

**STATE OF NEW MEXICO  
TOWN OF CARRIZOZO  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2017**

Dan Austin CPA, PC  
Certified Public Accountant



**State of New Mexico  
Town of Carrizozo  
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June 30, 2017**

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**State of New Mexico  
Town of Carrizozo  
Official Roster  
June 30, 2017**

**Board Of Trustees**

**Richard Hyatt - Mayor  
Chris Ventura – Trustee  
Tommy Guevara – Trustee  
James Boswell – Trustee  
Ray Dean – Trustee**

**Administrative Official**

**Leann Weihbrecht Clerk/Treasurer**

## Financial Section

**Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345**

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**INDEPENDENT AUDITORS' REPORT**

Mr. Wayne Johnson, State Auditor, and  
The Honorable Mayor and Town Council  
Town of Carrizozo  
Carrizozo, New Mexico

**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 comparisons of the General Fund, Fire Fund and Capital Project Fund of Town of Carrizozo (the "Town") as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise Town of Carrizozo's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of Town of Carrizozo's nonmajor governmental funds and the budgetary comparisons for the nonmajor governmental and fiduciary funds and all nonmajor funds and the budgetary comparisons for 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, 2017, as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the Town. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town, is based solely on the report of the other auditors.

**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 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 Town of Carrizozo'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 Town of Carrizozo'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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Carrizozo, as of June 30, 2017, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Fire Fund and Capital Projects Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of Town of Carrizozo as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for

the 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 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

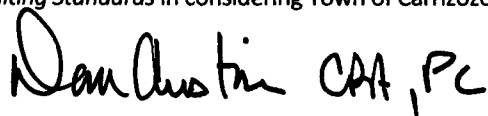
Accounting principles generally accepted in the United States of America require that the *Schedule of the Proportionate Share of the Net Pension Liability* on page 41, the *Schedule of Contributions* on page 42, and the notes to the required supplementary information page 43 be presented to supplement 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 the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on Town of Carrizozo's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018 on our consideration of the Town of Carrizozo'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 Town of Carrizozo's internal control over financial reporting and compliance.



February 16, 2018  
Ruidoso, New Mexico

## Basic Financial Statements



State of New Mexico  
Town of Carrizozo  
Statement of Net Position  
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 654,047	\$ 97,683	\$ 751,730
Receivables	72,253	51,274	123,527
Other	-	-	-
Total Current Assets	<u>726,300</u>	<u>148,957</u>	<u>875,257</u>
<b>Noncurrent Assets</b>			
Net Capital Assets	<u>4,163,979</u>	<u>2,925,896</u>	<u>7,089,875</u>
Total Noncurrent Assets	<u>4,163,979</u>	<u>2,925,896</u>	<u>7,089,875</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows-Pensions	186,658	-	186,658
Post Measurement Date Contributions - Employer	<u>30,334</u>	<u>-</u>	<u>30,334</u>
Total Deferred Outflows of Resources	<u>216,992</u>	<u>-</u>	<u>216,992</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 5,107,271</u>	<u>\$ 3,074,853</u>	<u>\$ 8,182,124</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 27,430	\$ 9,697	\$ 37,127
Accrued Payroll	5,167	3,423	8,590
Accrued Compensated Absences	13,964	4,119	18,083
Accrued Interest	-	8,849	8,849
Current Portion of Long-Term Debt	<u>48,582</u>	<u>14,398</u>	<u>62,980</u>
Total Current Liabilities	<u>95,143</u>	<u>40,486</u>	<u>135,629</u>
<b>Noncurrent Liabilities</b>			
Net Pension Payable	571,238	-	571,238
Deposits Payable	-	46,016	46,016
Note and Bonds Payable	256,273	504,730	761,003
Less: Current Portion of Long-Term Debt	<u>(48,582)</u>	<u>(14,398)</u>	<u>(62,980)</u>
Total Noncurrent Liabilities	<u>778,929</u>	<u>536,348</u>	<u>1,315,277</u>
Total Liabilities	<u>874,072</u>	<u>576,834</u>	<u>1,450,906</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows-Pensions	<u>27,307</u>	<u>-</u>	<u>27,307</u>
Total Deferred Inflows	<u>27,307</u>	<u>-</u>	<u>27,307</u>
<b>Net Position</b>			
Net Investment in Capital Assets	3,907,706	2,421,166	6,328,872
Restricted For:			
Special Revenue Funds	516,650	-	516,650
Unrestricted	<u>(218,464)</u>	<u>76,853</u>	<u>(141,611)</u>
Total Net Position	<u>4,205,892</u>	<u>2,498,019</u>	<u>6,703,911</u>
<b>Total Liabilities, Net Position and Deferred Inflows</b>	<u>\$ 5,107,271</u>	<u>\$ 3,074,853</u>	<u>\$ 8,182,124</u>

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

State of New Mexico  
Town of Carrizozo  
Statement of Activities  
For The Year Ended June 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue And Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 373,859	\$ 72,552	\$ 285,641	\$ -	\$ (15,666)	\$ -	\$ (15,666)
Public Safety	413,926	-	-	-	(413,926)	-	(413,926)
Highways and Streets	246,054	-	88,415	228,148	70,509	-	70,509
Culture and Recreation	91,103	-	-	-	(91,103)	-	(91,103)
Interest	5,437	-	-	-	(5,437)	-	(5,437)
Total Governmental Activities	1,130,379	72,552	374,056	228,148	(455,623)	-	(455,623)
<b>Business-Type Activities:</b>							
Water, Sewer and Sanitation	602,464	492,304	-	-	-	(110,160)	(110,160)
Total Business-Type Activities	602,464	492,304	-	-	-	(110,160)	(110,160)
Total Primary Government	1,732,843	564,856	374,056	228,148	(455,623)	(110,160)	(565,783)
<b>General Revenues:</b>							
Property Taxes, Levied for General Purposes				79,526	-	-	79,526
Gross Receipts Tax, Levied for General Purposes				371,628	-	-	371,628
Franchise Taxes				23,241	-	-	23,241
Other Tax				7,113	-	-	7,113
Gas Tax				44,872	-	-	44,872
Lodgers Tax				9,656	-	-	9,656
Intergovernmental				371,628	-	-	371,628
Investment Income				1,361	-	-	1,361
Interfund Transfers				(143,378)	143,378	-	-
Total General Revenues				765,647	143,378	909,025	909,025
Change in Net Position				310,024	33,218	343,242	343,242
Net Position - Beginning				3,895,868	2,555,393	6,451,261	6,451,261
Restatement				-	(90,592)	(90,592)	(90,592)
Net Position - Beginning - Restated				3,895,868	2,464,801	6,360,669	6,360,669
Net Position - Ending				\$ 4,205,892	\$ 2,498,019	\$ 6,703,911	\$ 6,703,911

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

State of New Mexico  
Town of Carrizozo  
Balance Sheet - Government Funds  
June 30, 2017

	General Fund	Fire Fund	Capital Projects Fund	Non Major Governmental Funds	Totals Governmental Funds
<b>Assets</b>					
Cash	\$ 122,415	\$ 124,521	\$ 223,748	\$ 183,363	\$ 654,047
Taxes Receivable	67,622	-	-	4,631	72,253
<b>Total Assets</b>	<b>\$ 190,037</b>	<b>\$ 124,521</b>	<b>\$ 223,748</b>	<b>\$ 187,994</b>	<b>\$ 726,300</b>
<b>Liabilities</b>					
Accounts Payable	\$ 8,269	\$ 17,139	\$ -	\$ 2,022	\$ 27,430
Accrued Payroll	5,167	-	-	-	5,167
Deferred Inflows -Property Tax	16,145	-	-	-	16,145
<b>Total Liabilities</b>	<b>29,581</b>	<b>17,139</b>	<b>-</b>	<b>2,022</b>	<b>48,742</b>
<b>Fund Balances</b>					
<b>Restricted For:</b>					
Special Revenue	-	107,382	223,748	185,972	517,102
<b>Unassigned For:</b>					
General Fund	160,456	-	-	-	160,456
<b>Total Fund Balances</b>	<b>160,456</b>	<b>107,382</b>	<b>223,748</b>	<b>185,972</b>	<b>677,558</b>
<b>Total Liabilities deferred inflows of Resources and Fund Balances</b>	<b>\$ 190,037</b>	<b>\$ 124,521</b>	<b>\$ 223,748</b>	<b>\$ 187,994</b>	<b>\$ 726,300</b>

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

**State of New Mexico**  
**Town of Carrizozo**  
**Reconciliation of Total Governmental Fund Balance**  
**To Net Position of Governmental Activities**  
**June 30, 2017**

Total Governmental Fund Balance		\$ 677,558
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital Assets	\$ 10,522,746	-
Accumulated Depreciation	<u>(6,358,767)</u>	4,163,979
Deferred Outflows and Inflows related to Pensions - Net		189,685
Compensated absences payable and not reported as liabilities on the governmental fund statements		- (13,964)
Property Taxes Receivable collected after the period of availability but not available for current period		16,145
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Loans Payable		(256,273)
Net Pensions Payable		<u>(571,238)</u>
Net Position of Governmental Activities		<u>\$ 4,205,892</u>

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

State of New Mexico  
Town of Carrizozo  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For The Year Ended June 30, 2017

	General Fund	Fire Fund	Capital Projects Fund	Non Major Governmental Funds	Totals Governmental Funds
<b>Revenues</b>					
Taxes-Property	\$ 81,235	\$ -	\$ -	\$ -	\$ 81,235
Taxes-State Shared	317,100	-	-	54,528	371,628
Taxes-Franchise	23,241	-	-	-	23,241
Taxes-Other	7,113	-	-	-	7,113
Charges For Services	30,102	-	-	-	30,102
Licenses And Permits	3,370	-	-	-	3,370
Intergovernmental-State	151,087	151,334	449,755	21,800	773,976
Intergovernmental-Federal	-	-	236,908	-	236,908
Fines And Forfeitures	-	-	-	-	-
Investment Income	370	991	-	-	1,361
Miscellaneous	14,106	-	-	42,450	56,556
<b>Total Revenues</b>	<b>627,724</b>	<b>152,325</b>	<b>686,663</b>	<b>118,778</b>	<b>1,585,490</b>
<b>Expenditures</b>					
General Government	320,093	-	-	-	320,093
Public Safety	281,354	66,696	-	15,116	363,166
Highway And Streets	30,881	-	-	58,267	89,148
Culture And Recreation	48,571	-	-	17,649	66,220
Debt Service-Principal	7,938	39,998	-	-	47,936
Debt Service-Interest	181	4,810	-	-	4,991
Capital Outlay	-	17,443	319,587	-	337,030
<b>Total Expenditures</b>	<b>689,018</b>	<b>128,947</b>	<b>319,587</b>	<b>91,032</b>	<b>1,228,584</b>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<b>(61,294)</b>	<b>23,378</b>	<b>367,076</b>	<b>27,746</b>	<b>356,906</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers, Net	-	-	(143,378)	-	(143,378)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(143,378)</b>	<b>-</b>	<b>(143,378)</b>
<b>Net Change in Fund Balances</b>	<b>(61,294)</b>	<b>23,378</b>	<b>223,698</b>	<b>27,746</b>	<b>213,528</b>
<b>Beginning Fund Balance</b>	<b>221,750</b>	<b>84,004</b>	<b>-</b>	<b>158,226</b>	<b>463,980</b>
<b>Fund Balance Restated</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>50</b>
<b>Fund Balance (Deficit) At End Of Year</b>	<b>\$ 160,456</b>	<b>\$ 107,382</b>	<b>\$ 223,748</b>	<b>\$ 185,972</b>	<b>\$ 677,558</b>

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

**State of New Mexico**  
**Village of Carrizozo**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balance of Governmental Funds to**  
**the Statement of Activities**  
**June 30, 2017**

Net Change in Fund Balances - Total Governmental Funds	\$	213,528
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense was more than capital outlays in the current period.</p>		
Capital Outlays	\$	316,563
Depreciation Expense		<u>(242,549)</u>
		74,014
Property taxes recorded as deferred revenue on the governmental funds are recognized as current revenue on the government wide statements		1,486
Net change in compensated absences payable for governmental funds		(3,195)
Net change in pension contributions and pension expense		(23,299)
Repayment of Debt considered expense in the fund statements		<u>47,490</u>
Change in Net Position of Governmental Activities	\$	<u>310,024</u>

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

State of New Mexico  
Town of Carrizozo  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budgeted to Actual (Non-GAAP Budgetary Basis) - General Fund  
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Taxes-Property	\$ 86,500	\$ 86,500	\$ 86,705	\$ 205
Taxes-State Shared	373,724	373,724	309,421	(64,303)
Taxes-Franchise	37,000	37,000	23,241	(13,759)
Taxes-Other	12,000	12,000	7,113	(4,887)
Charges for Services	8,550	8,550	30,102	21,552
Licenses And Permits	3,500	3,500	3,370	(130)
Intergovernmental	156,000	156,000	151,087	(4,913)
Interest	-	-	370	370
Other	14,450	14,450	14,106	(344)
	-	-	-	-
Total Revenue	691,724	691,724	625,515	<u>\$ (66,209)</u>
Budgeted Cash Balance	190,158	190,158		
	-	-		
Total Revenue And Cash	<u>\$ 881,882</u>	<u>\$ 881,882</u>		
<b>EXPENDITURES</b>				
Current				
General Government	284,989	284,989	322,212	(37,223)
Public Safety	270,990	270,990	283,474	(12,484)
Public Works	33,350	33,350	30,882	2,468
Culture and Recreation	28,586	28,586	48,571	(19,985)
Debt Service-Principal	8,000	8,000	7,938	62
Debt Service-Interest	100	100	181	(81)
	-	-	-	-
Total Expenditures	626,015	626,015	693,258	(67,243)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers (Net)	-	-	-	-
	-	-	-	-
Total Expenditures And Other Financing Sources	<u>\$ 626,015</u>	<u>\$ 626,015</u>	693,258	<u>\$ (67,243)</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(67,743)	
Reconciliation to GAAP Basis				
Changes in Receivables			2,209	
Changes in Accounts Payable			3,990	
Changes in Accrued Payroll			250	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (61,294)</u>	

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

State of New Mexico  
Town of Carrizozo  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budgeted to Actual (Non-GAAP Budgetary Basis) -- Fire Fund  
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Intergovernmental-State Interest Income	\$ 147,964	\$ 147,964	\$ 151,334	\$ 3,370
	-	-	991	991
Total Revenue	147,964	147,964	152,325	\$ 4,361
Budgeted Cash Balance	85,848	85,848		
Total Revenue And Cash	\$ 233,812	\$ 233,812		
<b>EXPENDITURES</b>				
Public Safety	81,816	81,816	51,401	30,415
Capital Outlay	20,000	20,000	17,443	2,557
Debt Service-Principal	40,000	40,000	39,999	1
Debt Service-Interest	4,809	4,809	4,809	-
Total Expenditures	146,625	146,625	113,652	32,973
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers (Net)	-	-	-	-
Total Expenditures And Other Financing Sources	\$ 146,625	\$ 146,625	113,652	\$ 32,973
Total Revenues (Expenditures and Other Financing Sources and Uses)			38,673	
Reconciliation to GAAP Basis				
Changes in Accounts Payable			(15,295)	
Excess (Deficiency) of Revenues over expenditures			\$ 23,378	

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



**State of New Mexico**  
**Town of Carrizozo**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2017**

	<b>Business Type Activity</b>
	<u>Sewer Solid Waste</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 97,683
Customer Accounts Receivable, Net of Allowance For Doubtful Accounts	50,899
Taxes Receivable	<u>375</u>
Total Current Assets	148,957
<b>NONCURRENT ASSETS</b>	
Net Capital Assets	<u>2,925,896</u>
Total Assets	<u>\$ 3,074,853</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 9,697
Accrued Payroll	3,423
Compensated Absences	4,119
Accrued Interest	8,849
Current Portion of Long-Term Debt	<u>14,398</u>
Total Current Liabilities	<u>40,486</u>
<b>NONCURRENT LIABILITIES</b>	
Customer Deposits	46,016
Notes and Bonds Payable	504,730
Less Current Portion of Long-Term Debt	<u>(14,398)</u>
Total NonCurrent Liabilities	<u>536,348</u>
Total Liabilities	<u>576,834</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,421,166
Unrestricted	<u>76,853</u>
Total Net Position	<u>2,498,019</u>
Total Liabilities And Net Position	<u>\$ 3,074,853</u>

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

**State of New Mexico**  
**Town of Carrizozo**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For The Year Ended June 30, 2017**

	<b>Business Type Activity</b>
	<u>Sewer Solid Waste</u>
<b>OPERATING REVENUES</b>	
Charges For Services-Sewer/Solid Waste	\$ 492,304
Total Operating Revenues	<u>492,304</u>
<b>OPERATING EXPENSES</b>	
Operations And Maintenance	495,580
Depreciation	<u>98,162</u>
Total Operating Expenses	<u>593,742</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(101,438)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Income	-
Interest Expense	<u>(8,722)</u>
Total Non-Operating Items	<u>(8,722)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(110,160)
<b>TRANSFERS IN (OUT)</b>	<u>143,378</u>
Change In Net Position	33,218
<b>TOTAL NET POSITION AT BEGINNING OF YEAR</b>	2,555,393
Restatement	<u>(90,592)</u>
<b>TOTAL NET POSITION AT BEGINNING OF YEAR-RESTATED</b>	<u>2,464,801</u>
<b>TOTAL NET POSITION AT END OF YEAR</b>	<u>\$ 2,498,019</u>

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

**State of New Mexico**  
**Town of Carrizozo**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended June 30, 2017**

	<b>Business Type Activity</b>
	<u>Sewer Solid Waste</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received From Customers	\$ 497,320
Cash Paid To Suppliers	<u>(360,967)</u>
Net Cash Provided By Operating Activities	<u>136,353</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Debt Principal Paid	<u>(16,308)</u>
Net Cash Provided From Noncapital Financing Activities	<u>(16,308)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase Capital Assets	<u>(143,378)</u>
Net Cash Provided From Investing Activities	<u>(143,378)</u>
Net Increase In Cash	(23,333)
Cash and Cash Equivalents - Beginning Of Year	<u>121,026</u>
Cash and Cash Equivalents - End Of Year	<u>\$ 97,693</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ 33,218
Noncash Items In Net Income-Depreciation	98,163
(Increase) Decrease In:	
Accounts Receivable	5,016
Accounts Payable	(4,686)
Accrued Interest	820
Accrued Payroll	250
Compensated Absences	834
Customer Deposits	<u>2,738</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 136,353</u>

STATE OF NEW MEXICO  
TOWN OF CARRIZOZO  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

HISTORY, MISSION AND ORGANIZATION

Town of Carrizozo (Town) was incorporated under the laws of the State of New Mexico under Chapter 3, Article 2 NMSA 1978 as amended in the 1949. The Town operates under a Mayor-Council form of government, providing services as authorized by its charter: public safety (police and fire), streets, sanitation, health and welfare, culture, and recreation, public improvements, and general administration services

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles accepted in the United States of America (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB statement No. 61. Although legally separate entities, blended component units are in substance part of the government's operations. Each discreetly presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Town has no component units, and is not a component unit of another governmental agency.

B. Government Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities and Changes in Net Position) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

The Agency Funds are custodial in nature (assets equal liabilities) and do not present results of operations or have measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets the Town holds for others in an agency capacity.

Governmental funds are used to account for the Town's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental major governmental funds include:

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

The Fire Fund (Special Revenue Fund) is used to account for operation and management of the Town Fire Department. The fund was created by NMSA 59A-53-1.

The Town reports its proprietary funds as major business-type funds. The fund is 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 in the Statement of net Position.

The Town maintains various non major special revenue fund to account for proceeds from specific revenues sources that are legally restricted for specified sources.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Program revenues included in the Statement of Activities reduce the cost of the function to be financed from the Town's general

revenues. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) program-specific operating grants and contributions and 3) program-specific capital grants and contributions including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

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

GASB 63 requires certain financial reporting of deferred outflows of resources, deferred inflows of resources, and net position and GASB 65 helps to identify items which were previously reported as assets and liabilities that are now reported as deferred resources.

Deferred outflows of resources are a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period.

#### **D. Assets, Liabilities and Net Position or Equity**

*Cash and Investments:* The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with maturities of six months or less from the date of acquisition. State statutes authorize the Town to invest in Certificates of Deposit, obligations of the U.S. Governments, and the State Treasurer's Investment Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Town. The pledged securities remain in the name of the financial institution.

Investments for the Town are reported at fair value.

*Receivables and Payables:* All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables include taxes and amounts 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.

*Inventory of Supplies:* Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The cost of inventories is recorded as expenditures when purchased rather than when consumed.

*Capital Assets:* Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. This is an increase from

the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported capital assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings and Building Improvements	40 -50 years
Infrastructure	5-50 years
Heavy Equipment	3-20 years
Vehicles and Equipment	5-10 years

The Town does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

**Estimates:** The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Town's financial statements include management's estimate of the useful lives of capital assets.

**Deferred Outflow of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Town has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

**Deferred Inflow of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The Town has GASB 63 amended previous guidance on unearned revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is the acquisition of net assets by the government that is applicable to a future reporting period.

**Compensated Absences:** It is the policy of the Town to permit certain employees to accumulate a limited amount of earned but unused vacation which will be paid to employees upon separation from the Town's service. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirements. Sick pay does not vest and is recorded as an expenditure when it is paid.

**Long Term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

**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.

**Net Position:** Net position represents the difference between assets and liabilities.

*Net investment in capital assets*, net of related debt consists of net position including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

*Restricted Net Position*, for the Government-wide Statement of Net Position, net positions are reported as restricted when constraints placed on net positions use are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position*, this category reflects net position of the Town, not restricted for any project or other purpose. When the Town incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**Fund Balances:** In the fund financial statements, governmental fund balances are classified as follows:

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

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

*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.

*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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the procedure is to pay the expenditure from restricted fund balance and then from less-restrictive classification - committed, assigned and then unassigned fund balances.

The Town's policy is to apply restricted resources first, committed resources second, assigned resources third, and unassigned resources last when an expense is included for purposes for which all or any fund balance classification is available.

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 Enterprise Funds 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.

### **Minimum Fund Balance Balance Policy**

The Town's policy for maintaining a minimum amount of fund balance for operations is to insure cash reserves are equal or greater of 1/12<sup>th</sup> of the General Fund final budgeted expenditures. A minimum fund balance policy represents a plan to accumulate resources as opposed to a limitation on purpose for which resources are expended. The minimum fund balance policy does not affect the classification of fund balance that is reported as unassigned.

### **NOTE 2-STEWARDSHIP. COMPLIANCE AND ACCOUNTABILITY**

#### **Budget Requirements. Accounting and Reporting**

All budgets are adopted on the cash basis of accounting, which is inconsistent with Generally Accepted Accounting Principles (GAAP). Budgetary comparison statements present budget and actual amounts on the budgetary basis of accounting (cash basis).



The Town is required to follow the procedures established by the New Mexico Department of Finance and Administration when developing its budgets, as follows:

1. The Fiscal Officer submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Town offices to obtain public comment.
3. The budget is tentatively approved by the Town Council, and final approval is ultimately made by the Department of Finance and Administration, Local Government Division.
4. The Fiscal Officer requests authorization from the Town Council to transfer budget amounts within departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Commission and by the Local Government Division of the Department of Finance and Administration, State of New Mexico.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

Amendments to the budget, including operating transfers, which increase or decrease a fund's total budgeted expenditures that must be approved by the Town Council and the Local Government Division of the Department of Finance and Administration, State of New Mexico. Amendments made to the original budget are included in the budgetary comparison schedules of this report, which reflect actual to budget.

Budgets and amendments to the budgets for all funds are adopted in a legally permissible manner. The legal level of budgetary control is the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level. Outstanding encumbrances lapse at year end but may be re-budgeted in the next year's budget. The Town did not use encumbrance accounting during the year ended June 30, 2016.

**NOTE 3. CASH AND CASH EQUIVALENTS**

The Town's policy is to limit cash deposits to insured and/or collateralized demand deposit accounts, certificates of deposit. All bank balances or deposits as of the balance sheet date were collateralized with securities pledged to the Town in accordance with state statutes. The carrying amount of Town's deposits with financial institutions was \$739,045 and the bank balances were \$741,968.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: a. Uncollateralized, b. Collateralized with irrevocable letter issued by a financial institution, or c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

At June 30, 2016, \$162,878 of the \$741,698 of the Town's bank balance was exposed to custodial credit risk as follows:

Depository	Account Type	FDIC Ins	Balance Per Depository	Reconciling Items		Balance Per Financial Statements
				Outstanding Checks	Deposits	
<b>Unrestricted Cash:</b>						
City Bank	Checking	11,340	\$ 11,340	\$ 3	\$ -	\$ 11,343
City Bank	Checking	32,594	32,594	-	-	32,594
City Bank	Checking	751	751	-	-	751
City Bank	Checking	22,175	22,175	-	-	22,175
Wells Fargo	Checking	250,000	299,550	(21,343)	207,682	485,889
First Savings Bank	Checking	140,313	140,313	-	6	140,319
City Bank	Checking	50	50	-	-	50
Total unrestricted cash			506,773	(21,340)	207,688	693,121
<b>Restricted Cash:</b>						
NMFA/NMSTO		29,620	29,620	-	-	29,620
NMFA/NMSTO		12,843	12,843	-	-	12,843
NMFA/NMSTO	Trust	16,146	16,146	-	-	16,146
Total restricted cash			58,609	-	-	58,609
Total cash on deposit			\$ 565,382	\$ (21,340)	\$ 207,688	\$ 751,730
Petty cash						
Total cash on hand and on deposit						
Less FDIC Insurance( All institutions)			(515,832)			
Uninsured Deposits			49,550			
Less 50% Pledge Requirement			(24,775)			
Required Pledge			24,775			
Less: Pledged Collateral Bank NY Mellon(Wells Fargo)						
Cusip 313AVF83 FNMA 11/01/26			(66,883)			
Cusip 313AV22 FNMA 11/01/26			(6,469)			
Cusip 313BWTRV0 FNMA 6/01/43			(3,990)			
(Over) Under Pledged Security per NMSA			\$ (52,567)			

#### NOTE 4. RECEIVABLES

As of June 30, 2017, the Town has included receivable within the government fund types and the proprietary enterprise fund. The receivables consist primarily of revenues earned as of June 30, 2017 from or payable by other government entities.

	Governmental Activities	Business-Type Activities
State Shared Taxes	\$ 39,913	\$ -
Charges for Services	-	51,274
Gas Tax	3,473	-
Franchise Taxes	1,158	-
Property Taxes	<u>27,709</u>	<u>-</u>
<b>Total</b>	<u>\$ 72,253</u>	<u>\$ 51,274</u>

#### NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance 6/30/16	Additions	(Reductions)	Balance 6/30/17
<b>Government Activities:</b>				
Capital Assets not being Depreciated				
Land	\$ 127,102	\$ -	\$ -	\$ 127,102
Total capital assets not being depreciated	<u>127,102</u>	<u>-</u>	<u>-</u>	<u>127,102</u>
Capital Assets Being depreciated:				
Buildings and improvements	5,185,503	-	-	5,185,503
Streets and other infrastructure	3,457,410	228,148	-	3,685,558
Equipment	1,436,168	88,415	-	1,524,583
Total capital assets being depreciated	<u>10,079,081</u>	<u>316,563</u>	<u>-</u>	<u>10,395,644</u>
Less: accumulated depreciation for				
Buildings and improvements	3,454,886	50,688	-	3,505,574
Streets and other infrastructure	2,148,030	121,318	-	2,269,348
Equipment	513,302	70,543	-	583,845
Total accumulated depreciation	<u>6,116,218</u>	<u>242,549</u>	<u>-</u>	<u>6,358,767</u>
Total capital assets being depreciated, net	<u>3,962,863</u>	<u>74,014</u>	<u>-</u>	<u>4,036,877</u>
Government activity capital assets, net	<u>\$ 4,089,965</u>	<u>\$ 74,014</u>	<u>\$ -</u>	<u>\$ 4,163,979</u>
<b>Business Type Activities:</b>				
Capital Assets Not Being depreciated:				
Land	\$ 8,000	-	-	8,000
Capital Assets Being depreciated:				
Utility System	4,450,087	143,378	-	4,593,465
Equipment	102,505	-	-	102,505
Total capital assets being depreciated	<u>4,552,592</u>	<u>143,378</u>	<u>-</u>	<u>4,695,970</u>
Less: accumulated depreciation for				
Utility System	1,580,800	96,317	-	1,677,117
Equipment	99,112	1,845	-	100,957
Total accumulated depreciation	<u>1,679,912</u>	<u>98,162</u>	<u>-</u>	<u>1,778,074</u>
Business-type activity capital assets, net	<u>\$ 2,880,680</u>	<u>\$ 45,216</u>	<u>\$ -</u>	<u>\$ 2,925,896</u>
Governmental activity depreciation was charged to functions as follows:				
General Government	\$ 10,000			
Public Safety	50,760			
Highways and Streets	156,906			
Culture and recreation	24,883			
Total depreciation	<u>\$ 242,549</u>			

**NOTE 6. LIABILITY FOR COMPENSATED ABSENCES**

Vacation leave is earned by employees during the year based on time worked and is non-cumulative. Vacation leave due, if any, is paid on an employee's termination. The accrued value of the vacation leave due to employees at June 30, 2016 is \$5,587.

	Balance	Increases	Decreases	Balance	One Year
Government Funds	\$ 10,769	\$ 22,501	\$ (19,306)	\$ 13,964	\$ 13,964
Proprietary Funds	3,285	4,530	(3,696)	4,119	4,119
<b>Total</b>	<b>\$ 14,054</b>	<b>\$ 4,530</b>	<b>\$ (3,696)</b>	<b>\$ 18,083</b>	<b>\$ 18,083</b>

Sick leave is also earned by employees based on length of employment during the year and is also non-cumulative. Compensation for sick leave is limited to time-off and is not monetarily compensated.

Compensated absences are paid from the fund from which the respective liability originated. These liabilities originate in the General Fund and Proprietary Fund.

**NOTE 7. LONG-TERM DEBT**

Governmental Fund Long-term obligations of the Town are as follows:

	Balance 6/30/16	Additions	(Reductions)	Balance 6/30/17	Due Within One Year
3.0 to 4.0% Note Payable, payable to New Mexico Finance Authority For Town Hall matures September, 2025	\$ 72,160	\$ -	\$ (7,938)	\$ 64,222	\$ 7,958
3.0 to 4.0% Note Payable, payable to New Mexico Finance Authority For Fire Truck matures June , 2021	169,921	-	(9,125)	160,796	9,369
2.0% Note Payable, payable to New Mexico Finance Authority For Fire Truck matures June , 2017	61,682	-	(30,427)	31,255	31,255
<b>Total Long-Term Obligations</b>	<b>\$ 303,763</b>	<b>\$ -</b>	<b>\$ (47,490)</b>	<b>\$ 256,273</b>	<b>\$ 48,582</b>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 48,582	\$ 3,887	\$ 52,469
2019	50,255	2,697	52,952
2020	61,631	1,307	62,938
2021	63,533	90	63,623
2022	8,038	71	8,109
2023-2027	24,234	90	24,324
2028-2032	-	-	-
2033	-	-	-
	<b>\$ 256,273</b>	<b>\$ 8,142</b>	<b>\$ 264,415</b>

Proprietary Fund Long-term obligations of the Town are as follows:

	Balance 6/30/16	Additions	(Reductions)	Balance 6/30/17	Due Within One Year
4.5% Bonds, payable to USDA For Water System Improvements matures June, 2045	\$ 356,840	\$ -	\$ (6,220)	\$ 350,620	\$ 6,790
4.5% Bonds, payable to USDA For Water System Improvements matures March, 2045	43,500	-	(800)	42,700	800
2.0% Note Payable, payable to New Mexico Finance Authority For Water System matures June , 2033	73,606	-	(4,330)	69,276	4,330
2.0% Note Payable, payable to New Mexico Finance Authority For Water System matures June , 2033	<u>47,092</u>	<u>-</u>	<u>(4,958)</u>	<u>42,134</u>	<u>2,478</u>
<b>Total Long-Term Obligations</b>	<b><u>\$ 521,038</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (16,308)</u></b>	<b><u>\$ 504,730</u></b>	<b><u>\$ 14,398</u></b>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 14,398	\$ 17,699	\$ 32,097
2019	14,708	17,370	32,078
2020	15,118	17,029	32,147
2021	15,458	16,628	32,086
2022	15,808	16,255	32,063
2023-2027	85,730	75,132	160,862
2028-2032	98,410	60,544	158,954
Thereafter	<u>245,100</u>	<u>72,938</u>	<u>318,038</u>
	<b><u>\$ 504,730</u></b>	<b><u>\$ 293,595</u></b>	<b><u>\$ 798,325</u></b>

**NOTE 8. RISK MANAGEMENT AND LITIGATION**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained insurance through a commercial carrier to insure against potential losses and claims. The premiums are based on payroll and other expenditures, and are not directly related to claims filed. The policies are retrospectively rated and premiums may be adjusted after year end, based on the ultimate level of expenditures.

**NOTE 9. RETIREE HEALTH CARE ACT CONTRIBUTIONS**

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 by adoption of Ordinance 1990-02.

## NOTE 10. PERA PENSION PLAN

*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.

**Plan Description.** 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 I in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at <http://www.nmpera.org>.

**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 FY 14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY 15 annual audit report at:

[http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2016.pdf).

The PERA coverage options that apply to Town are: General Division, Fire Division and Police Division. Statutorily required contributions to the pension plan from the Town were \$6,292 for the plan and \$24,042 for Police for the year ended June 30, 2017.

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The 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, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**For PERA Fund Division - the Town's General Division,** at June 30, 2017, the Town reported a liability of \$146,986 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion was 0.0092 percent, which was unchanged from its proportion measured as of June 30, 2015. due to the insignificance of the difference.

For PERA Fund Division - the Town's Police Division, at June 30, 2017, the Town reported a liability of \$424,252 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion was 0.0575 percent, which was unchanged from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized PERA Fund - pension expense of \$30,334. At June 30, 2017, the Town reported PERA Fund Division - General and Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<b>Deferred Outflows:</b>	<b>Municipal Deferred Outflows of Resources</b>	<b>Police Deferred Outflows of Resources</b>	<b>Total Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ 7,344	\$ 31,146	\$ 38,490
Change of assumptions	8,619	28,100	36,719
Changes in Proportionionate Share of Contributions	575	16,731	17,306
Net Difference between projected and actual earnings on pension investments	27,045	67,098	94,143
Contributions subsequent to the measurement date	<u>6,292</u>	<u>24,042</u>	<u>30,334</u>
<b>Total</b>	<u>\$ 49,875</u>	<u>\$ 167,117</u>	<u>\$ 216,992</u>

<b>Deferred Inflows:</b>	<b>Municipal Deferred Inflows of Resources</b>	<b>Police Deferred Inflows of Resources</b>	<b>Total Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,435	\$ -	\$ 1,435
Change of assumptions	24	7,651	7,675
Changes in Proportionionate Share of Contributions	<u>15,012</u>	<u>3,185</u>	<u>18,197</u>
<b>Total</b>	<u>\$ 16,471</u>	<u>\$ 10,836</u>	<u>\$ 27,307</u>

The Town reported \$216,992 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>General</b>	<b>Police</b>	<b>Total</b>
2017	\$ (4,459)	\$ (34,804)	\$ (37,246)
2018	(4,459)	(34,804)	(37,245)
2019	(11,786)	(45,557)	(57,343)
2020	(6,405)	(17,074)	(21,459)
2021	-	-	-
There After	-	-	-

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment of rate of return	7.48% annual rate, net of investment expense
• Payroll growth	2.75% annual rate
• Projected benefit payment	100 Years
• Projected salary increases	2.75 to 14.25% annual rate
• Includes inflation at	2.75 annual rate
• Mortality Assumption	RP-2000 Mortality Tables (Combined table for Healthy post retirements, Employee table for active members, and disabled table of disabled retirees before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2016

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

ALL FUNDS - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	100.0%	

**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 tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Town's net pension liability in each PERA Fund Division that 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.

PERA Fund Division - General	1 % Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability	\$ 219,142	\$146,986	\$87,135

PERA Fund Division - Police	1 % Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability	\$ 624,180	\$424,252	\$260,734

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY 15 Restated PERA financial report. The report is available at <http://www.nmpera.org/publications.html>.

**Payables to the pension plan.** At June 30, 2017, the Town had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

**NOTE 11. PROPERTY TAXES**

Property taxes include amounts levied against all real property and all tangible personal property used in businesses located in the Town. The Lincoln County Treasurer bills and collects the Town's tax levy, which is payable in two installments on November 10 and April 10. Property taxes attach as an enforceable lien on January 1. Collections by the County are remitted to the Town monthly. No allowance for uncollectible taxes has been recorded since; all taxes are considered collectible by the County Treasurer. As of June 30, 2016, all uncollected taxes are considered delinquent.

**NOTE 12. SURETY BONDS**

The officials and certain employees of the Town are covered by a surety bond as required by Section 12-6-7, 1978 compilation.

**NOTE 13. INTERFUND TRANSACTIONS**

Transfers are used to move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them. During the year \$143,378 from Grants Fund to the Water Sewer Fund for capital purchases'.

**NOTE 14. JOINT POWERS AGREEMENTS**

The Greentree Solid Waste Authority was established in 1991 and has no stated termination date. It acts as its own fiscal agent as do other such cooperatives organizations and provided an independent audit. All powers rest with the authority including budget, 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/Greentree Regional Landfill. The financial information for this venture is included in the fiscal agents' Alamogordo audit. The Town of Carrizozo has committed the Environmental Gross Receipts tax collected to service bonds issued by Alamogordo to construct the facility. The Town represents approximately 1/6 pf the total JPA.

**NOTE 15 RESTATEMENT**

The Fund Balance of the Utility Fund was restated to include long-term debt on the financial statements in the amount of \$92,052. The Capital Projects fund balance was restated to correct beginning cash.

**NOTE 16 SUBSEQUENT REVIEW**

The Town of Carrizozo has evaluated the subsequent events through February 16, 2017 which is the date the statements were available for issuance.



## **Supplemental Information**

### **Major Funds**

**State of New Mexico**  
**Town of Carrizozo**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgeted to Actual (Non-GAAP Budgetary Basis)**  
**Capital Projects Fund**  
**For The Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUE</b>				
<b>Intergovernmental-State</b>	\$ 1,862,765	\$ 1,065,654	\$ 449,755	\$ 615,899
<b>Intergovernmental-Federal</b>	500,000	500,000	236,908	(263,092)
Investment Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenue</b>	<b>2,362,765</b>	<b>1,565,654</b>	<b>686,663</b>	<b>\$ 352,807</b>
<b>Budgeted Cash Balance</b>	<u>50</u>	<u>50</u>		
<b>Total Revenue And Cash</b>	<b>\$ 2,362,815</b>	<b>\$ 1,565,704</b>		
<b>EXPENDITURES</b>				
Operating Expense	\$ -	\$ -	\$ -	\$ -
Capital Outlay	<u>2,374,235</u>	<u>1,345,033</u>	<u>319,587</u>	<u>1,025,446</u>
<b>Total Expenditures</b>	<b>2,374,235</b>	<b>1,345,033</b>	<b>319,587</b>	<b>1,025,446</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	<u>-</u>	<u>-</u>	<u>(143,378)</u>	<u>(143,378)</u>
<b>Total Expenditures And Other Financing Sources</b>	<b>\$ 2,374,235</b>	<b>\$ 1,345,033</b>	<b>462,965</b>	<b>\$ 1,168,824</b>
<b>Total Revenues (Expenditures and Other Financing Sources and Uses)</b>			<b>223,698</b>	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			-	
Depreciation			-	
<b>Net Change in Position GAAP Basis</b>			<b>\$ 223,698</b>	

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

## **Supplemental Information**

### **Non Major Funds**

## NON MAJOR FUNDS

**Lodgers' Tax Fund** -- to account for the operation of promotional activity for the Town, mostly through payment to promotion oriented agencies. Financing is provided primarily by a specific tax levy on area motels and hotels. Authority is Section 3-38-15 NMSA 1978.

**Law Enforcement Fund** -- to account for funds received from the State of New Mexico for Law Enforcement purposes. Authority is Section 29-13-3 NASA 1978.

**Municipal Street Fund** -- to account for funds received gasoline tax from the State of New Mexico for repairing and maintaining road and streets. Authority is Section 7-1-36.9 NASA 1978.

**Valle Del Sol Fund** -- to account for funds received from reserve accounts for improvements to roads and utility systems in Valle Del Sol Real Estate Subdivision.

State of New Mexico  
Town of Carrizozo  
Combining Balance Sheet -- Nonmajor Funds  
June 30, 2017

	Law Enforcement Fund	Lodgers Tax Fund	Municipal Streets Fund	Municipal Valle De Sol Fund	Totals
<b>ASSETS</b>					
Cash In Bank	8,161	(419)	64,852	110,769	183,363
Taxes Receivable	-	1,158	3,473	-	4,631
<b>Total Assets</b>	<b>8,161</b>	<b>739</b>	<b>68,325</b>	<b>110,769</b>	<b>187,994</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	-	-	1,238	784	2,022
Due to Other Funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>1,238</b>	<b>784</b>	<b>2,022</b>
<b>FUND BALANCE</b>					
Restricted	8,161	739	67,087	109,985	185,972
Unassigned	-	-	-	-	-
<b>Total Fund Balance</b>	<b>8,161</b>	<b>739</b>	<b>67,087</b>	<b>109,985</b>	<b>185,972</b>
<b>Total Liabilities And Fund Balance</b>	<b>8,161</b>	<b>739</b>	<b>68,325</b>	<b>110,769</b>	<b>187,994</b>

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

State of New Mexico  
Town of Carrizozo  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance - Nonmajor Funds  
For The Year Ended June 30, 2017

	Law Enforcement	Lodgers Tax	Municipal Streets	Valle Del Sol	Totals
	Fund	Fund	Fund	Fund	
<b>REVENUES</b>					
Taxes	\$ -	\$ 9,656	\$ 44,872	\$ -	\$ 54,528
Intergovernmental-State	21,800	-	-	-	21,800
Intergovernmental-Federal	-	-	-	-	-
Assessments	-	-	-	42,450	42,450
<b>Total Revenues</b>	<b>21,800</b>	<b>9,656</b>	<b>44,872</b>	<b>42,450</b>	<b>118,778</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Public Safety	15,116	-	-	-	15,116
Highways, Streets and Public Works	-	-	20,851	37,416	58,267
Culture, Recreation and Promotion	-	17,649	-	-	17,649
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>15,116</b>	<b>17,649</b>	<b>20,851</b>	<b>37,416</b>	<b>91,032</b>
Excess (Deficiency) Of Revenues	15,116	17,649	20,851	37,416	91,032
Over Expenditures	6,684	(7,993)	24,021	5,034	27,746
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers	-	-	-	-	-
<b>Total Other Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>6,684</b>	<b>(7,993)</b>	<b>24,021</b>	<b>5,034</b>	<b>27,746</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>1,477</b>	<b>8,732</b>	<b>43,066</b>	<b>104,951</b>	<b>158,226</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 8,161</b>	<b>\$ 739</b>	<b>\$ 67,087</b>	<b>\$ 109,985</b>	<b>\$ 185,972</b>

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

**Supplementary Information**  
**Proprietary Fund**

**State of New Mexico**  
**Town of Carrizozo**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgeted to Actual (Non-GAAP Budgetary Basis)**  
**Sewer - Solid Waste Fund**  
**For The Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Water Service	\$ 241,184	\$ 241,184	\$ 242,485	\$ (1,301)
Sewer Service	132,732	132,732	129,561	(3,171)
Sanitation Service	<u>125,663</u>	<u>125,633</u>	<u>125,273</u>	<u>(360)</u>
Total Revenue	499,579	499,549	<u>497,319</u>	<u>\$ (4,832)</u>
Budgeted Cash Balance	<u>121,016</u>	<u>121,016</u>		
Total Revenue And Cash	<u>\$ 620,595</u>	<u>\$ 620,565</u>		
<b>EXPENDITURES</b>				
Water/Sewer Operating Expense	\$ 375,208	\$ 375,208	\$ 372,823	\$ 2,385
Sanitation Service	135,233	135,233	135,233	-
Capital Outlay	<u>168,408</u>	<u>168,408</u>	<u>168,408</u>	<u>-</u>
Total Expenditures	678,849	678,849	676,464	2,385
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	<u>16,550</u>	<u>16,550</u>	<u>143,376</u>	<u>126,826</u>
Total Expenditures And Other Financing Sources	<u>\$ 662,299</u>	<u>\$ 662,299</u>	<u>533,088</u>	<u>\$ (124,441)</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(35,769)	
Reconciliation to GAAP Basis				
Changes in Receivables			(5,015)	
Changes in Payables			14,383	
Changes in Accrued Payroll			(250)	
Changes in Compensated Absence			(834)	
Changes in Accrued Interest			(820)	
Reclass Capital Outlay			143,378	
Depreciation			(98,162)	
Reclass Debt Service Principal			<u>16,308</u>	
Net Change in Position GAAP Basis			<u>\$ 33,219</u>	

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



## **Pension Liability Supplementary Information**

State of New Mexico  
 Town of Carrizozo  
 Schedule of the Proportionate Share of Net Pension Liability  
 Pension Plan-Last 10 Fiscal Years  
 June 30, 2017

**General Division:**

	<u>2015</u>		<u>2016</u>		<u>2017</u>
Town of Carrizozo portion of net pension liability (asset)	0.0115%		0.0111%		0.0920%
Town of Carrizozo proportionate share of the net pension liability (asset)	\$ 85,812	\$	113,714	\$	146,986
Town of Carrizozo covered-employee payroll	\$ 58,119	\$	56,223	\$	46,214
Town of Carrizozo proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	148%		202%		318%
Plan fiduciary net position as a percentage of total pension liability	81.29%		76.99%		69.18%

**Police Division:**

	<u>2015</u>		<u>2016</u>		<u>2017</u>
Town of Carrizozo portion of net pension liability (asset)	0.0580%		0.0584%		0.0575%
Town of Carrizozo proportionate share of the net pension liability (asset)	\$ 168,536	\$	280,820	\$	424,252
Town of Carrizozo covered-employee payroll	\$ 184,043	\$	160,023	\$	173,853
Town of Carrizozo proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	92%		175%		244%
Plan fiduciary net position as a percentage of total pension liability	81.29%		76.99%		69.18%

\*\* The amounts presented were determined as of June 30, 2016. The Schedule is presented to illustrate the requirement to show information for 10 years. However, until all full 10 trend is compiled the Town of Carrizozo will present information for those years for information which is available.

**State of New Mexico**  
**Town of Carrizozo**  
**Schedule of Contributions, PERA Fund**  
**Pension Plan-Last 10 Fiscal Years**  
**June 30, 2017**

**General Division:**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 7,564	\$ 7,537	\$ 6,292
Contributions in relation to the contractually required contribution	<u>(7,564)</u>	<u>(7,537)</u>	<u>(6,292)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Carrizozo covered-employee payroll	\$ 58,119	\$ 56,223	\$ 46,214
Contributions as a percentage of covered payroll	13.01%	13.41%	13.61%

**Police Division**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 23,954	\$ 21,622	\$ 24,042
Contributions in relation to the contractually required contribution	<u>(23,954)</u>	<u>(21,622)</u>	<u>(24,042)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Carrizozo covered-employee payroll	\$ 184,043	\$ 160,023	\$ 173,853
Contributions as a percentage of covered payroll	13.02%	13.51%	13.83%

\*\*This Schedule is presented to illustrate the requirement to show information for a full 10 years. However, until a full 10 year trend is complied the Town of Carrizozo will present information for those years for information which is available.

**State of New Mexico  
Town of Carrizozo  
Notes to Required Supplemental Information  
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 FY 16 audit available at:

<http://www.nmpera.org>

**Changes in assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation s June 30 2016 report is available at: <http://www.nmpera.org>

The Summary of Key findings for the PERA Fund resulted in changes in assumptions resulted in a decrease of \$91.8 million to total pension liability for PERA and an increase of .42% to the funded ratio for the year ended June 30, 2016. For details about changes in the actuarial assumptions see <http://www.nmpera.org>.

## Compliance

**Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345**

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

**Independent Auditors' Report**

Mr. Wayne Johnson  
New Mexico State Auditor  
The Governing Board  
Town of Carrizozo  
Ruidoso Downs, NM

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, and the aggregate remaining fund information and the budgetary comparisons of the General fund and major special revenues funds, of the Town of Carrizozo as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Carrizozo's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town of Carrizozo, presented as supplemental information, and have issued our report thereon dated February 16, 2018.

**Internal Control Over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit, we did not identify certain deficiencies in internal control over financial reporting that we consider material weaknesses. We did identify certain deficiencies in internal control described in the in the schedule of findings and responses that we consider to be a significant deficiencies as items 2015-001, 2017-001,2017-002,2017-004. 2017-05 and 2017-006 on pages 47-51 of this report.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Carrizozo'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 noted one instance of noncompliance which are identified as 2017-003 on page 47-51 of this report.


### Town of Carrizozo's Response to Findings

The Town of Carrizozo's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town of Carrizozo's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town of Carrizozo'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 Town of Carrizozo's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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, and the aggregate remaining fund information and the budgetary comparisons of the General fund and Special Revenue funds, of the Town of Carrizozo as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Carrizozo's basic financial statements, and the combining and individual and related budgetary comparisons of Town of Carrizozo, presented as supplemental information, and have issued our report thereon dated February 16, 2018.



February 16, 2018  
Ruidoso, New Mexico

**STATE OF NEW MEXICO  
TOWN OF CARRIZOZO  
SCHEDULE OF FINDINGS, RESPONSES AND OTHER DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Summary of Audit Results**

*Financial Statements:*

1. Type of auditors' report issued                      Unmodified
  
2. Internal control over financial reporting:
  - a. Material weakness identified? No
  - b. Significant deficiencies identified not considered to be a material weaknesses? Yes
  - c. Noncompliance material to the financial statements noted? No

**FINDINGS AND RECOMMENDATIONS-Financial Audit**

**Prior Year Findings:**

- 2015-001 Expenditure Issues-Repeated & Modified
- 2015-002 Personnel and Individual Employee Files-Resolved
- 2015-003 Municipal Employment Files- Resolved
- 2015-004 Time Sheets-Resolved
- 2016-001 Federal 941 Quarterly Reports-Resolved

**Current Year Findings:**

**2015-001 Expenditure Issues – Significant Deficiency**

**Condition**

Auditor samples 125 expenditures totaling \$115,806 for various attributes. Of those tested, 12 items totaling \$12,932 lacked proper documentation or authorization. Expenditures were selected from all funds from the Town of Carrizozo pooled cash accounts.

**Management has made some progress in this area.**

**Criteria**

Per 2.42.2.10 NMAC it is unlawful for expenditures to be authorized by a public official without proper authorization and budgetary oversight.

**Effect**

Violation of State Law for Public monies to be spent without proper authorization.

**Cause**

Lack of Management oversight.



**Recommendation**

Individuals approving and authorizing expenditures should insure all required documentation is present prior to authorization for payment.

**Response: This has been corrected in the FYE 2018. All requisitions are signed by the Mayor before purchase orders are issued.**

**Corrective Action Plan Completion Date: April 1, 2018**

**Responsible Party: Town Clerk/Treasurer**

**2017-001 Budget Reports and Internal Accounting -Significant Deficiency**

**Condition**

Examination of budget reports submitted to DFA and internal general ledgers noted that cash balances and transactions relating to debt service cash accounts at the NMFA were not reflected in the books and records of the Town resulting in inaccurate financial reporting.

**Criteria**

All bank accounts including those non-bank cash accounts should be reconciled monthly to insure accuracy.

**Effect**

Inaccurate financial reports.

**Cause**

Lack of Management oversight.

**Recommendation**

Develop and audit committee of the Board of trustees to review bank reconcilements for accuracy.

**Response: General ledger for the FYE have been adjusted and will be correct in current year. Prior year budget reports will be amended.**

**Corrective Action Plan Completion Date: April 15, 2018**

**Responsible Party: Town Clerk/Treasurer**

**2017-002 Government Conduct Act -Significant Deficiency**

**Condition**

The Audit firm received a referral from the New Mexico State Auditor noting a complaint filed with the State Auditor concerning issues relating to the Mayor and his business relations with the Town of Carrizozo. Audit procedures noted the Town and issued twenty-four checks totaling \$12,301.79 for various auto repair services provided to the Town. Inquires noted no RFP for auto repair services or disclosure to the public of this relationship.

**Criteria**

The Governmental Conduct Act (GCA) NMSA 1978 10-16-7(B) states that unless a public officer or employee has disclosed the public official's substantial interest through public notice, and unless a contract is awarded pursuant to competitive bid a local government agency shall not enter into a contract with a public officer or employee or with a business in which the public official has substantial interest.

**Effect**

The Town nor the Mayor made no notice, nor was the request for services awarded by a public RFP request for proposal thereby violating the Governmental Conduct Act.

**Cause**

Failure to follow requirements of the Government Conduct Act.

**Recommendation**

The Town should formally adopt the Government Conduct Act, review internal policies, consult with legal counsel to insure compliance with Governmental Conduct Act.

**Response: The Town has consulted with legal counsel and established policies relating to this issue in future periods. The Town will formally adopt the Act in an April Trustee meeting.**

**Corrective Action Plan Completion Date: April 15, 2018      Responsible Party: Town Clerk/Treasurer**

**2017-003 Late Audit Report Significant Deficiency-Non Compliance**

**Condition**

The audit report for year ended June 30, 2017 was not submitted timely.

**Criteria**

New Mexico Audit Rule requires the report to be submitted by December 15, 2017.

**Effect**

Non-Compliance

**Cause**

Auditor failed to complete audit.

**Recommendation**

Require timely completion.

**Response: Town will correct issues to allow timely completion.**

**Corrective Action Plan Completion Date: June 30, 2018      Responsible Party: Town Clerk/Treasurer**

**2017-004 Lack of Control Over Cash Receipts-Significant Deficiency**

**Condition**

Test of revenues noted a receipt system being utilized, however, the receipts were not being utilized in sequel order resulting in an inadequate audit trail.

**Criteria**

Adequate internal controls over cash receipts should require all receipts be documented using a pre-numbered cash receipt slip, validated by a cash register or cash receipt log, recording date, amount and person issuing receipt.”

**Effect**

Poor accounting controls over cash receipts.

**Cause**

Lack of management oversight.

**Recommendation**

Obtain pre-numbered receipts and use sequentially. Develop reconciling procedures monthly to insure proper handling.

**Response: Town has purchased pre-numbered cash receipts and will utilize these in sequential order.**

**Corrective Action Plan Completion Date: March 1, 2018      Responsible Party: Town Clerk/Treasurer**

**2017-005 Reconciliation of Pooled Cash-Significant Deficiency**

**Condition**

Audit procedures noted 62 small cash receipt reconciling items that had not been cleared from the pooled cash reconcilements resulting in inaccurate financial information.

**Criteria**

NMSA 6-6-3 (A)(B)(C) requires every local public body keep books and records or accounts and make reports that conform to rules and regulations

**Effect**

**The Town’s Board of trustees may be approving budget reports that are inaccurate.**

**Cause**

Lack of internal controls over back reconciliation’s requiring reconciling items to be cleared timely.

**Recommendation:**

Develop an audit committee of the Board of Trustees to review reconcilements for accuracy and compliance with Town accounting policies.

**Response: Various items were found to be duplicate entries and will be corrected and amended budgets will be completed. Reconciliations in future will be reviewed and approved and signed by the Mayor.**

**Corrective Action Plan Completion Date: April 15, 2018      Responsible Party: Town Clerk/Treasurer**

## **2017-006 Expenditures in Excess of Budget-Significant Dificiency**

### **Condition**

The Town exceeded its approved budget for expenditures in the General Fund in the amount of \$67,243.

### **Criteria**

NMSA 6-6-6 NMSA Compilation, it is unlawful for expenditures to exceed approved budget by the New Mexico Department of Finance and Administration.

### **Effect**

**The Town's Board of trustees may be approving budget reports that are inaccurate.**

### **Cause**

Lack of internal controls over over budget monitoring resulted in a failure to recognize and adjust budgets.

### **Recommendation:**

Develop an audit committee of the Board of Trustees to review budgets for accuracy and compliance with Town accounting policies.

**Response: Budget Reports in the future will be reviewed, approved and signed by the Mayor prior to submission to the Board of Trustees for approval.**

**Corrective Action Plan Completion Date: April 15, 2018**

**Responsible Party: Town Board of Trustees**

## **FINANCIAL STATEMENT PREPARATION**

Although it would be preferable and desirable for the Town to prepare its own GAAP-based financial statements, it is felt that the Town's personnel have neither the time nor the expertise to prepare them. Therefore, the outside auditor prepared the GAAP-based financial statements and footnotes for inclusion in the annual audit report, however, the responsibility for the content of the report remains with the Town's management.

## **EXIT CONFERENCE**

The exit conference was held at Town of Carrizozo Town Hall on February 20, 2018. Present were Mayor Richard Hall, Trustee Ray Dean, Town Clerk/Treasurer Leann Weihbrecht, and Dan Austin, CPA representing the audit firm. The report was discussed as well as other recommendations.