

State of New Mexico

Town of Silver City

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

For The Fiscal Year Ended June 30, 2017

Town of Silver City
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 June 30, 2017

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Town of Silver City
DIRECTORY OF OFFICIALS
June 30, 2017

Elected Officials

Ken Ladner	Mayor
Jose A. Ray, Jr.	Councilor
Guadalupe Cano	Councilor
Cynthia Ann Bettison	Councilor
Lynda D. Aiman-Smith	Councilor

Administrative Staff

Alex C. Brown	City Manager/ Finance Director
James R. Marshall	Asst. City Manager
Anita Norero	Deputy Finance Director
Erika Martinez	Purchasing Agent
Olivia Britton	Utility Billing Supervisor

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.
RYAN MONTOYA, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Mayor and Town Council
Town of Silver City
Silver City, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the Town of Silver City, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Town of Silver City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information related to the Town's pension plan on pages 52 to 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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.

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2017, on our consideration of the Town of Silver City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Silver City's internal control over financial reporting and compliance.

Stone, McGee & Co., CPAs

Silver City, New Mexico
December 10, 2017

Stone, McGee & Co.
Certified Public Accountants

Town of Silver City
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and investments	\$ 2,832,771	\$ 244,712	\$ 3,077,483
Inventory	64,950	285,011	349,961
Receivables, net	2,122,459	1,627,220	3,749,679
Notes receivable due currently			-
	<u>\$ 5,020,180</u>	<u>\$ 2,156,943</u>	<u>\$ 7,177,123</u>
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -	\$ 377,766	\$ 377,766
Bond discount		\$ 37,939	
Capital assets, net	<u>44,853,498</u>	<u>18,296,632</u>	<u>63,150,130</u>
	<u>\$ 44,853,498</u>	<u>\$ 18,712,337</u>	<u>\$ 63,565,835</u>
	<u>\$ 49,873,678</u>	<u>\$ 20,869,280</u>	<u>\$ 70,742,958</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>\$ 3,812,013</u>	<u>\$ 1,189,941</u>	<u>\$ 5,001,954</u>
LIABILITIES			
Current:			
Accounts payable	\$ 280,565	\$ 195,354	\$ 475,919
Accrued liabilities	274,443	63,454	337,897
Current maturities of long-term debt	<u>646,729</u>	<u>439,699</u>	<u>1,086,428</u>
	<u>\$ 1,201,737</u>	<u>\$ 698,507</u>	<u>\$ 1,900,244</u>
Noncurrent:			
Payable from restricted assets:			
Customer deposits	\$ -	\$ 358,817	\$ 358,817
Bonds payable	4,765,000	5,013,033	9,778,033
Notes payable	1,396,582	1,411,234	2,807,816
Bond premiums	30,753		30,753
Net pension liability	13,093,920	3,265,960	16,359,880

Town of Silver City
STATEMENT OF NET POSITION (concluded)
June 30, 2014

	Governmental Activities	Business- Type Activities	Total
Compensated absences	\$ 375,025	\$ 103,560	\$ 478,585
Total noncurrent liabilities	\$ 19,661,280	\$ 10,152,604	\$ 29,813,884
Total liabilities	\$ 20,863,017	\$ 10,851,111	\$ 31,714,128
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	\$ 751,074	\$ 88,313	\$ 839,387
NET POSITION			
Net investment in capital assets	\$ 38,135,527	\$ 11,432,666	\$ 49,568,193
Restricted for:			
Capital projects	828,346		828,346
Debt service	729,325	18,949	748,274
Other purposes	474,807		474,807
Unrestricted	(8,096,405)	(331,818)	(8,428,223)
Total net position	\$ 32,071,600	\$ 11,119,797	\$ 43,191,397

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

Town of Silver City
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Functions/Programs</u>			
Governmental activities:			
General government	\$ 3,817,884	\$ 240,816	\$ 124,845
Public safety	7,923,891	43,411	627,742
Public works	1,031,969		
Health and welfare	480,187	4,866	7,090
Culture-recreation	1,782,888	110,546	65,377
Unallocated interest expense	258,545		
	<u>\$ 15,295,364</u>	<u>\$ 399,639</u>	<u>\$ 825,054</u>
Business-type activities:			
Joint Utility	\$ 6,531,119	\$ 7,752,093	\$ -
	<u>\$ 21,826,483</u>	<u>\$ 8,151,732</u>	<u>\$ 825,054</u>

General revenues:

- Property taxes
- Gross receipts taxes
- Gas taxes
- Motor vehicle taxes
- Franchise taxes
- Other taxes
- Miscellaneous
- Gain on disposition
- Transfers

Total general revenues

Change in net position

Net position--beginning, as originally stated

Restatement

Net position--beginning, as restated

Change in net position

Net position--ending

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

Net (Expenses) Revenue
and Changes in Net Position

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
\$ -	\$ (3,452,223)	\$ -	\$ (3,452,223)
	(7,252,738)		(7,252,738)
2,004,224	972,255		972,255
	(468,231)		(468,231)
17,698	(1,589,267)		(1,589,267)
	(258,545)		(258,545)
<u>\$ 2,021,922</u>	<u>\$ (12,048,749)</u>	<u>\$ -</u>	<u>\$ (12,048,749)</u>
<u>\$ 1,693,624</u>	<u>\$ -</u>	<u>\$ 2,914,598</u>	<u>\$ 2,914,598</u>
<u>\$ 3,715,546</u>	<u>\$ (12,048,749)</u>	<u>\$ 2,914,598</u>	<u>\$ (9,134,151)</u>
	\$ 678,900	\$ -	\$ 678,900
	9,283,463	225,994	9,509,457
	259,943		259,943
	85,821		85,821
	378,061		378,061
	312,473		312,473
	241,290	26,890	268,180
	4,727		4,727
	745,205	(745,205)	-
	<u>\$ 11,989,883</u>	<u>\$ (492,321)</u>	<u>\$ 11,497,562</u>
	<u>\$ (58,866)</u>	<u>\$ 2,422,277</u>	<u>\$ 2,363,411</u>
	\$ 32,285,646	\$ 9,242,430	\$ 41,528,076
	(155,180)	(544,910)	(700,090)
	\$ 32,130,466	\$ 8,697,520	\$ 40,827,986
	(58,866)	2,422,277	2,363,411
	<u>\$ 32,071,600</u>	<u>\$ 11,119,797</u>	<u>\$ 43,191,397</u>

Town of Silver City
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2017

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 965,244	\$ 1,867,527	\$ 2,832,771
Inventory	64,950		64,950
Other taxes receivable	1,470,149	89,138	1,559,287
Taxes receivable	120,187	289,593	409,780
Accounts receivable	34,596		34,596
Grants receivable	36,741	82,055	118,796
Interfund receivable	154,170		154,170
	<u>2,846,037</u>	<u>2,328,313</u>	<u>5,174,350</u>
Total assets	<u>\$ 2,846,037</u>	<u>\$ 2,328,313</u>	<u>\$ 5,174,350</u>
Liabilities			
Accounts payable	\$ 218,446	\$ 62,119	\$ 280,565
Interfund payable		154,170	154,170
Salary payable	252,318		252,318
	<u>470,764</u>	<u>216,289</u>	<u>687,053</u>
Total liabilities	<u>\$ 470,764</u>	<u>\$ 216,289</u>	<u>\$ 687,053</u>
Deferred Inflows of Resources			
Unavailable revenue	\$ 96,180	\$ 93,727	\$ 189,907
	<u>96,180</u>	<u>93,727</u>	<u>189,907</u>
Total deferred inflows of resources	<u>\$ 96,180</u>	<u>\$ 93,727</u>	<u>\$ 189,907</u>
Fund balance:			
Non-spendable:			
Inventory	\$ 64,950	\$ -	\$ 64,950
Restricted:			
Public safety	4,439	169,218	173,657
Culture and recreation	67,322	133,830	201,152
Health and welfare	10,350	336	10,686
Debt service		751,450	751,450
Public works		89,312	89,312
Construction		918,686	918,686
Unassigned	2,132,032	(44,535)	2,087,497
	<u>2,279,093</u>	<u>2,018,297</u>	<u>4,297,390</u>
Total fund balance	<u>\$ 2,279,093</u>	<u>\$ 2,018,297</u>	<u>\$ 4,297,390</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,846,037</u>	<u>\$ 2,328,313</u>	<u>\$ 5,174,350</u>

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

Town of Silver City
**RECONCILIATION OF TOTAL GOVERNMENTAL
 FUND BALANCE TO NET POSITION OF
 GOVERNMENTAL ACTIVITIES**

June 30, 2017

Total governmental fund balances	\$	4,297,390
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		44,853,498
Bond premiums are capitalized and amortized over the life of the bonds		(30,753)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable subject to the 60 day availability period		189,907
Intergovernmental grants subject to the 60 day availability period		
Deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred inflows of resources related to pensions		(751,074)
Deferred outflows of resources related to pensions		3,812,013
Long-term liabilities are not reported in the funds.		
Bonds payable		(5,215,000)
Notes payable		(1,593,311)
Accrued interest payable		(22,125)
Net pension liability		(13,093,920)
Compensated absences		(375,025)
		(375,025)
<i>Net position of governmental activities</i>	\$	32,071,600

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

Town of Silver City
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2017

	General Fund	Other Funds	Governmental Funds Total
Revenues:			
Property taxes	\$ 547,229	\$ 1,300	\$ 548,529
Gross receipts taxes	8,039,754	1,243,709	9,283,463
Lodgers tax		312,473	
Gas taxes		259,943	259,943
Motor vehicle taxes	85,821		85,821
Franchise taxes	378,061		378,061
State intergovernmental	124,845	2,159,008	2,283,853
Federal intergovernmental		563,123	563,123
Fines, licenses and permits	77,076	5,371	82,447
Charges for services	162,381	154,811	317,192
Miscellaneous	272,697	21,810	294,507
	<u>\$ 9,687,864</u>	<u>\$ 4,721,548</u>	<u>\$ 14,409,412</u>
Expenditures:			
Current:			
General government	\$ 2,541,684	\$ 151,494	\$ 2,693,178
Public safety	4,706,920	991,552	5,698,472
Public works	459,743	445,279	905,022
Health and welfare	390,132	27,111	417,243
Culture recreation	1,335,667	422,043	1,757,710
Debt service:			
Principal		839,059	839,059
Interest		240,650	240,650
Capital outlay	160,677	1,741,829	1,902,506
	<u>\$ 9,594,823</u>	<u>\$ 4,859,017</u>	<u>\$ 14,453,840</u>
Revenues over (under) expenditures	\$ 93,041	\$ (137,469)	\$ (44,428)
Other financing sources (uses):			
Loan proceeds		297,423	297,423
Transfer in	268,430	998,175	1,266,605
Transfer out	(304,313)	(217,087)	(521,400)
Net change in fund balances	<u>\$ 57,158</u>	<u>\$ 941,042</u>	<u>\$ 998,200</u>
Fund balance, July 1, 2016, as originally reported	\$ 2,221,935	\$ 813,885	\$ 3,035,820
Restatement	<u>-</u>	<u>263,370</u>	<u>263,370</u>
Fund balance, as restated July 1, 2016	\$ 2,221,935	\$ 1,077,255	\$ 3,299,190
Net change in fund balance	<u>57,158</u>	<u>941,042</u>	<u>998,200</u>
Fund balance, June 30, 2017	<u>\$ 2,279,093</u>	<u>\$ 2,018,297</u>	<u>\$ 4,297,390</u>

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

Town of Silver City
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**
June 30, 2017

Net change in fund balances-total governmental funds \$ 998,200

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

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

Capital outlay	1,902,506
Depreciation expense.	(2,517,762)

Governmental funds report pension contributions as expenditures. However,
in the Statement of Activities, the cost of pension benefits earned net of
employee contributions is reported as pension expense:

Pension contributions	533,040
Cost of benefits earned	(1,546,616)

Revenues in the Statement of Activities that do not provide
current financial resources are not reported as revenues in
the funds. This is the net change for the year.

Property taxes subject to the 60 day availability period	130,371
Intergovernmental grants subject to the 60 day availability period	

Bond and loan proceeds are reported as financing sources
in the funds. In the Statement of Activities, however, issuing
debt increases long-term liabilities.

(297,423)

Bond premiums are capitalized and amortized over the life of
the bonds

4,230

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

839,059

In the Statement of Activities, interest is accrued on outstanding
bonds, whereas in governmental funds, an interest expenditure
is reported when due. This is the net change during the year.

(22,125)

Governmental funds report gross proceeds from the sale of capital assets as
revenue, however, in the Statement of Activities, the net gain on sale
is reported as revenue:

Gross proceeds from sale of capital assets	(53,217)
Net gain on sale of capital assets	4,727

Some expenses reported in the Statement of Activities, such as
compensated absences, do not require the use of current
financial resources and therefore are not reported as
expenditures in the funds. This is the net change during the year.

(33,856)

Change in Net Position of Governmental Activities

\$ (58,866)

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

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 9,563,009	\$ 9,563,009	\$ 9,145,687	\$ (417,322)
State sources	164,206	164,206	97,990	(66,216)
Federal sources	32,050	32,050		(32,050)
Fines, licenses and permits	114,107	114,107	103,931	(10,176)
Charges for services	100,259	100,259	130,399	30,140
Miscellaneous	48,763	48,763	242,697	193,934
Total revenues	\$ 10,022,394	\$ 10,022,394	\$ 9,720,704	\$ (301,690)
Expenditures:				
Current:				
General government	\$ 2,423,093	\$ 2,423,093	\$ 2,310,948	\$ 112,145
Public safety	4,958,933	4,958,933	4,681,419	277,514
Public works	461,896	461,896	636,880	(174,984)
Health and welfare	415,145	415,145	360,132	55,013
Culture recreation	1,472,170	1,472,170	1,311,814	160,356
Principle				-
Interest				-
Capital outlay		66,134	94,578	(28,444)
Total expenditures	\$ 9,731,237	\$ 9,797,371	\$ 9,395,771	\$ 401,600
Revenues over (under) expenditures	\$ 291,157	\$ 225,023	\$ 324,933	\$ 99,910
Other financing sources (uses):				
Transfer in	265,540	265,540	287,210	21,670
Transfer out	(123,751)	(123,751)	(275,505)	(151,754)
Net change in fund balance	\$ 432,946	\$ 366,812	\$ 336,638	\$ (30,174)
Fund balance, July 1, 2016	974,567	782,776	782,776	-
Fund balance, June 30, 2017	\$ 1,407,513	\$ 1,149,588	\$ 1,119,414	\$ (30,174)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 57,158
Revenue accruals (net)				32,840
Expenditure accruals (net)				199,052
Other financing sources (net)				47,588
Net change in fund balance, NON-GAAP budgetary basis				\$ 336,638

Town of Silver City
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2017

	Joint Utility
Assets	
Current:	
Cash and investments	\$ 244,712
Inventory	285,011
Receivables, net of allowances:	
Accounts	1,302,312
Taxes	32,158
Due from other governments	292,750
Total current assets	\$ 2,156,943
Noncurrent assets:	
Restricted:	
Cash and investments	\$ 377,766
Bond discount	37,939
Capital assets (net)	18,296,632
Total noncurrent assets	\$ 18,712,337
Total assets	\$ 20,869,280
Deferred Outflows of Resources	
Related to pensions	\$ 1,189,941
Liabilities	
Current:	
Accounts payable	\$ 195,354
Accrued liabilities	63,454
Interfund payable	
Current maturities of long-term debt	439,699
Total current liabilities	\$ 698,507
Noncurrent liabilities:	
Payable from restricted assets:	
Customer deposits	\$ 358,817
Bonds Payable	5,013,033
Notes payable	1,411,234
Net pension liability	3,265,960
Compensated absences	103,560
Total noncurrent liabilities	\$ 10,152,604
Total liabilities	\$ 10,851,111

Town of Silver City
STATEMENT OF NET POSITION - PROPRIETARY FUND (concluded)
 June 30, 2017

	Joint Utility
Deferred Inflows of Resources	
Related to pensions	\$ 88,313
Net Position	
Net investment in capital assets	\$ 11,432,666
Restricted for:	
Debt service	18,949
Unrestricted	(331,818)
Total net position	\$ 11,119,797

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

Town of Silver City
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2017

	<u>Joint Utility</u>
Operating revenues:	
Charges for services	<u>\$ 7,752,093</u>
Operating expenses:	
Personnel	\$ 3,035,479
Operating	2,614,211
Depreciation	<u>731,716</u>
Total operating expenses	<u>\$ 6,381,406</u>
Net operating income	<u>\$ 1,370,687</u>
Nonoperating revenue (expense):	
Investment income	
Gross receipts taxes	225,994
State grants	1,693,624
Federal grants	
Miscellaneous revenue	26,890
Interest expense	<u>(149,713)</u>
Total nonoperating revenue (expense)	<u>\$ 1,796,795</u>
Net income before operating transfers	\$ 3,167,482
Transfers:	
In	
Out	<u>(745,205)</u>
Change in net position	<u>\$ 2,422,277</u>
Net position, beginning of year, as originally stated	\$ 9,242,430
Restatements	<u>(544,910)</u>
Net position, beginning of year, as restated	\$ 8,697,520
Change in net position	<u>2,422,277</u>
Net position, end of year	<u>\$ 11,119,797</u>

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

Town of Silver City
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2017

	Joint Utility
Cash flows from operating activities:	
Receipts from customers	\$ 7,550,189
Payments to suppliers	(3,287,348)
Payments to employees	(2,870,588)
	<u>\$ 1,392,253</u>
Cash flows from noncapital financing activities:	
Dedicated tax receipts	\$ 207,708
Intergovernmental grants	1,400,874
Interfund activity	
Miscellaneous collections	26,890
Transfers from other funds	
Transfers to other funds	(745,205)
	<u>\$ 890,267</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	\$ (3,229,885)
Borrowings on capital debt	539,568
Principal paid on capital debt	(381,285)
Interest paid on capital debt	(167,288)
	<u>\$ (3,238,890)</u>
Cash flows from investing activities:	
Earnings on investments	\$ -
	<u>\$ -</u>
Net increase (decrease) in cash and equivalents	\$ (956,370)
Cash and equivalents, beginning of year	<u>1,578,848</u>
Cash and equivalents, end of year	<u>\$ 622,478</u>

Town of Silver City
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (concluded)
For the Fiscal Year Ended June 30, 2017

	Joint Utility
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,370,687
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	731,716
(Increase)decrease in:	
Inventory	(113,829)
Receivables, net	(278,726)
Increase(decrease) in:	
Accounts payable	(559,308)
Accrued expenses	18,170
Customer deposits	76,822
Pension plan payable (net)	127,368
Compensated absences	19,353
Net cash provided (used) by operating activities	\$ 1,392,253

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

Town of Silver City
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash and investments	\$ 3,569
Receivables	
	<hr/>
Total assets	<u><u>\$ 3,569</u></u>
 Liabilities and Fund Equity	
Deposits held for others	\$ 3,569
Interfund payable	
	<hr/>
Total liabilities	<u><u>\$ 3,569</u></u>

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

Town of Silver City
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1 Summary of Significant Accounting Policies

A. GENERAL

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

The Town's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements) and interpretations. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

B. FINANCIAL REPORTING ENTITY

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

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

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

C. BASIS OF PRESENTATION

Governmental-wide Financial Statements

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

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

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Fund

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

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general obligation bonds of the Town other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the Town's general obligation bonds.

Proprietary Fund

Enterprise Fund

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

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

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

Major Funds

The funds classified as major are as follows:

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

Proprietary:

Joint Utility – Accounts for activities associated with the provision of water and sewer services to the citizenry as well as refuse collection and disposal

Non-major Funds

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

E. BUDGETS

Budgets for the General, Special Revenue, Debt Service, Capital Projects, and Enterprise Funds are prepared by management and approved by the local council and the New Mexico

Department of Finance and Administration.

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

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

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

F. CASH AND INVESTMENTS

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

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

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

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

G. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term inter-fund loans are reported as “interfund receivables and payables”. Inter-fund receivables and payables between funds within governmental activities and between funds within business-type activities are eliminated in the Statement of Net Position. All inter-fund receivables and payables are eliminated in the total primary government column in the Statement of Net Position.

H. RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances

for the governmental activities include gross receipts and use taxes, franchise taxes, and grants. Business-type activities report utilities and interest earning as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as gross receipts tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

I. CAPITAL ASSETS

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

Government-wide Statements

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

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

- | | |
|---------------------------|-------------|
| • Buildings | 25-50 years |
| • Improvements | 10-50 years |
| • Machinery and Equipment | 03-20 years |
| • Utility System | 25-75 years |
| • Infrastructure | 25-75 years |
| • Software and Library | 5-10 years |

Fund Financial Statements

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

J. RESTRICTED ASSETS

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to utility meter deposits.

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will be recognized as an outflow of resources (expenses/expenditures) then. The Government has deferred outflows of resources related to pensions as discussed in Note 10.

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

	General <u>Fund</u>	Non-Major Govern- mental <u>Funds</u>	<u>Total</u>
Amounts not received within sixty days of year end:			
Property taxes	\$ 96,180	\$ 93,727	\$ 189,907

L. LONG-TERM DEBT

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

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

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

In addition, the Town has deferred inflows of resources related to pensions, as disclosed in Note 10.

M. COMPENSATED ABSENCES

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

N. EQUITY CLASSIFICATIONS

Government-wide Statements and Proprietary Funds

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

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

Fund Statements

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

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Town Council establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Council. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Town Council through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

O. REVENUES, EXPENDITURES AND EXPENSES

Gross Receipts Tax

The Town levies a 8% gross receipts tax on taxable gross receipts within the Town. The rate includes both City and State assessments. The tax is collected by the New Mexico Taxation and Revenue Department and remitted to the Town in the month following receipt by the Department. The Department receives the tax one month after collection by vendors. Included in this tax is amounts dedicated to the Water and Sewer Fund and the Sanitation Fund, and those dedicated amounts are recorded directly in those funds.

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

Property Tax

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

The Town is permitted to levy taxes for general operating purposes based on a state formula, per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Town. The Town’s total tax rate to finance general government services for the year ended June 30, 2017 was \$3.104 per \$1,000 for non-residential property and \$2.661 for residential property. The Town’s tax rate for debt service was \$.00 per \$1,000 for both residential and nonresidential property.

Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes

not collected within 60 days of year end are reported as deferred inflows of resources in the fund statements.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services, primarily water, sewer and sanitation services. It also included all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Program revenues in governmental activities are primarily charges for services such as copies, police services, and charges for recreational activities and special events.

Expenditures/Expenses

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

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

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

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

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

P. INTERFUND TRANSFERS

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

Q. USE OF ESTIMATES

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

R. INVENTORIES

Inventories are stated at cost, measured by the first-in first-out method, and consist mainly of consumable supplies.

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government’s deposits may not be returned to it. The government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2017, \$1,153,467 of the government’s bank balance of \$2,869,701 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$1,153,467</u>
--------------------------------	--------------------

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

The pool does not have unit shares. Per Section 6-10-10.IF, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund were invested.

Investments are valued at amortized cost.

Participation in the pool is voluntary. The Town had \$26,378 on deposit in the pool at June 30, 2017. The pool is AAAM rated, and has a 44 day weighted average maturity.

The cash on deposit with NMFA is, in effect, loan payments made by the Town but not yet applied or grant/loan proceeds not yet disbursed. Such deposits are subject to the collateral requirements of NMFA. Such deposits total \$1,124,447.

Note 3 Investments

At June 30, 2017, the Town had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Mutual Funds	<u>\$ 23,408</u>	<u>\$ 23,408</u>

The investments do not have maturity dates, so the weighted average maturity has not been calculated, and all are Level 1 Securities.

Interest Rate Risk – The Town limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates by limiting its investment portfolio to readily marketable mutual funds.

Credit Risk – The Town has no investment policy beyond that prescribed by New Mexico law. As of June 30, 2016, the Town invests only in highly rated mutual funds. The County’s investment in mutual funds was rated A-1+ by Standards & Poors, and P-1 by Moody’s.

Concentration of Credit Risk – The Town places no limits on the amount it may invest in any one issuer. The Town currently has 100% invested in government money markets.

Custodial Credit Risk – The Town is not subject to custodial credit risk for its investments, since all are held in the name of the Town.

Note 4 Receivables

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accounts receivable:		
Services	\$ 34,596	\$
Services (net) of allowance for doubtful accounts of \$(38,983)	<u> </u>	<u>1,302,312</u>
	<u>\$ 34,596</u>	<u>\$ 1,302,312</u>
Due from other governments:		
Intergovernmental grants	<u>\$ 118,796</u>	<u>\$ 292,750</u>
Taxes receivable:		
Property taxes	\$ 214,044	\$
Gross receipts tax	1,557,354	32,158
Motor Vehicle taxes	45,670	
Gasoline taxes	12,850	
Franchise Tax	85,557	
Lodger’s Tax	<u>53,592</u>	<u> </u>
	<u>\$ 1,969,067</u>	<u>\$ 32,158</u>
 Total	 <u>\$ 2,122,459</u>	 <u>\$ 1,627,220</u>

Note 5 Capital Assets

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

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,811,031	\$ -0-	\$ -0-	\$ 7,811,031
Construction in progress	<u>1,057,058</u>	<u>1,486,299</u>	<u>2,385,614</u>	<u>157,743</u>
 Total capital assets not being depreciated	 <u>\$ 8,868,089</u>	 <u>\$ 1,486,299</u>	 <u>\$ 2,385,614</u>	 <u>\$ 7,968,774</u>

Other capital assets:				
Buildings, improvements and other infrastructure	\$71,361,583	\$ 2,520,092	\$	\$73,881,675
Equipment	<u>6,040,084</u>	<u>281,729</u>	<u>851,679</u>	<u>5,470,134</u>
Total other assets at historical cost	<u>\$77,401,667</u>	<u>\$ 2,801,821</u>	<u>\$ 851,679</u>	<u>\$79,351,809</u>
Less accumulated depreciation for:				
Buildings, improvements and infrastructure	\$35,848,184	\$ 2,244,777	\$ -0-	\$38,092,961
Equipment	<u>4,904,328</u>	<u>272,985</u>	<u>803,189</u>	<u>4,374,124</u>
Total accumulated depreciation	<u>\$40,752,512</u>	<u>\$ 2,517,762</u>	<u>\$ 803,189</u>	<u>\$42,467,085</u>
Other capital assets (net)	<u>\$36,649,155</u>	<u>\$ 284,059</u>	<u>\$ 48,490</u>	<u>\$36,884,724</u>
Governmental activities, capital assets, net	<u>\$45,517,244</u>	<u>\$ 1,770,358</u>	<u>\$ 2,434,104</u>	<u>\$44,853,498</u>
Business type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 326,884	\$ 1,401,197	\$ 796,741	\$ 931,340
Land	<u>961,403</u>	<u>-0-</u>	<u>-0-</u>	<u>961,403</u>
Total assets not being depreciated	<u>\$ 1,288,287</u>	<u>\$ 1,401,197</u>	<u>\$ 796,741</u>	<u>\$ 1,892,743</u>
Other capital assets:				
Buildings and utility plant	\$41,128,579	\$ 1,994,895	\$ -0-	\$43,123,474
Equipment	<u>3,221,473</u>	<u>630,534</u>	<u>-0-</u>	<u>3,852,007</u>
Total other capital assets at historical cost	<u>\$44,350,052</u>	<u>\$ 2,625,429</u>	<u>\$ -0-</u>	<u>\$46,975,481</u>
Less accumulated depreciation for:				
Buildings and utility plant	\$26,782,181	\$ 642,593	\$ -0-	\$27,424,774
Equipment	<u>3,057,695</u>	<u>89,123</u>	<u>-0-</u>	<u>3,146,818</u>
Total accumulated depreciation	<u>\$29,839,876</u>	<u>\$ 731,716</u>	<u>\$ -0-</u>	<u>\$30,571,592</u>
Other capital assets, net	<u>\$14,510,176</u>	<u>\$ 1,893,713</u>	<u>\$ -0-</u>	<u>\$16,403,889</u>
Business-type activities capital assets, net	<u>\$15,798,463</u>	<u>\$ 3,294,910</u>	<u>\$ 796,741</u>	<u>\$18,296,632</u>

The Town has various construction projects ongoing with future commitments totaling approximately \$1,200,000.

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 1,001,621
Public Safety	1,324,791
Public Works	103,228
Culture-Recreation	25,178
Health and Welfare	<u>62,944</u>
	<u>\$ 2,517,762</u>

Note 6 Accrued Liabilities

Accrued liabilities consisted of the following at June 30, 2017:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accrued salaries	\$ 252,318	\$ 57,934
Accrued interest	<u>22,125</u>	<u>5,522</u>
	<u>\$ 274,443</u>	<u>\$ 63,454</u>

Note 7 Leases

The Town entered into an agreement to lease the Silco Theater in July of 2014 with Corporation For Down Town Development, a New Mexico not-for-profit. The lease is for purposes to operate the theater in Downtown Silver City. The lease is for duration of 15 years with a 5 year renewal option.

In fiscal year 2017 the Town received rental payments in the amount of approximately \$37,275 for the year. Rent is adjusted based on the amortized costs of the principal debt and interest thereon which the Town has assumed in order to purchase the Silco Theater plus any other costs the Town incurs regarding the Silco Theater. In the fiscal year ending June 30, 2017 these costs amounted to \$65,247. The differences in the actual and agreed upon rent is due to the lack of operating revenue generated by this project.

The Town has entered into a number of operating leases for copiers. The rent expenditures which totaled \$11,604 for these leases were primarily from the General Fund. Future minimum lease payments are:

Fiscal Year Ending June 30, 2017:

2018	\$ 23,208
2019	23,208
2020	15,472
2021	<u>-</u>
	<u>\$ 61,888</u>

Note 8 Long-Term Debt

Changes in long-term debt were as follows during the year ended June 30, 2017:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2017</u>	Due Within <u>One Year</u>
Governmental Activities:					
2014 NBH GRT Rev. Bonds \$	955,000	\$	\$ 105,000	\$ 850,000	\$ 110,000
NMFA Govt Refueling	149,888		20,367	129,521	20,567
Silco Theatre Loan	158,690		30,650	128,040	31,110
2011A GRT Revenue Bonds	4,465,000		215,000	4,250,000	225,000
2011B GRT Revenue Bonds	140,000		25,000	115,000	115,000
2012 GRT Revenue Bonds	140,000		140,000	-0-	-0-
Fire Ambulance	90,629		29,102	61,527	30,196
Sports Complex Loan	654,953		48,896	606,057	49,376
Silco Renovation	321,300		20,937	300,363	21,232
Flood Drainage Control	94,487		4,973	89,514	4,973
NMDOT Infrastructure	180,000		180,000	-0-	-0-
Street Sweeper	-0-	207,083	19,134	187,949	39,275
NMFA Road Improve	-0-	90,340	-0-	90,340	-0-
	\$ 7,349,947	\$ 297,423	\$ 839,059	\$ 6,808,311	\$ 646,729
Compensated absences	341,169	381,404	347,548	375,025	-0-
Total government activities	<u>\$ 7,691,116</u>	<u>\$ 678,827</u>	<u>\$ 1,186,607</u>	<u>\$ 7,183,336</u>	<u>\$ 646,729</u>
Business-Type Activities:					
GRT Revenue Bond	\$ 800,000	\$	\$ 104,397	\$ 695,603	\$ 117,570
2015B Revenue Bond	832,083		211,250	620,833	95,833
2015A Revenue Bond	3,910,000	-0-	-0-	3,910,000	-0-
NMFA Colonias	54,990		3,055	51,935	3,055
NMFA Utility System Improvements	1,118,288		60,220	1,058,068	60,878
NMFA Wastewater	44,890		2,363	42,527	2,363
Hwy 15 Waterline	-0-	485,000	-0-	485,000	160,000
	\$6,760,251	\$ 485,000	\$ 381,285	\$ 6,863,966	\$ 439,699
Compensated absences	84,207	100,501	81,148	103,560	-0-
	<u>\$6,844,458</u>	<u>\$ 585,501</u>	<u>\$ 462,433</u>	<u>\$ 6,967,526</u>	<u>\$ 439,699</u>

2014 NBH GRT Revenue Bonds

These bonds were issued to make improvements to the Town's facilities. The bonds are payable from gross receipts tax pledged to secure the debt. The bonds bear interest at an interest rates ranging from 3.16% to 3.69%, and maturity dates range from 2018 through 2024.

Silco Theatre Note

Note payable to the New Mexico Finance Authority. Proceeds of the note were utilized to acquire real property. The note is payable from an enacted 1/16% gross receipts tax pledged to secure the debt. The note bears interest at rates ranging from .51% to 2.4%, and maturity dates range from 2018 to 2021.

Sports Complex Note

Note payable to the New Mexico Finance Authority. The proceeds were utilized to make improvements to various recreational facilities. The note is payable from Gross Receipts Tax pledged to secure the debt. The note bears interest at rates ranging from .17% to 2.94%, and maturity dates range from 2018 to 2028.

Government Refueling Station Note

Note payable to the New Mexico Finance Authority. The proceeds were used to purchase and improve a central government refueling station. The note is payable from Gross Receipts Tax pledged to secure the debt. The note bears interest at rates ranging from .17% to 2.94%, and maturity dates range from 2018 to 2023.

Silco Remodel Note

Note payable to the New Mexico Finance Authority. The proceeds were used to make improvements to the Silco Theatre. The note is payable from Gross Receipts Tax pledged to secure the debt. The note bears interest at rates ranging from .44% to 4.05%, and maturity dates range from 2018 to 2029.

The 2014 NBH Revenue Bonds, and the notes payable for the Silco Theatre, the Sports Complex, the Government Refueling Station and the Silco remodel improvements are being paid from gross receipts tax revenues pledged to secure the debt. The revenues pledged totaled \$2,279,161 at June 30, 2017, which is 3.3% of future gross receipts tax collections at their current rate. During the year ended June 30, 2017, the Town collected \$8,267,541 in pledged revenues, and retired \$469,034 in principal and interest on the above stated liabilities.

2011A and B GRT Revenue Bonds

These bonds were issued to make improvements to the Town's facilities, and to retire debt for which gross receipts tax had been pledged. The bonds are payable from gross receipts taxes pledged to secure the debt. The revenues pledged totaled \$5,809,199 at June 30, 2017, equal to 11% of future gross receipts tax collections at the current rate. The bonds bear interest at rates ranging from 2% to 4.5%, and maturity dates range from 2018 through 2032.

During the year ended June 30, 2017, the Town collected \$3,844,706 in pledged revenues, and retired \$406,776 in bond principal and interest.

2015 A & B Revenue Bonds

These bonds were issued to provide funding for upgrades to the Town's water meters. The bonds are payable from the gross revenues of the Joint Utility Fund. The bonds bear interest at rates ranging from 2% to 5.1%, and maturity dates range from 2018-2035.

Highway 15 Utility Improvements

This note was issued to provide funding for utility improvements, on Highway 15. The note is payable from the gross revenues of the Joint Utility Fund. The note bears interest at 2.4%, and maturity dates range from 2018-2020.

NMFA Colonias

This note, payable to the New Mexico Finance Authority, was issued to provide upgrades to the Town's utility system, and is payable from the gross revenues of the Joint Utility Fund. The note bears no interest, and maturity dates range from 2018-2034.

NMFA Wastewater Improvements

This note, payable to the New Mexico Finance Authority, was issued to provide funding for utility improvements. The note is payable from the gross revenues of the Joint Utility Fund. The note bears no interest, and maturity dates range from 2018-2035.

NMFA Utility System Note Payable

This note payable to the New Mexico Finance Authority is being used to construct improvements to the Town's utility system. The note bears interest at a rate of .843%, with maturity dates ranging from 2018 to 2033.

The 2015 A & B Revenue Bonds, the Highway 15 Utility Improvements, the NMFA Colonias, the NMFA Wastewater Improvements, and the NMFA Utility System Note Payable are being paid from gross revenues of the Joint Utility System. The revenues pledged totaled \$14,187,429 at June 30, 2017, and equal 11% of future gross revenues at their current rate. During the year ended June 30, 2017, the Town collected \$7,562,820 in pledged revenues, and retired \$426,064 in principal and interest on the aforementioned notes.

Gross Receipts Tax Revenue Bonds

These bonds were issued to provide upgrades to the Town's utility system, and are to be retired from gross receipts tax enacted solely for that purpose. The bonds bear interest at 2.17%, and maturity dates range from 2018-2023.

The revenues pledged totaled \$748,907 at June 30, 2017, and equal 63% of future gross receipts taxes at their current rate. During the year ended June 30, 2017, the Town collected \$198,836 in pledged revenues, and retired \$122,509 in principal and interest on the bonds.

Flood & Drainage Control and Road Improvements

These notes, payable to the New Mexico Finance Authority, were issued to provide various street improvements to the Town. The notes are payable from available funds, bear no interest, and have maturity dates ranging from 2018-2038.

Compensated Absences

The amount of compensated absences due within the next year is not estimable. The liabilities will be paid from the fund which is charged with the employee as a direct cost,

and the liability will be paid with funds available. Typically the general and water and sewer funds bear the majority of the compensated absences cost.

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2017 is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 646,729	\$ 222,683	\$ 439,699	\$ 218,641
2019	550,712	205,180	597,054	208,615
2020	528,226	189,330	612,696	197,850
2021	547,606	173,385	413,401	187,089
2022	505,980	157,074	419,087	176,883
2023-2027	2,140,308	560,471	1,628,295	721,723
2028-2032	1,846,729	221,523	1,598,931	438,117
2033-2037	37,504		1,154,803	111,198
2038-2042	<u>4,517</u>	<u> </u>	<u>-0-</u>	<u>-0-</u>
	<u>\$6,808,311</u>	<u>\$1,729,646</u>	<u>\$ 6,863,966</u>	<u>\$2,260,116</u>

Note 9 Restricted Net Position

The net position “Restricted for Other Purposes” in the Statement of Net Position consist of the fund balances which are restricted to each fund’s specific purpose, as follows:

General	\$ 82,111
Public Safety GRT	64,316
Municipal Streets	87,829
Fire Protection	69,687
Library Memorial	115,048
Other	<u>55,816</u>
	<u>\$ 474,807</u>

The Town reports \$2,032,478 in restricted net position in governmental activities, of which \$2,032,478 is restricted by enabling legislation.

Note 10 Pension Plan – Public Employees Retirement Association

Summary of Significant Accounting Policies

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose,

benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

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

Benefits Provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2106 available at <http://www.pera.state.nm.us/pdf/AuditFinancialStatements/356PublicEmployeesRetirementAssociation2016.pdf>.

Contributions – The contribution requirements of defined benefit plan members and Town of Silver City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY16 for the various PERA coverage options for both Tier I and Tier II, see the tables available in the note disclosures on page 48 of the PERA 16 annual audit at <http://osanm.org/media/audits/366PublicEmployeesRetirementAssociation2016.pdf>. The PERA coverage options that apply to the Town of Silver City are the Municipal General. Statutorily required contributions to the pension plan from the Town of Silver City were \$767,357 for the year ended June 30, 2017.

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate

contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups; municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Town's proportion of the net pension liability for each member group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY2016 are include in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division – Municipal General, at June 30, 2017, the Town reported a liability of \$6,162,188 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion was .3857 percent, and was .3926 percent measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized PERA Fund Division Municipal General pension expense of \$682,424. At June 30, 2017, the Town reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 307,888	\$ 60,139
Changes of assumptions	361,340	1,025
Net difference between projected and actual earnings on pension plan investments	1,133,831	194
Changes in proportion and differences between the Town's contributions and proportionate share of contributions		105,464
The Town's contributions subsequent to the measure- ment date	<u>442,108</u>	<u> </u>
Total	<u>\$ 2,245,167</u>	<u>\$ 166,628</u>

\$442,108 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, June 30, 2016, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 339,329
2019	339,329
2020	672,470
2021	285,303

For PERA Fund Division – Municipal Police, at June 30, 2017, the Town reported a liability of \$4,993,632 for its proportionate share of the net pension liability. At June 30, 2017, the Town’s proportion was .6768%, and for 2016 was .6921%.

For the year ended June 30, 2017, the Town recognized PERA Fund Division Police pension expense of \$663,377. At June 30, 2017, the Town reported PERA Fund Division Police deferred outflows of resources and deferred inflows or resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 366,605	\$
Changes of assumptions	330,750	90,059
Net difference between projected and actual earnings on pension plan investments	789,772	
Changes in proportion and differences between the Authority contributions and proportionate share of contributions		244,691
The Authority’s contributions subsequent to the measurement date	<u>209,110</u>	<u> </u>
Total	<u>\$ 1,696,237</u>	<u>\$ 334,750</u>

\$209,110 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 230,510
2020	230,510
2021	490,881
2022	200,476

For PERA Fund Division – Municipal Fire, at June 30, 2017, the Town reported a liability of \$5,204,060 for its proportionate share of the net pension liability. At June 30, 2016, the Town’s proportion was .7801% and for 2015 was .8010%.

For the year ended June 30, 2017, the Town recognized PERA Fund Division Municipal Fire pension expense of \$562,500. At June 30, 2017, the Town reported PERA Fund Division Municipal Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 235,666	\$
Changes of assumptions	275,274	
Net difference between projected and actual earnings on pension plan investments	433,471	
Changes in proportion and differences between the Authority contributions and proportionate share of contributions		338,009
The Authority’s contributions subsequent to the measurement date	<u>116,139</u>	<u> </u>
Total	<u>\$ 1,060,550</u>	<u>\$ 338,009</u>

\$116,139 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 119,576
2020	119,576
2021	257,213
2022	110,037

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

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

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

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

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction and Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	<u>20.00%</u>	<u>7.35%</u>
Total	<u>100.0%</u>	

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

Sensitivity of the 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 the Town participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48% than the single discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PERA Fund Division Municipal General	<u>(6.48%)</u>	<u>(7.48%)</u>	<u>(8.48%)</u>
The Town’s proportionate share of the net pension liability	<u>\$ 9,187,275</u>	<u>\$ 6,162,188</u>	<u>\$ 3,653,030</u>

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PERA Fund Division Municipal Police	<u>(6.48%)</u>	<u>(7.48%)</u>	<u>\$ (8.48%)</u>
The Town’s proportionate share of the net pension liability	<u>\$ 7,346,872</u>	<u>\$ 4,993,632</u>	<u>\$ 3,068,957</u>

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PERA Fund Division Municipal Fire	<u>(6.48%)</u>	<u>(7.48%)</u>	<u>\$ (8.48%)</u>
The Town’s proportionate share of the net pension liability	<u>\$ 6,806,884</u>	<u>\$ 5,204,060</u>	<u>\$ 3,887,508</u>

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

Note 11 Post-Employment Benefits – State Retiree Health Care Plan

Plan Description

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

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

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

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member

coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee’s annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee’s annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Town of Silver City’s contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$122,489, \$109,681 and \$65,089, respectively, which equal the required contributions for each year.

Note 12 Contingent Liabilities

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

Note 13 Risk Management

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

Note 14 Deficit Fund Balances

The Town had the following deficit fund balances at June 30, 2017:

	<u>General</u>
HIDTA	\$ 3,026
Legislative Allocation Volunteer Center	6,278
DOT Cooper	44,800
2014 Colonias	1,042
Downtown Sidewalks	45,222

These fund balance deficits were caused by either the application of the 60 day revenue accrual period required by the modified accrual basis of accounting or the timing of transfers to be made from the General Fund. As the revenue is collected and/or the transfers are made, the deficits will be eliminated.

Note 15 Inter-fund Activity

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

<u>Inter-fund Payable</u>	
<u>Inter-fund Receivable</u>	<u>All Other Funds</u> <u>Total</u>
General Fund	\$ <u>154,170</u> \$ <u>154,170</u>

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

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

	<u>Transfers From</u>				<u>Total</u>
	<u>General</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>All Others</u>	
<u>Transfers To</u>					
General Fund	\$	\$ 229,967	\$	\$ 38,463	\$ 268,430
All others	<u>304,313</u>	<u>515,238</u>	_____	<u>178,624</u>	<u>998,175</u>
Total	<u>\$ 304,313</u>	<u>\$ 745,205</u>	<u>\$ _____</u>	<u>\$ 217,087</u>	<u>\$1,266,605</u>

The transfers were made to fund debt service payments, fund construction projects and provide operating funds.

Note 16 Land Lease

The Town entered into an agreement to lease land to Hidalgo Medical Services. This lease was entered into in contemplation of Hidalgo Medical Services erecting a new facility on the property.

Prior to completion of the new facility, the Town received \$2,000 per month. Subsequent to completion of the new facility, the Town receives a monthly rent based on the percentage of the Town's contribution to the cost of the facility to the total cost of the facility, capitalized at 6%. The facility became operational February 3, 2013.

Hidalgo Medical Services has an option, after the first four years of the lease, to purchase the Town's interest in the property at fair market value.

The Town's investment in the project is \$500,000. The Town lease income for the year ended June 30, 2017 was \$30,000.

The Town's future rent income under the contract is as follows:

2018	\$ 30,000
2019	30,000
2020	30,000
2021	30,000
2022	30,000
2023-2027	150,000
2028-2032	150,000
2033-2038	150,000
2039-2043	<u>12,500</u>
	<u>\$ 612,500</u>

Note 17 Evaluation of Subsequent Events

The Town has evaluated subsequent events through December 10, 2017, the date which the financial statements were available to be issued.

Note 18 Restatements

During the fiscal year ended June 30, 2017, the Town discovered errors in the previous years financial statements, necessitating the following restatements in order to conform to generally accepted accounting principles:

	<u>Other Funds</u>			
	<u>Juvenile Fund</u>	<u>Vista de Plata</u>	<u>Debt Service</u>	<u>Governmental Activities</u>
<u>Governmental Activities</u>				
Debt incurred in previous year but not reported	\$	\$	\$	\$(274,487)
Cash receipted by NMFA in previous year but not reported		96,365	137,079	233,444
Prepaid expenses not recorded properly			(1,878)	(1,878)
Prior year receivable omitted	31,804			31,804
Deferred outflows related to pensions overstated				(109,080)
Recognition of omitted bond premiums				<u>(34,983)</u>
Net increase (decrease) in fund Balance/net position	<u>\$ 31,804</u>	<u>\$ 96,365</u>	<u>\$ 135,201</u>	<u>\$(155,180)</u>

Joint Utility

Debt incurred in previous year but not reported	\$ (44,890)
Prepaid expenses not recorded properly	(892)
Cash received by NMFA in previous year but not reported	54,568
Deferred outflows related to pensions overstated	<u>(553,696)</u>
Net increase (decrease) in net position	<u>\$(544,910)</u>

Prior year fund balances/net positions have been restated to show the effects of the changes, where necessary.

Note 19 Potential Fraudulent Activity

The Town has discovered potential fraudulent activity related to a former purchasing agent and possibly other employees.

As disclosed more fully in Finding 2017-001 on page 94 of this report, allegations of use of Town purchasing cards for personal items, conversion of funds for personal use, and conversion of free gifts from suppliers to personal use are being investigated.

The Town has commissioned a forensic investigation, to be performed by an independent accounting firm, and has notified the appropriate law enforcement authorities.

As of the date of this report, no conclusions as to the alleged fraudulent activity have been reached.

SPECIAL REVENUE FUNDS

Fire Protection – to account for the revenues from the State Fire Allotment and the public safety related expenditures. Authority NMSA 59-15-1.

Lodger's Tax – to account for the revenues specifically generated by the tax on transient lodging. Expenditures must be a culture-recreation nature. Authority NMSA 3-38-14.

Law Enforcement Protection – to account for the State grant to be used for the repair and/or replacement of law enforcement equipment. Authority NMSA 23-13-1.

Correction Fees – to account for the fees collected by the Municipal Judge, which are legally restricted to expenditures for jail, related costs. Authority NMSA 33-3-25.

EMS Grant – to account for the operations and maintenance of medical service equipment for the Town. Authority is NMSA 24-10A-6.

Drug Task Force – to account for federal funds received from the Department of Justice for school security. This fund is authorized by Town resolution.

Fueling Station –to account for the costs to fuel Town vehicles. Authority is Town resolution.

Municipal Streets – to account for resources received from the one cent gas tax imposed by Section 7-1 to 6.27 NMSA 1978. The funds are to be used for reconstruction, resurfacing, maintaining and repairing, or otherwise improvement of existing or new alleys, streets, roads or bridges.

Drug Free Communities –to account for monies received from the Department of Health and Human Services for strategic planning related to prevention of underage drinking and drug use.

USDA Rural Energy - to account for monies received from federal sources to conduct energy audits for small businesses in the rural area.

Public Safety GRT – to account for 1/12 GRT tax dedicated to public safety salary expense. Created by Town resolution.

NM Clean and Beautiful – to account for a state grant that is dedicated for improvements of projects related to beautification of the Town. Restriction passed through Town ordinance.

Freeport McMoRan – to account for the donation to be used for historic preservation. Authorization for this fund was donation agreement.

Library Memorial – to account for donations received to be used for the purchase of books. This fund was authorized by Town resolution.

Juvenile Recreation – to account for the revenues generated by cigarette taxes that are restricted to expenditures for recreational purposes. Authority NMSA 7-12-15.

Bicycle Plan – to account for State source monies to conduct a study for construction of bicycle paths within the community. Authority is Town resolution.

Forward Estate – to account for monies donated to the Town by Lennie Merle Forward for the purchase of open land space. This fund was authorized by Town resolution.

Century Cable Capital – to account for the General Fund transfers to be used for capital improvements. This fund was authorized by town resolution.

Golf Course Surcharge – to account for the General Fund transfers to be used for support of golf course operations. This fund was authorized by Town resolution.

CAPITAL PROJECTS FUNDS

Little Walnut/Sidewalks/Silver Street – to account for the resources and expenditures to be used for improvements to Town infrastructure.

Legislative Allocation – to account for resources from the State of New Mexico for specific projects.

Vistas de Plata – to account for the federal resources to be used to provide affordable housing to qualifying individuals.

CDBG/Colonias Projects – to account for federal funds passed through the State Department of Finance and Administration to be used for several infrastructure improvement projects. Authorized by Federal regulation.

NMDOT – State of New Mexico for road construction.

DEBT SERVICE

To account for the collection and disbursement of revenue sources to meet debt obligations.

ENTERPRISE FUND

Water and Sewer Fund – to account for the provisions of water and sewer services to applicable users. All activities necessary to provide such services are accounted for in this fund.

Sanitation Fund – to account for the provisions of garbage collection services to applicable users. All activities necessary to provide such service are accounted for in this fund.

TRUST AND AGENCY FUNDS

Municipal Court Bond – to account for assets held by the Town in a trustee capacity for appearance bonds posted with the Municipal Court.

Town of Silver City
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
PERA FUND DIVISION MUNICIPAL GENERAL
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION)(PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Silver City's proportion of the net pension liability	.3857%	.3926%	.4020%
Silver City's proportionate share of the net pension liability	\$ 6,162,188	\$ 4,002,897	\$ 3,132,131
Silver City's covered payroll	\$ 3,200,581	\$ 3,185,485	\$ 3,063,784
Silver City's proportionate share of the net pension liability as a percentage of its covered payroll	193%	126%	102%
Plan fiduciary net position as a percentage of the total pension liability	69%	77%	81%

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

Town of Silver City
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
PERA FUND DIVISION MUNICIPAL POLICE
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION)(PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Silver City's proportion of the net pension liability	.6768%	.6921%	.7670%
Silver City's proportionate share of the net pension liability	\$ 4,993,632	\$ 3,328,005	\$ 2,504,900
Silver City's covered payroll	\$ 1,515,290	\$ 1,445,456	\$ 1,503,856
Silver City's proportionate share of the net pension liability as a percentage of its covered payroll	330%	230%	167%
Plan fiduciary net position as a percentage of the total pension liability	69%	77%	81%

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

Town of Silver City
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
PERA FUND DIVISION MUNICIPAL FIRE
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION)(PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Silver City's proportion of the net pension liability	.7801%	.8010%	.9086%
Silver City's proportionate share of the net pension liability	\$ 5,204,060	\$ 414,107	\$ 3,792,491
Silver City's covered payroll	\$ 841,590	\$ 936,304	\$ 995,236
Silver City's proportionate share of the net pension liability as a percentage of its covered payroll	618%	442%	381%
Plan fiduciary net position as a percentage of the total pension liability	69%	77%	81%

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

Town of Silver City
**SCHEDULE OF CONTRIBUTIONS-PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION (PERA) PLAN-PERA FUND DIVISION MUNICIPAL GENERAL
*LAST 10 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 442,108	\$ 304,214	\$ 292,591
Contributions in relation to contractually required contributions	<u>(442,108)</u>	<u>(572,952)</u>	<u>(658,255)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (268,738)</u>	<u>\$ (365,664)</u>
Silver City's covered payroll	\$ 3,200,581	\$ 3,185,485	\$ 3,063,784
Contributions as a percentage of covered payroll	13.80%	17.99%	21.49%

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

Town of Silver City
**SCHEDULE OF CONTRIBUTIONS-PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION (PERA) PLAN-PERA FUND DIVISION MUNICIPAL POLICE
*LAST 10 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 209,110	\$ 273,191	\$ 284,229
Contributions in relation to contractually required contributions	<u>(209,110)</u>	<u>(477,420)</u>	<u>(476,522)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (204,229)</u>	<u>\$ (192,293)</u>
Silver City's covered payroll	\$ 1,515,290	\$ 1,435,456	\$ 1,503,856
Contributions as a percentage of covered payroll	13.80%	26.54%	31.69%

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

Town of Silver City
**SCHEDULE OF CONTRIBUTIONS-PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION (PERA) PLAN-PERA FUND DIVISION MUNICIPAL FIRE
*LAST 10 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 116,139	\$ 192,410	\$ 215,469
Contributions in relation to contractually required contributions	<u>(116,139)</u>	<u>(379,065)</u>	<u>(362,555)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (186,655)</u>	<u>\$ (147,086)</u>
Silver City's covered payroll	\$ 841,590	\$ 936,304	\$ 995,236
Contributions as a percentage of covered payroll	13.80%	22.28%	36.43%

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

Town of Silver City
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017

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

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

http://www.pera.state.nm.us/pdf/Investment/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf.

The Summary of Financial Information for the PERA Fund (on page 9 of the report) states “The return on the actuarial value of assets was .7% compared to the expected return of 7.75%”. Page 89 of the report indicates the total increase to the unfunded actuarial accrued liability is \$189,854,044 and results in a decrease to the funded ratio from 76.99% to 69.18%. For details about the actuarial assumptions, see the actuarial section of the report.

Town of Silver City
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total Non-Major Governmental Funds</u>
Assets				
Cash and investments	\$ 286,659	\$ 918,686	\$ 662,182	\$ 1,867,527
Taxes receivable	195,736		93,857	289,593
Grants receivable	45,516	36,539		82,055
Other taxes receivable			89,138	89,138
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 527,911</u>	<u>\$ 955,225</u>	<u>\$ 845,177</u>	<u>\$ 2,328,313</u>
Liabilities				
Accounts payable	\$ 54,547	\$ 7,572	\$ -	\$ 62,119
Interfund payable	27,861	126,309		154,170
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 82,408</u>	<u>\$ 133,881</u>	<u>\$ -</u>	<u>\$ 216,289</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ 93,727	\$ 93,727
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows or resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,727</u>	<u>\$ 93,727</u>
Fund balance:				
Restricted	\$ 392,696	\$ 918,686	\$ 751,450	\$ 2,062,832
Assigned	-			-
Unassigned	52,807	(97,342)		(44,535)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>\$ 445,503</u>	<u>\$ 821,344</u>	<u>\$ 751,450</u>	<u>\$ 2,018,297</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 527,911</u>	<u>\$ 955,225</u>	<u>\$ 845,177</u>	<u>\$ 2,328,313</u>

Town of Silver City
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Non-Major Governmental Funds
Revenues:				
Property taxes	\$ -	\$ -	\$ 1,300	\$ 1,300
Gross receipt taxes	642,782		600,927	1,243,709
Lodgers tax	312,473			312,473
Gas taxes	259,943			259,943
State sources	356,440	1,802,568		2,159,008
Federal sources	343,769	219,354		563,123
Fines, licenses and permits	5,371			5,371
Charges for services	117,536		37,275	154,811
Miscellaneous	19,722		2,088	21,810
Total revenues	\$ 2,058,036	\$ 2,021,922	\$ 641,590	\$ 4,721,548
Expenditures:				
Current:				
General government	\$ 151,483	\$ -	\$ 11	\$ 151,494
Public safety	991,552			991,552
Public works	356,052	89,227		445,279
Health and welfare	27,111			27,111
Culture recreation	398,067	23,976		422,043
Debt service:				
Principal	48,236		790,823	839,059
Interest	7,021		233,629	240,650
Capital outlay	229,719	1,512,110		1,741,829
Total expenditures	\$ 2,209,241	\$ 1,625,313	\$ 1,024,463	\$ 4,859,017
Revenues over (under) expenditures	\$ (151,205)	\$ 396,609	\$ (382,873)	\$ (137,469)
Other financing sources (uses):				
Loan proceeds	207,083	90,340	-	297,423
Transfer in	290,688	219,982	487,505	998,175
Transfer (out)	(178,654)		(38,433)	(217,087)
Net change in fund balances	\$ 167,912	\$ 706,931	\$ 66,199	\$ 941,042
Fund balance, July 1, 2016, as originally reported	\$ 245,787	\$ 18,048	\$ 550,050	\$ 813,885
Restatement	31,804	96,365	135,201	263,370
Fund balance, as restated July 1, 2016	\$ 277,591	\$ 114,413	\$ 685,251	\$ 1,077,255
Net change in fund balance	167,912	706,931	66,199	941,042
Fund balance, June 30, 2017	\$ 445,503	\$ 821,344	\$ 751,450	\$ 2,018,297

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2017

	<u>Fire Protection</u>	<u>Lodgers Tax</u>	<u>Law Enforcement Protection</u>	<u>Correction Fees</u>
Assets				
Cash and investments	\$ 75,243	\$ 3,605	\$ 6,503	\$ 1,792
Taxes receivable		53,592		
Grants receivable				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 75,243</u>	<u>\$ 57,197</u>	<u>\$ 6,503</u>	<u>\$ 1,792</u>
Liabilities				
Accounts payable	\$ 5,556	\$ 38,415	\$ 2,821	\$ 658
Interfund payable				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 5,556</u>	<u>\$ 38,415</u>	<u>\$ 2,821</u>	<u>\$ 658</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:				
Restricted:				
Public safety	\$ 69,687	\$ -	\$ 3,682	\$ 1,134
Culture and recreation		18,782		
Public works				
Health and welfare				
Unassigned				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>\$ 69,687</u>	<u>\$ 18,782</u>	<u>\$ 3,682</u>	<u>\$ 1,134</u>
Total liabilities, deferred inflows of resources and fund balances				
	<u>\$ 75,243</u>	<u>\$ 57,197</u>	<u>\$ 6,503</u>	<u>\$ 1,792</u>

<u>EMS Grant</u>	<u>Drug Task Force</u>	<u>Fueling Station</u>	<u>Municipal Street</u>	<u>Drug Free Communities</u>	<u>USDA Rural Energy</u>
\$ 335	\$ -	\$ -	\$ 10,001 77,828	\$ 11,363 20,211	\$ 1,483
<u>\$ 335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,829</u>	<u>\$ 31,574</u>	<u>\$ 1,483</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,644	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,644</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 29,930	\$ -
335			87,829		1,483
<u>\$ 335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,829</u>	<u>\$ 29,930</u>	<u>\$ 1,483</u>
<u>\$ 335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,829</u>	<u>\$ 31,574</u>	<u>\$ 1,483</u>

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS (continued)
June 30, 2017

	Public Safety GRT	NM Clean and Beautiful	Freeport McMoRan
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ -	\$ -	\$ -
Taxes receivable	64,316		
Grants receivable		10,185	
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 64,316</u>	<u>\$ 10,185</u>	<u>\$ -</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Interfund payable		10,184	
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ -</u>	<u>\$ 10,184</u>	<u>\$ -</u>
Deferred Inflows of Resources			
Unavailable revenue	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Restricted:			
Public safety	\$ 64,316	\$ -	\$ -
Culture and recreation			
Public works			
Health and welfare		1	
Unassigned			
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>\$ 64,316</u>	<u>\$ 1</u>	<u>\$ -</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 64,316</u>	 <u>\$ 10,185</u>	 <u>\$ -</u>

<u>Library</u>	<u>Juvenile</u>	<u>HIDTA</u>	<u>Bicycle Plan</u>	<u>Keep NM Beautiful</u>
\$ 118,652	\$ -	\$ -	\$ -	\$ -
	15,120			
<u>\$ 118,652</u>	<u>\$ 15,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,604	\$ -	\$ -	\$ -	\$ -
	14,651	3,026		
<u>\$ 3,604</u>	<u>\$ 14,651</u>	<u>\$ 3,026</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 469	\$ -	\$ -	\$ -
115,048		(3,026)		
<u>\$ 115,048</u>	<u>\$ 469</u>	<u>\$ (3,026)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 118,652</u>	<u>\$ 15,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS (concluded)
June 30, 2017

	Forward Estate	Century Cable	Golf Course Surcharge	Total
Assets				
Cash and investments	\$ 57,682	\$ -	\$ -	\$ 286,659
Taxes receivable				195,736
Grants receivable				45,516
	<u>\$ 57,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 527,911</u>
Liabilities				
Accounts payable	\$ 1,849	\$ -	\$ -	\$ 54,547
Interfund payable				27,861
	<u>\$ 1,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,408</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:				
Restricted:				
Public safety	\$ -	\$ -	\$ -	\$ 169,218
Culture and recreation				133,830
Public works				89,312
Health and welfare				336
Unassigned	55,833			52,807
	<u>\$ 55,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,503</u>
Total fund balance	<u>\$ 55,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,503</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 57,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 527,911</u>

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2017

	<u>Fire Protection</u>	<u>Lodgers Tax</u>	<u>Law Enforcement Protection</u>	<u>Correction Fees</u>
Revenues:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Lodgers tax		\$ 312,473		
Gas tax				
State sources	238,950	28,765	39,200	
Federal sources				
Charges for services				
Fines, licenses and permits				5,371
Miscellaneous				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 238,950</u>	<u>\$ 341,238</u>	<u>\$ 39,200</u>	<u>\$ 5,371</u>
Expenditures:				
Current:				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	187,868		49,779	5,763
Public works				
Health and welfare				
Culture recreation		307,433		
Debt - Principal	29,102			
Debt - Interest	3,407			
Capital outlay				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 220,377</u>	<u>\$ 307,433</u>	<u>\$ 49,779</u>	<u>\$ 5,763</u>
Revenues over (under) expenditures	\$ 18,573	\$ 33,805	\$ (10,579)	\$ (392)
Other financing sources (uses):				
Transfer in	-	19,980	-	1,525
Transfer (out)				
Loan proceeds				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	<u>\$ 18,573</u>	<u>\$ 53,785</u>	<u>\$ (10,579)</u>	<u>\$ 1,133</u>
Fund balance, July 1, 2016, as originally reported	\$ 51,114	\$ (35,003)	\$ 14,261	\$ 1
Restatement				
Fund balance, as restated July 1, 2016	\$ 51,114	\$ (35,003)	\$ 14,261	\$ 1
Net change in fund balance	<u>18,573</u>	<u>53,785</u>	<u>(10,579)</u>	<u>1,133</u>
Fund balance, June 30, 2017	<u>\$ 69,687</u>	<u>\$ 18,782</u>	<u>\$ 3,682</u>	<u>\$ 1,134</u>

<u>EMS Grant</u>	<u>Drug Task Force</u>	<u>Fueling Station</u>	<u>Municipal Street</u>	<u>Drug Task Force</u>	<u>USDA Rural Energy</u>
\$ -	\$ -	\$ -	\$ 190,795	\$ -	\$ -
12,913			259,943	106,861	7,090
		117,536		2,500	
<u>\$ 12,913</u>	<u>\$ -</u>	<u>\$ 117,536</u>	<u>\$ 450,738</u>	<u>\$ 109,361</u>	<u>\$ 7,090</u>
\$ -	\$ -	\$ 119,642	\$ -	\$ -	\$ 3,880
13,611			293,488	113,427	
			19,134		
			3,614		
			207,083		
<u>\$ 13,611</u>	<u>\$ -</u>	<u>\$ 119,642</u>	<u>\$ 523,319</u>	<u>\$ 113,427</u>	<u>\$ 3,880</u>
\$ (698)	\$ -	\$ (2,106)	\$ (72,581)	\$ (4,066)	\$ 3,210
-	-	24,032	-	-	
	(30)		(178,624)		
			207,083		
<u>\$ (698)</u>	<u>\$ (30)</u>	<u>\$ 21,926</u>	<u>\$ (44,122)</u>	<u>\$ (4,066)</u>	<u>\$ 3,210</u>
\$ 1,033	\$ 30	\$ (21,926)	\$ 131,951	\$ 33,996	\$ (1,727)
\$ 1,033	\$ 30	\$ (21,926)	\$ 131,951	\$ 33,996	\$ (1,727)
(698)	(30)	21,926	(44,122)	(4,066)	3,210
<u>\$ 335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,829</u>	<u>\$ 29,930</u>	<u>\$ 1,483</u>

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
For The Fiscal Year Ended June 30, 2017

	Public Safety GRT	NM Clean and Beautiful	Freeport McMoRan
Revenues:			
Gross receipts tax	\$ 451,987	\$ -	\$ -
Lodgers tax			
Gas tax			
State sources		27,962	
Federal sources			
Charges for services			
Fines, licenses and permits			
Miscellaneous			
Total revenues	\$ 451,987	\$ 27,962	\$ -
Expenditures:			
Current:			
General government	\$ -	\$ 27,961	\$ -
Public safety	411,557		
Public works			
Health and welfare			
Culture recreation			1,292
Debt - Principal			
Debt - Interest			
Capital outlay			
Total expenditures	\$ 411,557	\$ 27,961	\$ 1,292
Revenues over (under) expenditures	\$ 40,430	\$ 1	\$ (1,292)
Other financing sources (uses):			
Transfer in	23,885	-	2
Transfer (out)			
Loan proceeds			
Net change in fund balances	\$ 64,315	\$ 1	\$ (1,290)
Fund balance, July 1, 2016, as originally reported	\$ 1	\$ -	\$ 1,290
Restatement			
Fund balance, as restated July 1, 2016	\$ 1	\$ -	\$ 1,290
Net change in fund balance	64,315	1	(1,290)
Fund balance, June 30, 2017	\$ 64,316	\$ 1	\$ -

<u>Library</u>	<u>Juvenile</u>	<u>HITDA</u>	<u>Bicycle Plan</u>	<u>Keep NM Beautiful</u>
\$ -	\$ -	\$ -	\$ -	\$ -
	85,000	144,818	6,250	2,400
<u>17,035</u>				
<u>\$ 17,035</u>	<u>\$ 85,000</u>	<u>\$ 144,818</u>	<u>\$ 6,250</u>	<u>\$ 2,400</u>
\$ -	\$ -	\$ -	\$ -	\$ -
	84,531	138,627		
			13,500	
27,619				2,400
<u>\$ 27,619</u>	<u>\$ 84,531</u>	<u>\$ 138,627</u>	<u>\$ 13,500</u>	<u>\$ 2,400</u>
\$ (10,584)	\$ 469	\$ 6,191	\$ (7,250)	\$ -
		76,451	7,250	
<u>\$ (10,584)</u>	<u>\$ 469</u>	<u>\$ 82,642</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 125,632	\$ (31,804)	\$ (85,668)	\$ -	\$ -
	31,804			
<u>\$ 125,632</u>	<u>\$ -</u>	<u>\$ (85,668)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>(10,584)</u>	<u>469</u>	<u>82,642</u>	<u>-</u>	<u>-</u>
<u>\$ 115,048</u>	<u>\$ 469</u>	<u>\$ (3,026)</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (concluded)
For The Fiscal Year Ended June 30, 2017

	Forward Estate	Century Cable	Golf Course Surcharge	Total
Revenues:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ 642,782
Lodgers tax				312,473
Gas tax				259,943
State sources				356,440
Federal sources				343,769
Charges for services				117,536
Fines, licenses and permits				5,371
Miscellaneous	187			19,722
Total revenues	\$ 187	\$ -	\$ -	\$ 2,058,036
Expenditures:				
Current:				
General government	\$ -	\$ -	\$ -	\$ 151,483
Public safety				991,552
Public works		62,564		356,052
Health and welfare				27,111
Culture recreation	6,959		52,364	398,067
Debt - Principal				48,236
Debt - Interest				7,021
Capital outlay			22,636	229,719
Total expenditures	\$ 6,959	\$ 62,564	\$ 75,000	\$ 2,209,241
Revenues over (under) expenditures	\$ (6,772)	\$ (62,564)	\$ (75,000)	\$ (151,205)
Other financing sources (uses):				
Transfer in	-	62,563	75,000	\$ 290,688
Transfer (out)				(178,654)
Loan proceeds				207,083
Net change in fund balances	\$ (6,772)	\$ (1)	\$ -	\$ 167,912
Fund balance, July 1, 2016, as originally reported	\$ 62,605	\$ 1	\$ -	\$ 245,787
Restatement				31,804
Fund balance, as restated July 1, 2016	\$ 62,605	\$ 1	\$ -	\$ 277,591
Net change in fund balance	(6,772)	(1)	-	167,912
Fund balance, June 30, 2017	\$ 55,833	\$ -	\$ -	\$ 445,503

Town of Silver City
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
June 30, 2017

	Debt Service
Assets	
Cash and investments	\$ 662,182
Property taxes receivable	93,857
Other taxes receivable	89,138
Total assets	\$ 845,177
Liabilities	
Interfund payable	\$ -
Total liabilities	\$ -
Deferred Inflows of Resources	
Unavailable revenue	\$ 93,727
Total deferred inflows of resources	\$ 93,727
Fund balance:	
Restricted:	
Debt service	\$ 751,450
Unassigned	
Total fund balance	\$ 751,450
Total liabilities, deferred inflows of resources and fund balances	\$ 845,177

Town of Silver City
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2017

	Debt Service
Revenues:	
Property taxes	\$ 1,300
Gross receipts taxes	600,927
Charges for services	37,275
Miscellaneous	2,088
Total revenues	\$ 641,590
Expenditures:	
Current:	
General government	\$ 11
Debt service:	
Principal	790,823
Interest	233,629
Loan issue costs	
Total expenditures	\$ 1,024,463
Revenues over (under) expenditures	\$ (382,873)
Other financing sources (uses):	
Transfer in	487,505
Transfer out	(38,433)
Loan proceeds	
Net change in fund balances	\$ 66,199
Fund balance, July 1, 2016, as originally reported	\$ 550,050
Restatement	135,201
Fund balance, as restated July 1, 2016	\$ 685,251
Net change in fund balance	66,199
Fund balance, June 30, 2017	\$ 751,450

Town of Silver City
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEETS
June 30, 2017

	Little Walnut Improvements	Legislative Allocation Vol. Center	Vista De Plata	2016 Colonias College Street
Assets				
Cash and investments	\$ -	\$ -	\$ 15,289	\$ 903,397
Grants receivable		4,200		
	\$ -	\$ 4,200	\$ 15,289	\$ 903,397
Total assets	\$ -	\$ 4,200	\$ 15,289	\$ 903,397
Liabilities				
Interfund payable	\$ -	\$ 10,478	\$ -	\$ -
Accounts payable				
	\$ -	\$ 10,478	\$ -	\$ -
Total liabilities	\$ -	\$ 10,478	\$ -	\$ -
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ -
Fund balance:				
Restricted:				
Construction	\$ -	\$ -	\$ 15,289	\$ 903,397
Unassigned		(6,278)		
	\$ -	(6,278)	\$ 15,289	\$ 903,397
Total fund balance	\$ -	\$ (6,278)	\$ 15,289	\$ 903,397
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 4,200	\$ 15,289	\$ 903,397

<u>NMDOT Cooper</u>	<u>2014 Colonias</u>	<u>Downtown Sidewalks</u>	<u>Pavement Rehab</u>	<u>Silver Street Phase III</u>	<u>Total</u>
\$ - <u>32,339</u>	\$ -	\$ -	\$ -	\$ -	\$ 918,686
\$ 32,339	\$ -	\$ -	\$ -	\$ -	\$ 36,539
<u>\$ 32,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 955,225</u>
\$ 71,986 <u>5,153</u>	\$ - <u>1,042</u>	\$ 43,845 <u>1,377</u>	\$ -	\$ -	\$ 126,309
\$ 77,139	\$ 1,042	\$ 45,222	\$ -	\$ -	\$ 7,572
<u>\$ 77,139</u>	<u>\$ 1,042</u>	<u>\$ 45,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,881</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ - <u>(44,800)</u>	\$ - <u>(1,042)</u>	\$ - <u>(45,222)</u>	\$ -	\$ -	\$ 918,686
\$ (44,800)	\$ (1,042)	\$ (45,222)	\$ -	\$ -	\$ (97,342)
<u>\$ (44,800)</u>	<u>\$ (1,042)</u>	<u>\$ (45,222)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 821,344</u>
<u>\$ 32,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 955,225</u>

Town of Silver City
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

June 30, 2017

	<u>Little Walnut Improvements</u>	<u>Legislative Allocation Vol. Center</u>	<u>Vista De Plata</u>	<u>2016 Colonias College Street</u>
Revenues:				
State sources	\$ 100,000	\$ 17,698	\$ 817,355	\$ 813,057
Federal sources				
Miscellaneous				
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>\$ 100,000</u>	<u>\$ 17,698</u>	<u>\$ 817,355</u>	<u>\$ 813,057</u>
Expenditures:				
Current:				
Public works	\$ -	\$ -	\$ -	\$ -
Culture and recreation		23,976		
Capital outlay	<u>134,478</u>	<hr/>	<u>928,492</u>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ 134,478</u>	<u>\$ 23,976</u>	<u>\$ 928,492</u>	<u>\$ -</u>
Revenues over (under) expenditures	\$ (34,478)	\$ (6,278)	\$ (111,137)	\$ 813,057
Other financing sources (uses):				
Loan proceeds	-	-	-	90,340
Transfer in	34,478		30,060	
Transfer out				
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	<u>\$ -</u>	<u>\$ (6,278)</u>	<u>\$ (81,077)</u>	<u>\$ 903,397</u>
Fund balance, July 1, 2016, as originally reported	\$ -	\$ -	\$ 1	\$ -
Restatement			<u>96,365</u>	
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, as restated July 1, 2016	\$ -	\$ -	\$ 96,366	\$ -
Net change in fund balance	<hr/>	<u>(6,278)</u>	<u>(81,077)</u>	<u>903,397</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ (6,278)</u>	<u>\$ 15,289</u>	<u>\$ 903,397</u>

<u>NMDOT Cooper</u>	<u>2014 Colonias</u>	<u>Downtown Sidewalks</u>	<u>Pavement Rehab</u>	<u>Silver Street Phase III</u>	<u>Total</u>
\$ - 219,354	\$ -	\$ -	\$ 54,458	\$ -	\$ 1,802,568 219,354 -
<u>\$ 219,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,458</u>	<u>\$ -</u>	<u>\$ 2,021,922</u>
\$ - 355,288	\$ - 1,042	\$ - 45,222	\$ 89,227	\$ - 47,588	\$ 89,227 23,976 1,512,110
<u>\$ 355,288</u>	<u>\$ 1,042</u>	<u>\$ 45,222</u>	<u>\$ 89,227</u>	<u>\$ 47,588</u>	<u>\$ 1,625,313</u>
\$ (135,934)	\$ (1,042)	\$ (45,222)	\$ (34,769)	\$ (47,588)	\$ 396,609
- 73,087	-	-	34,769	47,588	90,340 219,982 -
<u>\$ (62,847)</u>	<u>\$ (1,042)</u>	<u>\$ (45,222)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 706,931</u>
\$ 18,047	\$ -	\$ -	\$ -	\$ -	\$ 18,048 96,365
\$ 18,047	\$ -	\$ -	\$ -	\$ -	\$ 114,413
<u>(62,847)</u>	<u>(1,042)</u>	<u>(45,222)</u>	<u>-</u>	<u>-</u>	<u>706,931</u>
<u>\$ (44,800)</u>	<u>\$ (1,042)</u>	<u>\$ (45,222)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 821,344</u>

Town of Silver City
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Municipal Court Bond				
Cash and investments	\$ 78,450	\$ 1,080	\$ 75,961	\$ 3,569
Receivables				-
Total assets	<u>\$ 78,450</u>	<u>\$ 1,080</u>	<u>\$ 75,961</u>	<u>\$ 3,569</u>
Liabilities				
Due to others	<u>\$ 78,450</u>	<u>\$ 1,080</u>	<u>\$ 75,961</u>	<u>\$ 3,569</u>

Town on Silver City
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2017

	Wells Fargo	Western Bank	First NM Bank	Total
Checking and CD's Investments	\$ 2,804,530	\$ 50,712	\$ 14,459	\$ 2,869,701
				-
Total	\$ 2,804,530	\$ 50,712	\$ 14,459	\$ 2,869,701
Less: FDIC insurance	250,000	50,712	14,459	315,171
Total uninsured public funds	<u>\$ 2,554,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,554,530</u>
50% collateralization requirement (Section 6-10-17 NMSA)	<u>\$ 1,277,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,277,265</u>
Pledged Securities:				
FNMA FNMS Cusip 31418AHJO 8/1/42	<u>\$ 1,401,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,401,063</u>
Total pledged securities	<u>\$ 1,401,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,401,063</u>
Pledged securities over (under) requirement	<u>\$ 123,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,798</u>

Securities pledged by Wells Fargo are held by the Wells Fargo trust department in Minneapolis, Minnesota. Safekeeping receipts are held by the Town.

Town of Silver City
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2017

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Wells Fargo</u>			
General	Checking	\$ 2,760,313	\$ 2,172,097
Library	Checking	\$ 40,302	\$ 40,340
Municipal Court	Checking	3,908	3,569
2011 Bond Projects	Checking	7	7
General	Savings	-	-
Total Wells Fargo		<u>\$ 2,804,530</u>	<u>\$ 2,216,013</u>
<u>LGIP</u>			
Refunding Reserve	LGIP	\$ 506	\$ 506
Library	LGIP	<u>25,872</u>	<u>25,872</u>
Total LGIP		<u>\$ 26,378</u>	<u>\$ 26,378</u>
<u>Edward Jones</u>			
General Fund and Library Memorial	Money Market Mutual Funds	<u>23,408</u>	<u>23,408</u>
Total Edward Jones		<u>\$ 23,408</u>	<u>\$ 23,408</u>
<u>First New Mexico Bank</u>			
General Fund	CD	<u>\$ 14,459</u>	<u>\$ 14,459</u>
<u>Western Bank</u>			
General Fund	CD	<u>\$ 50,712</u>	<u>\$ 50,712</u>
<u>NMFA</u>			
Cash on deposit with paying agent	NMFA	<u>\$ 1,124,447</u>	<u>\$ 1,124,447</u>
Cash on hand			<u>\$ 3,400</u>
Total cash and investments		<u><u>\$ 4,043,934</u></u>	<u><u>\$ 3,458,817</u></u>

Town of Silver City
SCHEDULE OF JOINT POWERS AGREEMENTS
 For the Fiscal Year Ended June 30, 2017

Public Transportation

Participants	Town of Silver City Grant County
Responsible party	Grant County
Description	To operate public transportation services to as many population areas of the County and Town as resources permit, thereby creating increased access to the enterprises, services and events of the area.
Dates of agreement	Ongoing
Audit responsibility	Grant County

Water Commission

Participants	Town of Silver City Village of Santa Clara City of Bayard Town of Hurley Grant County
Responsible party	Town of Silver City Village of Santa Clara City of Bayard Town of Hurley Grant County
Description	Establishment of a water commission consisting of one member from each jurisdiction.
Dates of agreement	Ongoing
Amount of project	Unknown
Audit responsibility	Unknown

Town of Silver City
SCHEDULE OF JOINT POWERS AGREEMENTS (continued)
 For the Fiscal Year Ended June 30, 2017

Southwest Solid Waste Authority

Participants	Southwest Solid Waste Authority Town of Silver City
Description	For the purpose of establishing terms and conditions for a financial investment by way of the loaning of funds to the Authority by the Town in order to insure continuing solid waste recycling and disposal services of the Authority for the benefit of Town residents.
Dates of agreement	15 years, commencing in April 2004.
Amount of project	\$300,000 loan with 4.8% interest, payable monthly.
Audit responsibility	Town of Silver City Southwest Solid Waste Authority

Arenas Valley Water Association

Participants	Town of Silver City Arenas Valley Water Association
Responsible party	Town of Silver City Arenas Valley Water Association
Description	Town of Silver City shall provide not more than 200 acre feet of water per year to the Association.
Dates of agreement	Indefinite

Town of Silver City
SCHEDULE OF JOINT POWERS AGREEMENTS (continued)
 For the Fiscal Year Ended June 30, 2017

Amount of project Arenas Valley Water Association shall pay the Town based on a tiered system ranging from \$7.34 to \$5.90 per varying thousands of gallons of water.

Audit responsibility Town of Silver City

Rosedale Mutual Domestic Water Consumers Association

Participants Town of Silver City
 Rosedale Mutual Domestic Water Consumers Association

Responsible party Town of Silver City
 Rosedale Mutual Domestic Water Consumers Association

Description Town of Silver City shall provide water to the Association.

Dates of agreement Indefinite

Amount of project Association will pay the Town based on a tiered system ranging from \$7.35 to \$6.13 per varying thousands of gallons of water.

Audit responsibility Town of Silver City

Water and Wastewater Service

Participants Town of Silver City
 Tyrone Property Owners Association

Responsible party Town of Silver City
 Tyrone Property Owners Association

Description To provide wastewater treatment services to Tyrone Property Owners Association

Dates of agreement Indefinite

Audit responsibility Town of Silver City

Amount of project Tyrone Property Owners Assoc. as of 7/1/2016 water \$5.13 to \$4.13. Wastewater \$2.01 per thousand.

Town of Silver City
SCHEDULE OF JOINT POWERS AGREEMENTS (continued)
 For the Fiscal Year Ended June 30, 2017

Pinos Altos Mutual Domestic Water Consumers Association

Participants	Town of Silver City Pinos Altos Mutual Domestic Water Consumers Association
Responsible party	Town of Silver City Pinos Altos Mutual Domestic Water Consumers Association
Description	Town of Silver City shall provide water to the Association.
Dates of agreement	Ongoing
Amount of project	Association will pay the Town based on a tiered system ranging from \$6.03 to \$4.83 per varying thousands of gallons of water.
Audit responsibility	Town of Silver City

Joint Communications Center

Participants	Town of Silver City City of Bayard Town of Hurley Village of Santa Clara Grant County
Responsible party	Town of Silver City City of Bayard Town of Hurley Village of Santa Clara Grant County
Description	To establish the Grant County Regional Dispatch Authority.
Dates of agreement	Ongoing
Amount of project	Unknown

Town of Silver City
SCHEDULE OF JOINT POWERS AGREEMENTS (concluded)
 For the Fiscal Year Ended June 30, 2017

Agency contribution Provide a member for the Board.

Audit responsibility Grant County

Public Transportation "Corre Caminos"

Participants Town of Silver City
 County of Grant
 County of Luna
 City of Deming

Responsible party Grant County

Description To operate public transportation services within Grant, Luna,
 Silver City and Deming as resources permit.

Dates of agreement Ongoing

Audit responsibility Grant County

Town of Silver City
SCHEDULE OF LEGISLATIVE ALLOCATIONS
 June 30, 2017

	Volunteer Center 15-0784
Original appropriation	<u>\$ 30,000</u>
Additions/Deletions	<u>-</u>
Amended appropriation	<u>\$ 30,000</u>
Expended through June 30, 2017	\$ 28,176
Encumbrances	<u>-</u>
Total committed	<u>\$ 28,176</u>
Project expiration date	6/30/2019

Town of Silver City
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
 <u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct:				
Rural Energy for America	10.868	N/A	\$ -	\$ 3,880
Passed through NM Energy, Minerals and Natural Resources Department:				
Cooperative Forestry Assistance	10.664	15-521-0410-0159	<u> </u>	<u>2,307</u>
Total U.S. Department of Agriculture			<u>\$ -</u>	<u>\$ 6,187</u>
 <u>U.S. DEPARTMENT OF THE INTERIOR</u>				
Direct:				
Historic Preservation Grant	15.904	N/A	<u>\$ -</u>	<u>\$ 1,795</u>
 <u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed through NM Department of Transportation:				
Surface Transportation Discretionary Grants	20.932	D14908	\$ -	\$ 219,354
Distracted Driving	20.600	N/A		1,414
Recreational Trails Program	20.219	N/A		4,818
Minimum Penalties for Repeat DWI Offenders	20.608	N/A	<u> </u>	<u>10,286</u>
Total U.S. Department of Transportation			<u>\$ -</u>	<u>\$ 235,872</u>
 <u>U.S. DEPARTMENT OF JUSTICE</u>				
Passed through the NM Department of Children, Youth & Families:				
Juvenile Justice and Delinquency Prevention	16.540	001-1400-515-50-40	<u>\$ -</u>	<u>\$ 104,475</u>
 <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct:				
Drug Free Communities	93.276	N/A	<u>\$ -</u>	<u>\$ 113,427</u>
 <u>EXECUTIVE OFFICE OF THE PRESIDENT</u>				
Direct:				
High Intensity Drug Trafficking Areas Program	95.001	N/A	<u>\$ -</u>	<u>\$ 138,627</u>

Town of Silver City
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS(CONCLUDED)
 For The Fiscal Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY				
Direct:				
ARRA Brownfields Assessment & Cleanup Agreement	66.818	N/A	<u>\$ -</u>	<u>\$ 162,527</u>
Total expenditures of federal awards			<u><u>\$ -</u></u>	<u><u>\$ 762,910</u></u>

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

Town of Silver City
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Note 1 Basis of Presentation

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

Note 2 Summary of Significant Accounting Policies

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

Note 3 Indirect Costs

The Town of Silver City has elected not to use the de Minimis indirect cost rate as allowed under the Uniform Guidance.

Town of Silver City
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2017

Current Status

Findings – Financial Statement Audit

FS 2016-001 The financial management system needs upgrading

Resolved

Findings and Questioned Costs – Major Federal Award programs

FA 2015-001 Executive Office of the President

High Intensity Drug Trafficking Acct, CFDA NO. 95.001 2015 Grant Year

This was a noncompliance issue indicating that the Town had not made timely drawdowns on this grant.

During the year ended June 30, 2017, we noted no issues related to drawdowns, and the issue is considered resolved.

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

RYAN MONTROYA, C.P.A.

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

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Mayor and Town Council
Town of Silver City
Silver City, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the Town of Silver City as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise The Town of Silver City's basic financial statements, and have issued our report thereon dated December 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Silver City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of The Town of Silver City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding 2017-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Town of Silver City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as item 2017-002.

Town of Silver City's Responses to Findings

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

Purpose of this Report

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

Stone, McGee & Co., CPAs

Silver City, New Mexico
December 10, 2017

Stone, McGee & Co.
Certified Public Accountants

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Mayor and Town Council
Town of Silver City
Silver City, New Mexico

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Silver City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Silver City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Town of Silver City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Silver City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Silver City's internal control over compliance.

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

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

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

Stone, McGee & Co., CPAs

Silver City, New Mexico
December 10, 2017

Stone, McGee & Co.
Certified Public Accountants

Town of Silver City
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Town of Silver City were prepared in accordance with generally accepted accounting principles.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*. One material weakness is reported.
3. No instances of noncompliance material to the financial statements of the Town of Silver City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs for the Town of Silver City expresses an unmodified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) were noted during the audit.
7. The programs tested as major programs were: Surface Transportation Discretionary Grants for Capital Investment, CFDA No. 20.932; and Drug Free Communities, CFDA No. 93.276.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. The Town of Silver City was not a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

2017-001 Separation of Duties (Material Weakness)

Condition – The Town's purchasing agent analyzes the purchasing card billings and summarizes them for submission to the accounts payable department. The original bills are not forwarded to the accounts payable department. In addition, the Police secretary, who has some purchasing responsibilities, has access to the police bills prior to submission to the accounts payable department.

This condition has resulted in potential fraud by a Town employee, as outlined in the Effect section of this finding. Further, this condition has caused the Town to notify law enforcement and the New Mexico State Auditor of the potential fraud, and commission a

forensic review of these transactions by an independent accounting firm, as outlined in the Agency Response section of this finding.

Criteria – Sound internal controls require that the duties of purchasing and bill payment be split between two or more employees, preferably between two separate departments.

Effect – There appears to be transactions in which the purchasing agent used her purchasing card to make payments to her personal company, and then falsified the purchasing card billings to make the transactions appear legitimate. The purchasing agent's personal company had no business relationship with the Town, and purchases from her business would be of no benefit to the Town, since the products sold were of a personal nature. These transactions, as now known, total in excess of \$10,000. In addition, it appears the Police secretary converted rebate checks and free gifts from suppliers to her personal use, and falsified invoices prior to submission to the purchasing department. These transactions, as now known, total less than \$1,000.

Cause – The Town did not require that the accounts payable department receive original invoices, and the duties of purchasing and bill payment were not sufficiently segregated.

Recommendation – We recommend that the Town separate the duties of purchasing from bill payment in all cases. We further recommend that the Town require that original invoices be submitted to purchasing, rather than facsimiles which could be altered. Finally, we recommend that the Town inform the appropriate law enforcement representatives so that the funds, if the allegations are true, can be recovered.

Agency Response – We have advised the Office of the New Mexico State Auditor, and the New Mexico State Police concerning these allegations. Further, we have contracted with a private accounting firm to provide forensic work and provide a report detailing their findings relative to the allegations. Finally, we have separated the purchasing and bill payment processes in all departments, and now require original invoices be submitted to the accounts payable department for processing. The City Manager will oversee these changes and investigations, with the forensic investigation expected to start in January of 2017, under a contract with the New Mexico State Auditor as a party. As of this date, a completion date cannot be estimated.

2017-002 Purchasing Under State Contract (Other Noncompliance)

Condition – The Town purchased two garbage trucks under state contract, totaling \$536,130, without the benefit of the bid process. While purchasing from state approved vendors is an acceptable practice, this vendor was not on the New Mexico approved vendor list, but rather was on the Texas approved vendor list.

Criteria – Sections 13-1-1 to 13-1-199 NMSA 1978 requires, in part, that purchases without the bid process can be made only from New Mexico approved vendors.

Effect – The town has violated state statutes, and has, in effect procured goods in excess of \$60,000 without the benefit of the bid process.

Cause – When the quotes were evaluated, the vendor submitted that they were on the approved bidders list, and Town personnel did not require proof of the vendor being on the New Mexico approved vendor list.

Recommendation – We recommend that the Town establish procedures to compare vendors to the New Mexico approved vendor list prior contracting with the vendor for goods or services.

Agency Response – The Town will establish such procedures, and the purchasing agent will be charged with documenting such comparisons. It is expected that this policy will be in place by December 31, 2017.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.’s. However, Town management has acknowledged its responsibility for, and has taken responsibility for the financial statements.

EXIT CONFERENCE

The contents of this report were discussed December 1, 2017. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Ken Ladner	Mayor	Town of Silver city
Alex Brown	City Manager	Town of Silver City
Anita Norero	Deputy Finance Director	Town of Silver City
Mike Stone, CPA	Shareholder	Stone, McGee & Co., CPA’s