</u>	<u>526,535</u>	<u>27,998</u>
Excess (Deficiency) of Revenues Over Expenditures	(21,333)	(21,333)	13,650	34,983
Cash Balance Beginning of Year	<u>107,366</u>	<u>107,366</u>	<u>107,366</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 86,033</u>	<u>\$ 86,033</u>	<u>\$ 121,016</u>	<u>\$ 34,983</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 13,650	
Depreciation			(91,494)	
Capital Outlay			12,797	
Principal Paid			10,280	
Net Change in Accounts Receivable			(12,156)	
Net Change in Taxes Receivable			(183)	
Net Change in Accounts Payable			(10,893)	
Net Change in Accrued Salaries			(3,173)	
Net Change in Compensated Absences			2,487	
Net Change in Accrued Interest			134	
Net Change in Customer Deposits			(1,528)	
Net Change in Net Position			<u>(80,079)</u>	

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

State of New Mexico
Town of Carrizozo
 Vendor Schedule
 For the Year Ended June 30, 2016

<i>RFB#/RFP# (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
	Birch Street Improvements Bid	Roper Construction	Winner	599553.28	N/A	213 Frontier Rd. Carrizozo, NM 88301	Yes	No	replace water lines and pave road with curb	N/A
		H.O. Construction Inc.	Loser	719697.93	N/A	118 Llano Del Sur SW Albuquerque, NM 87105	Yes	No	replace water lines and pave road with curb	N/A
		Sierra Valley Contractors, LLC	Loser	717293.26	N/A	PO Box 3831 T or C, NM 87901	Yes	No	replace water lines and pave road with curb	N/A
		Abraham's Construction, Inc.	Loser	849349.25	N/A	7605 Morrow Road NE Albuquerque, NM 87105	Yes	No	replace water lines and pave road with curb	N/A
		Spartan Construction	Loser	719698.23	N/A	240 Thunderbird, St E El Paso, TX 79912	No	No	replace water lines and pave road with curb	N/A
		Renegade Construction, LLC	Loser	686145.77	N/A	PO Box 830 Fairacres, NM 88033	Yes	No	replace water lines and pave road with curb	N/A
		Mesa Verde Enterprises Inc.	Loser	613380.99	N/A	PO Box 907 Alamogordo, NM 88311	Yes	No	replace water lines and pave road with curb	N/A
		Star Paving Company	Loser	762335.35	N/A	3109 Love Road SW Albuquerque, NM 87105	Yes	No	replace water lines and pave road with curb	N/A

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

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

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Town of Carrizozo

Mr. Keller and Members of the Board

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, the budgetary comparisons of the general fund and major special revenue fund, of the Town of Carrizozo (Town) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town, presented as supplemental information, and have issued our report thereon dated November 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2015-001, 2015-002, 2015-003, 2015-004, and 2016-001.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses; 2015-001, 2015-002, 2015-003, 2015-004, and 2016-001.

The Town's Responses to Findings

The Town's responses to the findings identified in our audit as described in the accompanying schedule of findings and responses. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 De'Ann Willoughby CPA PC

Clovis, New Mexico

November 16, 2016

Prior Year Audit Findings

	<u>Status</u>
2015-001 Expenditure Issues	Repeated & Modified
2015-002 Personnel & Individual Employee Files	Repeated & Modified
2015-003 Municipal Employment Files	Repeated & Modified
2015-004 Time Sheets	Repeated & Modified

Current Year Audit Findings

2015-001 Expenditure Issues -Compliance and Internal Control-Significant Deficiency Condition

Of a sample size of 117 totaling \$664,524.90 revealed the following:

General 101-Of the 30 expenditures sampled totaling \$64,829.44, 1 for \$2,000.00 was paid late totaling 3.09% of the totaled sampled. 3 totaling \$4,010.07 had no sign-off on invoice stating all items were received totaling 6.19% of the totaled sampled. 3 totaling \$544.64 had no travel voucher that provides how the 80% was determined totaling .84% of the totaled sampled. 2 totaling \$3,327.70 had different addresses on the checks then the invoices totaling 5.13% of the totaled sampled for the fund.

Fire 209-1 totaling \$344.25 had no sign-off on invoice stating all items were received totaling .32% of the totaled sampled for the fund.

LEPF 211-Of 13 expenditures totaling \$4,079.67 we noted 1 totaling \$179.68 had no supporting documentation totaling 4.4% of the totaled sampled for the fund.

Valle 299-Of 6 expenditures totaling \$5,489.23 we noted 1 totaling \$344.25 had no sign-off on invoice stating all items were received totaling 6.27% of the totaled sampled for the fund.

Utility-500-Of 19 expenditures totaling \$70,571.64 we noted 5 had no supporting documentation totaling \$4,959.42 totaling 7.03% of the totaled sampled for the fund.

Management is not making progress on this finding.

Criteria

2.42.2.10(A) NMAC-Authorizations: Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC. Requests for travel advances shall not be submitted to the financial control division of the department of finance and administration more than two weeks prior to travel unless, by processing the request earlier, significant savings can be realized for travel by common carrier or for registration fees for seminars and conferences.

Cause

The Town did not have individual who received items sign-off that they had in fact received the items stated on the invoice.

Effect

There is a violation of state law. Public money could be spent for items not received or spent inappropriately.

Recommendation

Documents should be initialed by the person who receives the items to indicate the invoice is ready to be paid. Documentation for an expenditure should always be attached to the bill package. Invoices should be paid within 30 days or an explanation of why the bill is paid late documented on the bill package.

Response

We will not pay a bill without approval to pay by the person receiving the items. If a bill cannot be paid within 30 days, the reason will be documented. A bill will not be paid without adequate documentation.

The accounts payable clerk is responsible for this finding as will enforce the process in place. She hopes to have the problems solved.

2015-002 Personnel & Individual Employee Files-Compliance and Internal Control-Significant Deficiency Condition

Out of six personnel files reviewed we noted the following:

- a) 2-I-9's were incomplete and one the employee signed both the employee and employer sections.
- b) 3-had no applications on file (NMML Chapter 24-Individual Employee File)
- c) 2-did not have the rate of pay documented (NMML Chapter 24-Individual Employee File)
- d) All 5 employees who have a spouse or family plan through NMSIF had their monthly percentage withheld per pay period causing the employee to be paying a higher percentage. The over amount deducted by month totaled \$403.79, when projected over the fiscal year totaled \$4,845.53.

Management is not making progress on this finding.

Criteria

- a) According to the United State Citizenship and Immigration Services all U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States. This includes citizens and noncitizens. Both employees and employers (or authorized representatives of the employer) must complete the form. On the form, an employee must attest to his or her employment authorization. The employee must also present his or her employer with acceptable documents evidencing identity and employment authorization. The employer must examine the employment eligibility and identity document(s) an employee presents to determine whether the document(s) reasonably appear to be genuine and to relate to the employee and record the document information on the Form I-9.
- b) NMML Chapter 24 requires that individual employee files obtain an application.
- c) Section 10-11-3(B) NMSA 1978 and NMML Chapter 24 requires that individual employee files obtain an wage/salary agreement.
- d) NMML Chapter 15-Personnel Files should include Social Security, Medicare, Tax withholding forms, Benefit Deductions, Retirement, Insurance Application and certificate, Cafeteria Benefit Plans, Voluntary Deductions, Garnishment, Personnel Actions, Time and Attendance Records

Cause

Although management agrees the personnel files need work, it just hasn't been a priority.

Effect

The Town could be held liable for pay, deductions, etc. without proper documentation in the personnel files.

Recommendation

The documentation should be obtained and keep in accordance to state and federal laws require.

Response

The documentation will be obtained and keep in the personnel files.

The Clerk is responsible for this issue and will hire someone with experience to help clean up the personal files. She expects the finding to be resolved by the end of the fiscal year.

2015-003 Municipal Employment Files-Compliance and Internal Control-Significant Deficiency

Condition

The Town does not keep or maintain Municipal Employment Files.

Criteria

NMML Chapter 24 requires municipalities to keep and maintain a Equal Employment Opportunity (EEO) File.

This is a confidential file showing the age, sex, race, job title, department, pay rate and length-of-service of employees on the work force. This is essential for making required reports on Equal Employment and Affirmative Action. Names of employees are not listed on the official reports, so if you can identify and track employees without naming them, so much the better.

NMML Chapter 24 requires municipalities to keep and maintain Application File.

Applications which do not result in employment may be filed by individual, job type or title, or even by time period, depending upon volume and your own desires. By law, they must be retained for two years after receipt or disposition, whichever is later.

Management is not making progress on this finding.

Cause

Although management agrees the personnel files need work, it just hasn't been a priority.

Effect

The Town could be sued by employees or fined by governmental officials.

Recommendation

Personnel files should be compiled, completed and kept in a safe place.

Response

We will work on the personnel files.

The Clerk is responsible for this issue and will hire someone with experience to help clean up the personal files. She expects the finding to be resolved by the end of the fiscal year.

2015-004 Time Sheets-Compliance and Internal Control-Significant Deficiency

Condition

Of a sample of 6 employee's the following was revealed:

5 are non-exempt employees, their timesheets were hand written with just one entry showing that total time for the day (no in or out). We were unable to determine if non-exempt employees were paid for actual time worked.

Management is not making progress on this finding.

Criteria

Under the Fair Labor Standards Act ("FLSA"), employers are required to track and record time for non-exempt employees. The FLSA does not mandate what type of timekeeping device should be utilized for nonexempt employees as long as accurate records of time are kept. Employers can use a variety of methods, such as time clocks, time cards, or timesheets. The employer is ultimately responsible for the accuracy of the time records, even though it is possible for employees to track or record their own time. As long as the employer is able to correctly pay the employee for all time worked, including overtime, then the employer is in compliance with the statute.

Cause

Management felt that the Town was small enough that formal signed time records were not necessary.

Effect

Nonexempt employees could dispute the time worked and recover unpaid wages at time and a half. The Town would have to pay back wages, payroll taxes and penalties and interest.

Recommendation

A formal time keeping system should be installed to document time worked.

Response

We will purchase and implement a time keeping system.

The mayor is responsible for this finding. She hopes to resolve the issue within 2 months.

2016-001 Federal 941 Quarterly Reports - Compliance and Internal Control-Significant Deficiency

Condition

During our audit process we noticed:

The four 941 Quarterly Report was not submitted.

Criteria

irs.gov/Businesses/Small-Businesses-&-Self-Employed/Employment-Tax-Due-Dates states that for 941s are due by the end of the following month. New Mexico Department of Labor, Employment Security Division. State Unemployment (SUTA Form 903A) is due by the last day of the month following end of the quarter.

Cause

The payroll clerk did not know the paper returns had to be mailed in to the Internal Revenue Service.

Effect

Penalties and interest are assessed causing money to be spent on them rather than providing services for the community.

Recommendation

The 941s should be mailed quarterly.

Response

We will mail the 941s quarterly.

The payroll clerk is responsible and the returns were mailed that day and the clerk will follow up each quarter to be sure the forms are mailed. The issue has been corrected.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on November 16, 2016 in attendance was Yovanne Lucero-Mayor, Leann Weihbrecht-Town Clerk, and De'Aun Willoughby, CPA.