

State of New Mexico

Town of Silver City

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

For The Fiscal Year Ended June 30, 2018

Town of Silver City
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 June 30, 2018

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Town of Silver City
DIRECTORY OF OFFICIALS
June 30, 2018

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.

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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, 2018, 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, 2018, 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 53 to 59 and the Town's other postemployment benefits presented on pages 60 to 62 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 12, 2018, 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 12, 2018

Stone, McGee & Co.
Certified Public Accountants

Town of Silver City
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current:			
Cash and investments	\$ 3,355,544	\$ 150,783	\$ 3,506,327
Inventory	51,697	266,162	317,859
Receivables, net	2,428,396	1,700,712	4,129,108
Total current assets	\$ 5,835,637	\$ 2,117,657	\$ 7,953,294
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -	\$ 558,575	\$ 558,575
Bond discount		32,708	
Capital assets, net	43,520,751	20,482,036	64,002,787
Total noncurrent assets	\$ 43,520,751	\$ 21,073,319	\$ 64,594,070
Total assets	\$ 49,356,388	\$ 23,190,976	\$ 72,547,364
DEFERRED OUTFLOWS OF RESOURCES			
Related to other postemployment benefits	\$ 55,365	\$ 67,669	\$ 123,034
Related to pensions	1,945,083	903,900	2,848,983
Total deferred outflows of resources	\$ 2,000,448	\$ 971,569	\$ 2,972,017
LIABILITIES			
Current:			
Accounts payable	\$ 568,980	\$ 264,070	\$ 833,050
Accrued liabilities	272,984	54,545	327,529
Current maturities of long-term debt	550,712	593,999	1,144,711
Total current liabilities	\$ 1,392,676	\$ 912,614	\$ 2,305,290
Noncurrent:			
Payable from restricted assets:			
Customer deposits	\$ -	\$ 373,727	\$ 373,727
Bonds payable	4,420,000	4,642,941	9,062,941
Notes payable	1,208,585	1,179,231	2,387,816
Bond premiums	27,237		27,237
Net pension liability	10,250,403	2,834,836	13,085,239
Net other postemployment benefits liability	2,909,402	3,555,936	6,465,338

Town of Silver City
STATEMENT OF NET POSITION (concluded)
June 30, 2018

	Governmental Activities	Business- Type Activities	Total
Compensated absences	\$ 400,754	\$ 110,772	\$ 511,526
Total noncurrent liabilities	\$ 19,216,381	\$ 12,697,443	\$ 31,913,824
Total liabilities	\$ 20,609,057	\$ 13,610,057	\$ 34,219,114
DEFERRED INFLOWS OF RESOURCES			
Related to other postemployment benefits	\$ 662,173	\$ 809,322	\$ 1,471,495
Related to pensions	2,089,618	259,770	2,349,388
Total deferred inflows of resources	\$ 2,751,791	\$ 1,069,092	\$ 3,820,883
NET POSITION			
Net investment in capital assets	\$ 37,437,606	\$ 14,065,865	\$ 51,503,471
Restricted for:			
Capital projects	953,425	40,784	994,209
Debt service	739,157	144,064	883,221
Other purposes	725,890		725,890
Unrestricted	(11,860,090)	(4,767,317)	(16,627,407)
Total net position	\$ 27,995,988	\$ 9,483,396	\$ 37,479,384

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, 2018

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Functions/Programs</u>			
Governmental activities:			
General government	\$ 3,393,513	\$ 328,196	\$ 125,326
Public safety	7,391,773		467,409
Public works	1,367,798		
Health and welfare	286,598		
Culture-recreation	1,797,830		123,609
Unallocated interest expense	217,042		
	\$ 14,454,554	\$ 328,196	\$ 716,344
Business-type activities:			
Joint Utility	\$ 7,803,278	\$ 7,562,276	\$ -
	\$ 22,257,832	\$ 7,890,472	\$ 716,344

General revenues:
Property taxes
Gross receipts taxes
Gas taxes
Motor vehicle taxes
Franchise taxes
Other taxes
Fines and forfeitures
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>
\$ 245,634	\$ (2,694,357)	\$ -	\$ (2,694,357)
	(6,924,364)		(6,924,364)
702,165	(665,633)		(665,633)
10,478	(276,120)		(276,120)
139,715	(1,534,506)		(1,534,506)
	(217,042)		(217,042)
<u>\$ 1,097,992</u>	<u>\$ (12,312,022)</u>	<u>\$ -</u>	<u>\$ (12,312,022)</u>
<u>\$ 2,964,405</u>	<u>\$ -</u>	<u>\$ 2,723,403</u>	<u>\$ 2,723,403</u>
<u>\$ 4,062,397</u>	<u>\$ (12,312,022)</u>	<u>\$ 2,723,403</u>	<u>\$ (9,588,619)</u>
	\$ 590,624	\$ -	\$ 590,624
	9,424,981	202,363	9,627,344
	231,250		231,250
	72,749		72,749
	371,545		371,545
	294,951		294,951
	103,881		103,881
	230,542	31,581	262,123
	1,935		1,935
	369,860	(369,860)	-
	<u>\$ 11,692,318</u>	<u>\$ (135,916)</u>	<u>\$ 11,556,402</u>
	<u>\$ (619,704)</u>	<u>\$ 2,587,487</u>	<u>\$ 1,967,783</u>
	\$ 32,071,600	\$ 11,119,797	\$ 43,191,397
	(3,455,908)	(4,223,888)	(7,679,796)
	\$ 28,615,692	\$ 6,895,909	\$ 35,511,601
	(619,704)	2,587,487	1,967,783
	<u>\$ 27,995,988</u>	<u>\$ 9,483,396</u>	<u>\$ 37,479,384</u>

Town of Silver City
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 1,189,273	\$ 2,166,271	\$ 3,355,544
Inventory	51,697		51,697
Other taxes receivable	1,474,571	98,879	1,573,450
Taxes receivable	108,622	293,415	402,037
Accounts receivable	35,325	4,675	40,000
Grants receivable	44,444	368,465	412,909
Interfund receivable	60,845	8,710	69,555
	<u>60,845</u>	<u>8,710</u>	<u>69,555</u>
Total assets	<u>\$ 2,964,777</u>	<u>\$ 2,940,415</u>	<u>\$ 5,905,192</u>
Liabilities			
Accounts payable	\$ 211,829	\$ 357,151	\$ 568,980
Interfund payable	8,710	60,845	69,555
Salary payable	252,972		252,972
	<u>252,972</u>	<u>60,845</u>	<u>252,972</u>
Total liabilities	<u>\$ 473,511</u>	<u>\$ 417,996</u>	<u>\$ 891,507</u>
Deferred Inflows of Resources			
Unavailable revenue	\$ 84,346	\$ 92,206	\$ 176,552
Total deferred inflows of resources	<u>\$ 84,346</u>	<u>\$ 92,206</u>	<u>\$ 176,552</u>
Fund balance:			
Non-spendable:			
Inventory	\$ 51,697	\$ -	\$ 51,697
Restricted:			
Public safety	2,809	224,177	226,986
Culture and recreation	77,208	281,150	358,358
Public works		123,362	123,362
Health and welfare	17,184		17,184
Debt service		786,406	786,406
Public works			-
Construction		1,049,577	1,049,577
Unassigned	2,258,022	(34,459)	2,223,563
	<u>2,258,022</u>	<u>(34,459)</u>	<u>2,223,563</u>
Total fund balance	<u>\$ 2,406,920</u>	<u>\$ 2,430,213</u>	<u>\$ 4,837,133</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,964,777</u>	<u>\$ 2,940,415</u>	<u>\$ 5,905,192</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, 2018

Total governmental fund balances	\$	4,837,133
 <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.		43,520,751
Bond premiums are capitalized and amortized over the life of the bonds		(27,237)
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		176,552
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		(2,089,618)
Deferred outflows of resources related to pensions		1,945,083
Deferred inflows of resources related to other postemployment benefits		(662,173)
Deferred outflows of resources related to other postemployment benefits		55,365
Long-term liabilities are not reported in the funds.		
Bonds payable		(4,765,000)
Notes payable		(1,414,297)
Accrued interest payable		(20,012)
Net pension liability		(10,250,403)
Net other postemployment benefits liability		(2,909,402)
Compensated absences		(400,754)
 <i>Net position of governmental activities</i>	 \$	 <u>27,995,988</u>

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, 2018

	<u>General Fund</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
Revenues:			
Property taxes	\$ 603,944	\$ 35	\$ 603,979
Gross receipts taxes	8,264,228	1,160,753	9,424,981
Lodgers tax		294,951	294,951
Gas taxes		231,250	231,250
Motor vehicle taxes	72,749		72,749
Franchise taxes	371,545		371,545
State intergovernmental	456,334	916,981	1,373,315
Federal intergovernmental		441,021	441,021
Fines, licenses and permits	62,744	41,137	103,881
Charges for services	147,901	180,295	328,196
Miscellaneous	199,115	33,362	232,477
	<u>\$ 10,178,560</u>	<u>\$ 3,299,785</u>	<u>\$ 13,478,345</u>
Total revenues			
Expenditures:			
Current:			
General government	\$ 2,084,209	\$ 182,829	\$ 2,267,038
Public safety	4,967,154	731,503	5,698,657
Public works	764,921	441,839	1,206,760
Health and welfare	233,459		233,459
Culture recreation	1,310,174	416,481	1,726,655
Debt service:			
Principal		646,728	646,728
Interest		222,671	222,671
Capital outlay	279,044	1,045,164	1,324,208
	<u>\$ 9,638,961</u>	<u>\$ 3,687,215</u>	<u>\$ 13,326,176</u>
Total expenditures			
Revenues over (under) expenditures	\$ 539,599	\$ (387,430)	\$ 152,169
Other financing sources (uses):			
Loan proceeds		17,714	17,714
Transfer in		849,637	849,637
Transfer out	(411,772)	(68,005)	(479,777)
Net change in fund balances	\$ 127,827	\$ 411,916	\$ 539,743
Fund balance, July 1, 2017	<u>2,279,093</u>	<u>2,018,297</u>	<u>4,297,390</u>
Fund balance, June 30, 2018	<u>\$ 2,406,920</u>	<u>\$ 2,430,213</u>	<u>\$ 4,837,133</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, 2018

Net change in fund balances-total governmental funds \$ 539,743

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	1,324,208
Depreciation expense.	(2,656,955)

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	542,506
Cost of benefits earned	(904,463)

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

Other postemployment benefits contributions	55,365
Costs of benefits earned	(115,667)

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	(13,355)
--	----------

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

(17,714)

Bond premiums are capitalized and amortized over the life of the bonds. This is the net change for the year.

3,516

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

646,728

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.

2,113

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	(1,935)
Net gain on sale of capital assets	1,935

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.

(25,729)

Change in Net Position of Governmental Activities

\$ (619,704)

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 9,307,777	\$ 9,307,777	\$ 9,307,775	\$ (2)
State sources	444,684	444,684	418,008	(26,676)
Federal sources	15,597	15,597		(15,597)
Fines, licenses and permits	49,815	49,815	62,744	12,929
Charges for services	117,184	117,184	147,172	29,988
Miscellaneous	188,631	188,631	169,115	(19,516)
Total revenues	\$ 10,123,688	\$ 10,123,688	\$ 10,104,814	\$ (18,874)
Expenditures:				
Current:				
General government	\$ 2,595,155	\$ 2,595,155	\$ 2,100,124	\$ 495,031
Public safety	4,852,507	4,852,507	4,964,980	(112,473)
Public works	770,871	770,871	768,982	1,889
Health and welfare	37,000	37,000	203,459	(166,459)
Culture recreation	1,271,034	1,271,034	1,265,519	5,515
Principle				-
Interest				-
Capital outlay	441,433	441,433	270,005	171,428
Total expenditures	\$ 9,968,000	\$ 9,968,000	\$ 9,573,069	\$ 394,931
Revenues over (under) expenditures	\$ 155,688	\$ 155,688	\$ 531,745	\$ 376,057
Other financing sources (uses):				
Transfer in	85,787	85,787	105,767	19,980
Transfer out	326,439	(326,439)	(508,829)	(182,390)
Net change in fund balance	\$ 567,914	\$ (84,964)	\$ 128,683	\$ 213,647
Fund balance, July 1, 2017	1,037,504	1,119,414	1,119,414	-
Fund balance, June 30, 2018	\$ 1,605,418	\$ 1,034,450	\$ 1,248,097	\$ 213,647
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 127,827
Revenue accruals (net)				(73,746)
Expenditure accruals (net)				65,892
Other financing sources (net)				8,710
Net change in fund balance, NON-GAAP budgetary basis				\$ 128,683

Town of Silver City
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2018

	<u>Joint Utility</u>
Assets	
Current:	
Cash and investments	\$ 150,783
Inventory	266,162
Receivables, net of allowances:	
Accounts	1,287,126
Taxes	37,029
Due from other governments	<u>376,557</u>
Total current assets	<u>\$ 2,117,657</u>
Noncurrent assets:	
Restricted:	
Cash and investments	\$ 558,575
Bond discount	32,708
Capital assets (net)	<u>20,482,036</u>
Total noncurrent assets	<u>\$ 21,073,319</u>
Total assets	<u>\$ 23,190,976</u>
Deferred Outflows of Resources	
Related to other postemployment benefits	\$ 67,669
Related to pensions	<u>903,900</u>
Total deferred outflows of resources	<u>\$ 971,569</u>
Liabilities	
Current:	
Accounts payable	\$ 264,070
Accrued liabilities	54,545
Interfund payable	
Current maturities of long-term debt	<u>593,999</u>
Total current liabilities	<u>\$ 912,614</u>
Noncurrent liabilities:	
Payable from restricted assets:	
Customer deposits	\$ 373,727
Bonds payable	4,642,941
Notes payable	1,179,231
Net pension liability	2,834,836
Net other postemployment benefits payable	3,555,936
Compensated absences	<u>110,772</u>
Total noncurrent liabilities	<u>\$ 12,697,443</u>
Total liabilities	<u>\$ 13,610,057</u>

Town of Silver City
STATEMENT OF NET POSITION - PROPRIETARY FUND (concluded)
 June 30, 2018

	<u>Joint Utility</u>
Deferred Inflows of Resources	
Related to other postemployment benefits payable	\$ 809,322
Related to pensions	<u>259,770</u>
Total deferred inflows of resources	<u>\$ 1,069,092</u>
Net Position	
Net investment in capital assets	\$ 14,065,865
Restricted for:	
Debt service	144,064
Capital improvements	40,784
Unrestricted	<u>(4,767,317)</u>
Total net position	<u><u>\$ 9,483,396</u></u>

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, 2018

	<u>Joint Utility</u>
Operating revenues:	
Charges for services	<u>\$ 7,562,276</u>
Operating expenses:	
Personnel	\$ 3,036,117
Operating	3,768,880
Depreciation	<u>769,778</u>
Total operating expenses	<u>\$ 7,574,775</u>
Net operating income	<u>\$ (12,499)</u>
Nonoperating revenue (expense):	
Gross receipts taxes	\$ 202,363
State grants	2,502,445
Federal grants	461,960
Miscellaneous revenue	31,581
Interest expense	<u>(228,503)</u>
Total nonoperating revenue (expense)	<u>\$ 2,969,846</u>
Net income before operating transfers	\$ 2,957,347
Transfers:	
In	-
Out	<u>(369,860)</u>
Change in net position	<u>\$ 2,587,487</u>
Net position, beginning of year, as originally stated	\$ 11,119,797
Restatements	<u>(4,223,888)</u>
Net position, beginning of year, as restated	\$ 6,895,909
Change in net position	<u>2,587,487</u>
Net position, end of year	<u><u>\$ 9,483,396</u></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, 2018

	Joint Utility
Cash flows from operating activities:	
Receipts from customers	\$ 7,592,372
Payments to suppliers	(3,681,315)
Payments to employees	(2,935,320)
	<u>\$ 975,737</u>
Cash flows from noncapital financing activities:	
Dedicated tax receipts	\$ 197,492
Intergovernmental grants	2,880,598
Interfund activity	
Miscellaneous collections	31,148
Transfers from other funds	
Transfers to other funds	(369,859)
	<u>\$ 2,739,379</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	\$ (2,955,182)
Borrowings on capital debt	40,784
Principal paid on capital debt	(488,579)
Interest paid on capital debt	(225,691)
	<u>\$ (3,628,668)</u>
Cash flows from investing activities:	
Earnings on investments	\$ 432
	<u>\$ 432</u>
Net increase (decrease) in cash and equivalents	\$ 86,880
Cash and equivalents, beginning of year	<u>622,478</u>
Cash and equivalents, end of year	<u><u>\$ 709,358</u></u>

Town of Silver City
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (concluded)
For the Fiscal Year Ended June 30, 2018

	Joint Utility
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (51,951)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	769,778
(Increase)decrease in:	
Inventory	18,849
Receivables, net	15,186
Increase(decrease) in:	
Accounts payable	68,716
Accrued expenses	(6,490)
Customer deposits	14,910
Pension plan payable (net)	65,826
Other postemployment benefits payable (net)	73,701
Compensated absences	7,212
Net cash provided (used) by operating activities	\$ 975,737

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, 2018

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

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

Town of Silver City
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 expenses 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, and deferred outflows of resources related to other post employment benefits as discussed in Note 11.

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:

	<u>General Fund</u>	<u>Non-Major Govern- mental Funds</u>	<u>Total</u>
Amounts not received within sixty days of year end:			
Property taxes	\$ 84,346	\$ 92,206	\$ 176,552

In addition, the Town has deferred inflows of resources related to pensions, as disclosed in Note 10, and deferred inflows of resources related to other post-employment benefits as discussed in Note 11.

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.

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, 2018 was \$3.3310 per \$1,000 for non-residential property and \$2.638 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, 2018, \$1,026,613 of the government's bank balance of \$2,886,009 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$1,026,613</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, 2018. The pool is AAAM rated, and with a weighted average maturity of 50 days, WAM(R), and 100 days WAM(F).

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 \$1,351,373.

Note 3 Investments

At June 30, 2018, the Town had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Governmental Mutual Funds	<u>\$ 24,530</u>	<u>\$ 24,530</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, 2018, the Town invests only in highly rated mutual funds. The Town’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	\$ 40,000	\$
Services (net) of allowance for doubtful accounts	<u> </u>	<u>1,287,126</u>
	<u>\$ 40,000</u>	<u>\$ 1,287,126</u>
Due from other governments:		
Intergovernmental grants	<u>\$ 412,909</u>	<u>\$ 376,557</u>
Taxes receivable:		
Property taxes	\$ 200,760	\$
Gross receipts tax	1,581,802	37,029
Motor Vehicle taxes	36,333	
Gasoline taxes	12,577	
Franchise Tax	90,252	
Lodger's Tax	<u>53,763</u>	<u> </u>
	<u>\$ 1,975,487</u>	<u>\$ 37,029</u>
 Total	 <u>\$ 2,428,396</u>	 <u>\$ 1,700,712</u>

Note 5 Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,811,031	\$ 53,236	\$ -0-	\$ 7,864,267
Construction in progress	<u>157,743</u>	<u>803,806</u>	<u>13,919</u>	<u>947,630</u>
Total capital assets not being depreciated	<u>\$ 7,968,774</u>	<u>\$ 857,042</u>	<u>\$ 13,919</u>	<u>\$ 8,811,897</u>
Other capital assets:				
Buildings, improve- ments and other in- frastructure	\$ 73,881,675	\$ 349,895	\$	\$ 74,231,570
Equipment	<u>5,470,134</u>	<u>131,190</u>	<u>31,967</u>	<u>5,569,357</u>
Total other assets at historical cost	<u>\$ 79,351,809</u>	<u>\$ 481,085</u>	<u>\$ 31,967</u>	<u>\$ 79,800,927</u>
Less accumulated de- preciation for:				
Buildings, improve- ments and infrastruc-				

ture	\$(38,092,961)	\$(2,294,462)	\$ -0-	\$(40,387,423)
Equipment	<u>(4,374,124)</u>	<u>(362,493)</u>	<u>31,967</u>	<u>(4,704,650)</u>
Total accumulated depreciation	<u>\$(42,467,085)</u>	<u>\$(2,656,955)</u>	<u>\$ 31,967</u>	<u>\$(45,092,073)</u>
Other capital assets (net)	<u>\$ 36,884,724</u>	<u>\$(2,175,870)</u>	<u>\$ -0-</u>	<u>\$ 34,708,854</u>
Governmental activities, capital assets, net	<u>\$ 44,853,498</u>	<u>\$(1,318,828)</u>	<u>\$ 13,919</u>	<u>\$ 43,520,751</u>
Business type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 931,940	\$ 2,955,182	\$ 114,873	\$ 3,771,649
Land	<u>961,403</u>	<u>-0-</u>	<u>-0-</u>	<u>961,403</u>
Total assets not being depreciated	<u>\$ 1,892,743</u>	<u>\$ 2,955,182</u>	<u>\$ 114,873</u>	<u>\$ 4,733,052</u>
Other capital assets:				
Buildings and utility plant	\$43,123,474	\$ 114,873	\$ -0-	\$ 43,238,347
Equipment	<u>3,852,007</u>	<u>-0-</u>	<u>-0-</u>	<u>3,852,007</u>
Total other capital assets at historical cost	<u>\$46,975,481</u>	<u>\$ 114,873</u>	<u>\$ -0-</u>	<u>\$ 47,090,354</u>
Less accumulated depreciation for:				
Buildings and utility plant	\$(27,424,774)	\$ (705,366)	\$ -0-	\$(28,130,140)
Equipment	<u>(3,146,818)</u>	<u>(64,412)</u>	<u>-0-</u>	<u>(3,211,230)</u>
Total accumulated depreciation	<u>\$(30,571,592)</u>	<u>\$ (769,778)</u>	<u>\$ -0-</u>	<u>\$(31,341,370)</u>
Other capital assets, net	<u>\$ 16,403,889</u>	<u>\$ (654,905)</u>	<u>\$ -0-</u>	<u>\$ 15,748,984</u>
Business-type activities capital assets, net	<u>\$ 18,296,632</u>	<u>\$ 2,300,277</u>	<u>\$ 114,873</u>	<u>\$ 20,482,036</u>

The Town has various construction projects ongoing with future commitments totaling approximately \$2,000,000.

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 1,062,782
Public Safety	1,408,186
Public Works	119,563
Culture-Recreation	53,139
Health and Welfare	<u>13,285</u>
	<u>\$ 2,656,955</u>

Note 6 Accrued Liabilities

Accrued liabilities consisted of the following at June 30, 2018:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accrued salaries	\$ 252,972	\$ 51,444
Accrued interest	<u>20,012</u>	<u>3,101</u>
	<u>\$ 272,984</u>	<u>\$ 54,545</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 2018 the Town received rental payments in the amount of approximately \$47,191 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, 2018 these costs amounted to \$33,782. The differences in the actual and agreed upon rent is due to revenue generated by this project.

The Town has entered into a number of operating leases for copiers. The rent expenditures which totaled \$23,208 for these leases were primarily from the General Fund. Future minimum lease payments are:

Fiscal Year Ending June 30, 2018:

2019	\$ 23,208
2020	15,472
2021	<u>-0-</u>
	<u>\$ 38,680</u>

Note 8 Long-Term Debt

Changes in long-term debt were as follows during the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
2014 NBH GRT Rev. Bonds \$	850,000	\$	\$ 110,000	\$ 740,000	\$ 115,000
NMFA Govt Refueling	129,521		20,567	108,954	20,859
Silco Theatre Loan	128,040		31,109	96,931	31,655
2011A GRT Revenue Bonds	4,250,000		225,000	4,025,000	230,000
2011B GRT Revenue Bonds	115,000		115,000	-0-	-0-
2012 GRT Revenue Bonds	-0-			-0-	-0-
Fire Ambulance	61,527		30,196	31,331	31,331

Sports Complex Loan	606,057		49,376	556,681	50,077
Silco Renovation	300,363		21,232	279,131	21,642
Flood Drainage Control	89,514		4,973	84,541	4,973
NMFA Road	-0-	17,714		17,714	-0-
Street Sweeper	187,949		39,275	148,674	40,658
NMFA Road Improve	<u>90,340</u>		<u>-0-</u>	<u>90,340</u>	<u>4,517</u>
	\$ 6,808,311	\$ 17,714	\$ 646,728	\$ 6,179,297	\$ 550,712
Compensated absences	<u>375,025</u>	<u>451,007</u>	<u>425,278</u>	<u>400,754</u>	<u>-0-</u>
Total government activities	<u>\$ 7,183,336</u>	<u>\$ 468,721</u>	<u>\$ 1,072,006</u>	<u>\$ 6,580,051</u>	<u>\$ 550,712</u>
Business-Type Activities:					
GRT Revenue Bond	\$ 695,603	\$	\$ 117,570	\$ 578,033	\$ 110,092
2015B Revenue Bond	620,833		95,833	525,000	260,000
2015A Revenue Bond	3,910,000			3,910,000	-0-
NMFA Colonias	51,935		51,935	-0-	-0-
NMFA Water	-0-	40,784		40,784	-0-
NMFA System	1,058,068		60,878	997,190	61,544
NMFA Wastewater	42,527		2,363	40,164	2,363
Hwy 15 Waterline	<u>485,000</u>		<u>160,000</u>	<u>325,000</u>	<u>160,000</u>
	\$ 6,863,966	\$ 40,784	\$ 488,579	\$ 6,416,171	\$ 593,999
Compensated absences	<u>103,560</u>	<u>74,716</u>	<u>67,504</u>	<u>110,772</u>	<u>-0-</u>
	<u>\$ 6,967,526</u>	<u>\$ 115,500</u>	<u>\$ 556,083</u>	<u>\$ 6,526,943</u>	<u>\$ 593,999</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 2019 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 2019 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 2019 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 2019 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 2019 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 \$1,992,314 at June 30, 2018, which is 2.2% of future gross receipts tax collections at their current rate. During the year ended June 30, 2018, the Town collected \$8,264,228 in pledged revenues, and retired \$286,847 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 \$5,309,624 at June 30, 2018, equal to 4.9% 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 2019 through 2032.

During the year ended June 30, 2018, the Town collected \$8,264,228 in pledged revenues, and retired \$499,575 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 2019-2035.

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 2019-2020.

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 2019-2034.

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 2019-2035.

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 2019 to 2033.

NMFA Waterline 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 2020-2039.

The 2015 A & B Revenue Bonds, the Highway 15 Utility Improvements, the NMFA Colonias, the NMFA Wastewater Improvements, the NMFA Waterline Improvements, and the NMFA Utility System Note Payable are being paid from gross revenues of the Joint Utility System. The revenues pledged totaled \$7,847,471 at June 30, 2018, and equal 6.1% of future gross revenues at their current rate. During the year ended June 30, 2018, the Town collected \$7,562,276 in pledged revenues, and retired \$378,574 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 2019-2023.

The revenues pledged totaled \$616,211 at June 30, 2018, and equal 61% of future gross receipts taxes at their current rate. During the year ended June 30, 2018, the Town collected \$202,363 in pledged revenues, and retired \$118,696 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 2019-2038.

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, 2018 is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 550,712	\$ 205,180	\$ 593,999	\$ 212,315
2020	529,112	189,330	611,681	200,186

2021	548,493	173,385	412,386	187,089
2022	506,866	157,074	418,072	176,883
2023	502,421	141,696	416,388	165,757
2024-2028	2,051,762	491,108	1,514,097	667,757
2029-2033	1,452,089	149,202	1,622,588	375,048
2034-2038	36,956		824,920	62,476
2039-2043	<u>886</u>	<u> </u>	<u>2,040</u>	<u>-0-</u>
	<u>\$6,179,297</u>	<u>\$1,506,975</u>	<u>\$ 6,416,171</u>	<u>\$2,047,511</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	\$ 97,201
Public Safety GRT	47,252
Municipal Streets	123,362
Fire Protection	147,105
Library	112,930
Other	<u>198,040</u>
	<u>\$ 725,890</u>

The Town reports \$2,514,624 in restricted net position in governmental activities, of which \$2,514,624 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, 2107 available at <http://www.pera.state.nm.us/pdf/AuditffinancialStatements/356PublicEmployeesRetirementAssociation2017.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 FY17 for the various PERA coverage options for both Tier I and Tier II, see the tables available in the note disclosures on page 40 of the PERA 17 annual audit at <http://osanm.org/media/audits/366PublicEmployeesRetirementAssociation2017.pdf>. The PERA coverage options that apply to the Town of Silver City are the Municipal General, Municipal Police and Municipal Fire. Statutorily required contributions to the pension plan from the Town of Silver City were \$780,375 for the year ended June 30, 2018.

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The 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, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY2017 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, 2018, the Town reported a liability of \$5,154,192 for its proportionate share of the net pension liability. At June 30, 2017, the Town’s proportion was .3751 percent, and was .3857 percent measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized PERA Fund Division Municipal General pension expense of \$551,765. At June 30, 2018, 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	\$ 202,525	\$ 263,982
Changes of assumptions	237,685	53,262
Net difference between projected and actual earnings on pension plan investments	422,870	
Changes in proportion and differences between the Town’s contributions and proportionate share of contributions		155,065
The Town’s contributions subsequent to the measurement date	<u>432,489</u>	<u> </u>
Total	<u>\$ 1,295,569</u>	<u>\$ 472,309</u>

\$432,489 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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	\$ 74,797
2020	399,265
2021	40,290
2022	(123,581)

For PERA Fund Division – Municipal Police, at June 30, 2018, the Town reported a liability of \$3,682,844 for its proportionate share of the net pension liability. At June 30, 2017, the Town’s proportion was .6629%, and for 2016 was .6768%.

For the year ended June 30, 2018, the Town recognized PERA Fund Division Municipal Police pension expense of \$330,688. At June 30, 2018, 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	\$ 223,677	\$ 688,104
Changes of assumptions	219,117	85,638
Net difference between projected and actual earnings on pension plan investments	296,603	
Changes in proportion and differences between the Authority contributions and proportionate share of contributions		196,501
The Authority's contributions subsequent to the measurement date	<u>218,088</u>	<u> </u>
Total	<u>\$ 957,485</u>	<u>\$ 970,243</u>

\$218,088 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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	\$ (136,226)
2020	120,149
2021	(128,046)
2022	(86,723)

For PERA Fund Division – Municipal Fire, at June 30, 2018, the Town reported a liability of \$4,248,173 for its proportionate share of the net pension liability. At June 30, 2017, the Town's proportion was .7425% and for 2016 was .7801%.

For the year ended June 30, 2018, the Town recognized PERA Fund Division Municipal Fire pension expense of \$286,029. At June 30, 2018, 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	\$ 138,712	\$ 531,941

Changes of assumptions	167,947	26,634
Net difference between projected and actual earnings on pension plan investments	159,472	
Changes in proportion and differences between the Authority contributions and proportionate share of contributions		348,261
The Authority's contributions subsequent to the measurement date	<u>129,798</u>	<u> </u>
Total	<u>\$ 595,929</u>	<u>\$ 906,836</u>

\$129,798 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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	\$ (186,656)
2020	(51,304)
2021	(156,800)
2022	(45,945)

Actuarial Assumptions – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2016 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	

- Investment 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 7.51 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.

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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PERA Fund Division Municipal General	<u>(6.51%)</u>	<u>(7.51%)</u>	<u>(8.51%)</u>
The Town’s proportionate share of the net pension liability	<u>\$ 8,078,320</u>	<u>\$ 5,154,192</u>	<u>\$ 2,722,372</u>

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PERA Fund Division Municipal Police	<u>(6.51%)</u>	<u>(7.51%)</u>	<u>\$ (8.51%)</u>
The Town’s proportionate share of the net pension liability	<u>\$ 5,873,115</u>	<u>\$ 3,682,844</u>	<u>\$ 1,885,403</u>

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PERA Fund Division Municipal Fire	<u>(6.51%)</u>	<u>(7.51%)</u>	<u>\$ (8.51%)</u>
The Town's proportionate share of the net pension liability	<u>\$ 5,693,651</u>	<u>\$ 4,248,173</u>	<u>\$ 3,056,967</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued FY17 PERA financial report. This report is available at <http://www.pera.state.nm.us/publications.html>.

Note 11 Retiree Health Care Plan

Summary of Significant Accounting Policies

For purposes of measuring the net other postemployment benefits liability (OPEB) deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Authority (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Care Authority

The New Mexico Retiree Health Care Authority (the Authority) was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (the Fund) under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

RHCA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmrhca.state.nm.us, or by contacting the New Mexico Retiree Health Care Authority at 4308 Carlisle N.E., Albuquerque, N.M. 87107.

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

The plan has 310 participating employers and 160,035 current members, including active employees, terminated eligible members, retirees, and surviving spouses. As of June 30,

2017, membership in the plan consists of the following:

Plan membership:	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u>160,035</u>
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

The Authority is an independent agency of the State of New Mexico. The funds administered by the Authority are considered part of the State of New Mexico financial reporting entity and are OPEB Trust Funds of the State of New Mexico. The Authority's financial information is included with the financial presentation of the State of New Mexico.

Employer and employee contributions to the Authority total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as "optional coverages". See Section 10-7C-13 NMSA 1978 for more details.

The plan's actuarial valuation and measurement of the net OPEB liability and other OPEB amounts were performed by the Authority's independent actuary as of June 30, 2017. The plan's valuation and measurement of the total OPEB liability and related net OPEB liability were performed in accordance with GASB No. 74. The components of the net OPEB liability as of June 30, 2017 are as follows:

	<u>June 30, 2017</u>
Total OPEB liability	\$ 5,111,141,659
Plan fiduciary net position	<u>579,468,641</u>
Net OPEB liability	<u>\$ 4,531,673,018</u>

Plan fiduciary net position as a percentage of the total OPEB liability (funded status)	11.34%
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OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

The Town of Silver City reported a liability of \$6,465,338 for its proportionate share of

the net OPEB liability. The Town's proportion of the net OPEB liability based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2017. At June 30, 2017, the Town's proportion was .14267 percent.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$257,037. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$	\$ 248,105
Net difference between projected and actual earnings on plan investments		93,008
Changes of assumptions		1,130,382
The Town's contributions subsequent to the measurement date	<u>123,034</u>	<u> </u>
Total	<u>\$ 123,034</u>	<u>\$1,471,495</u>

\$123,034 reported as deferred outflows of resources related to OPEB resulting from the Town contributions subsequent to the measurement date, June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2019	\$ (312,850)
2020	(312,850)
2021	(312,850)
2022	(312,850)
2023	(220,095)

Actuarial Valuation

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay calculated on individual employee basis

Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA Members: RP-2000 Combined Healthy Mortality.

Rate of Return

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Rate of Return</u>
U.S. Core Fixed Income	20%	4.1%
U.S. Equity – Large Cap	20%	9.1%
Non U.S. – Emerging Markets	15%	12.2%
Non U.S. – Developed Equities	12%	9.8%
Private Equity	10%	13.8%
Credit and Structured Finance	10%	7.3%
Real Estate	5%	6.9%
Absolute Return	5%	6.1%
U.S. Equity – Small/Mid Cap	3%	9.1%

Discount Rate

The discount rate used to measure the total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution

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

Sensitivity of the Net Cooperative's OPEB Liability

The following presents the District's net OPEB liability, calculated using the discount rate of 3.81%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

<u>1% Decrease</u> <u>(2.81%)</u>	<u>Current Discount</u> <u>(3.81%)</u>	<u>1% Increase</u> <u>(4.81%)</u>
\$ 7,842,354	\$6,465,338	\$5,384,945

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, 2018:

	<u>General</u>
HIDTA	\$ 2,518
Fueling Station	2,534
Golf Course Surcharge	5,699
Century Cable	14,560
Downtown Sidewalks	9,148

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, 2018, consisted of the following:

	<u>Inter-fund Payable</u>		
	<u>General Fund</u>	<u>All Other Funds</u>	<u>Total</u>
<u>Inter-fund Receivable</u>			
General Fund	\$	\$ 60,845	\$ 60,845
Other Funds	<u>8,710</u>	<u> </u>	<u>8,710</u>
	<u>\$ 8,710</u>	<u>\$ 60,845</u>	<u>\$ 69,555</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 2018:

	<u>Transfers From</u>			
	<u>General</u>	<u>Water and Sewer</u>	<u>All Others</u>	<u>Total</u>
<u>Transfers To</u>				
All others	\$ <u>411,772</u>	\$ <u>369,860</u>	\$ <u>68,005</u>	\$ <u>849,637</u>
Total	<u>\$ 411,772</u>	<u>\$ 369,860</u>	<u>\$ 68,005</u>	<u>\$ 849,637</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, 2018 was \$30,000.

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

2019	\$ 30,000
2020	30,000
2021	30,000
2022	30,000
2023	30,000
2024-2028	150,000
2029-2033	150,000
2034-2038	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 12, 2018, the date which the financial statements were available to be issued.

Note 18 Restatements

During the fiscal year ended June 30, 2018, the Town adopted Governmental Accounting Standards Board Statement No. 75. This statement requires the recognition of a net other postemployment benefit liability for the unfunded postemployment benefits as currently measured by the Retiree Health Care Authority.

	<u>Government</u> <u>Wide</u>	<u>Utility</u>	<u>Total</u>
Retiree Health Care Authority as of June 30, 2017	<u>\$3,455,908</u>	<u>\$4,223,888</u>	<u>\$7,679,796</u>

Note 19 Tax Abatement Disclosures

The Town has no need to make any tax abatement disclosures as required by Governmental Accounting Standards Board Statement 77, since no abatements exist.

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***

	2018	2017	2016	2015
Silver City's proportion of the net pension liability	.3751%	.3857%	.3926%	.4020%
Silver City's proportionate share of the net pension liability	\$ 5,154,192	\$ 6,162,188	\$ 4,002,897	\$ 3,132,131
Silver City's covered payroll	\$ 3,030,694	\$ 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	170%	193%	126%	102%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Silver City's proportion of the net pension liability	.6629	.6768%	.6921%	.7670%
Silver City's proportionate share of the net pension liability	\$ 3,682,844	\$ 4,993,632	\$ 3,328,005	\$ 2,504,900
Silver City's covered payroll	\$ 1,580,348	\$ 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	233%	330%	230%	167%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Silver City's proportion of the net pension liability	.7425	.7801%	.8010%	.9086%
Silver City's proportionate share of the net pension liability	\$ 4,248,173	\$ 5,204,060	\$ 414,107	\$ 3,792,491
Silver City's covered payroll	\$ 940,567	\$ 841,590	\$ 936,304	\$ 995,236
Silver City's proportionate share of the net pension liability as a percentage of its covered payroll	452%	618%	442%	381%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 432,489	\$ 442,108	\$ 304,214	\$ 292,591
Contributions in relation to contractually required contributions	<u>(432,489)</u>	<u>(442,108)</u>	<u>(572,952)</u>	<u>(658,255)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (268,738)</u>	<u>\$ (365,664)</u>
Silver City's covered payroll	\$ 3,030,694	\$ 3,200,581	\$ 3,185,485	\$ 3,063,784
Contributions as a percentage of covered payroll	14.27%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 218,088	\$ 209,110	\$ 273,191	\$ 284,229
Contributions in relation to contractually required contributions	<u>(218,088)</u>	<u>(209,110)</u>	<u>(477,420)</u>	<u>(476,522)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (204,229)</u>	<u>\$ (192,293)</u>
Silver City's covered payroll	\$ 1,580,348	\$ 1,515,290	\$ 1,435,456	\$ 1,503,856
Contributions as a percentage of covered payroll	13.80%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 129,798	\$ 116,139	\$ 192,410	\$ 215,469
Contributions in relation to contractually required contributions	<u>(129,798)</u>	<u>(116,139)</u>	<u>(379,065)</u>	<u>(362,555)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (186,655)</u>	<u>\$ (147,086)</u>
Silver City's covered payroll	\$ 940,567	\$ 841,590	\$ 936,304	\$ 995,236
Contributions as a percentage of covered payroll	13.80%	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, 2018

Change in benefit terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2017.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202017.pdf).

Changes of valuation – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at:

http://www.pera.state.nm.us/pdf/Investment/RetirementFundValuationReports/6-30-2017%20PERA%20Valuation%20Report_FINAL.pdf.

The Summary of Financial Information for the PERA Fund states the return on the actuarial value of assets was 11.1% compared to the expected return of 7.48%. The report indicates the total decrease to the unfunded actuarial accrued liability is \$890,154,980 and results in an increase to the funded ratio from 69.18%% to 73.74%. For details about the actuarial assumptions, see the actuarial section of the report.

Town of Silver City
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER
 POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY OF THE
 RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN
 LAST 10 FISCAL YEARS***

	2017
Town of Silver City's proportion of the net OPEB liability	.14267%
Town of Silver City's share of the OPEB liability	\$ 6,465,338
Town of Silver City's covered employee payroll	\$ 5,553,578
Town of Silver City's proportionate share of the net OPEB liability as a percentage of it covered employee payroll	100%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

Town of Silver City
SCHEDULE OF CONTRIBUTIONS
RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN
LAST 10 FISCAL YEARS*

	2017
Contractually required contributions	\$ 123,034
Contributions in relation to contractually required contributions	(123,034)
Contribution deficiency (excess)	\$ -
Town of Silver City covered employee payroll	\$ 5,553,578
Town of Silver City's contributions as a percentage of its covered employee payroll	2%

*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, Town of Silver City will present information for those years for which information is available.

Town of Silver City
NOTES TO REQUIRED RETIREE HEALTH CARE AUTHORITY (RHCA)
SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

Changes in benefit terms – The eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Retiree Health Care Plan**.

Changes of Assumptions

RHCA conducted an actuarial experience study for the Plan as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the Public Employees Retirement Association (PERA) of New Mexico Actuarial Valuation as of June 30, 2016, and the New Mexico Educational Retirement Board (ERB) Actuarial Experience Study as of June 30, 2016. Changes in those assumptions as they relate to the Town of Silver City are detailed in the ERB notes to supplementary information included elsewhere in this report.

1. Fiscal year 2017 valuation assumptions are as follows:
 - a. Inflation assumptions 2.50% for ERB, 2.25% for PERA
 - b. Investment return assumption 7.25%
 - c. Health care trend 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Town of Silver City
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	<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	\$ 488,509	\$ 994,937	\$ 682,825	\$ 2,166,271
Taxes receivable	201,182		92,233	293,415
Interfund receivable		8,710		8,710
Grants receivable	19,724	348,741		368,465
Accounts receivable			4,675	4,675
Other taxes receivable			98,879	98,879
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 709,415</u>	<u>\$ 1,352,388</u>	<u>\$ 878,612</u>	<u>\$ 2,940,415</u>
Liabilities				
Accounts payable	\$ 56,659	\$ 300,492	\$ -	\$ 357,151
Interfund payable	49,378	11,467		60,845
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 106,037</u>	<u>\$ 311,959</u>	<u>\$ -</u>	<u>\$ 417,996</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ 92,206	\$ 92,206
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows or resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,206</u>	<u>\$ 92,206</u>
Fund balance:				
Restricted:	\$ -	\$ -	\$ -	\$ -
Public safety	224,177			224,177
Culture-recreation	281,150			281,150
Public works	123,362			123,362
Capital Projects		1,049,577		1,049,577
Debt service			786,406	786,406
Unassigned	(25,311)	(9,148)		(34,459)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>\$ 603,378</u>	<u>\$ 1,040,429</u>	<u>\$ 786,406</u>	<u>\$ 2,430,213</u>
Total liabilities, deferred inflows of resources, and fund balances				
	<u>\$ 709,415</u>	<u>\$ 1,352,388</u>	<u>\$ 878,612</u>	<u>\$ 2,940,415</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, 2018

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Non-Major Governmental Funds
Revenues:				
Property taxes	\$ -	\$ -	\$ 35	\$ 35
Gross receipt taxes	607,088		553,665	1,160,753
Lodgers tax	294,951			294,951
Gas taxes	231,250			231,250
State sources	460,251	456,730		916,981
Federal sources	45,393	395,628		441,021
Fines, licenses and permits	3,863		37,274	41,137
Charges for services	180,295			180,295
Miscellaneous	30,447		2,915	33,362
Total revenues	\$ 1,853,538	\$ 852,358	\$ 593,889	\$ 3,299,785
Expenditures:				
Current:				
General government	\$ 182,829	\$ -	\$ -	\$ 182,829
Public safety	731,503			731,503
Public works	397,582	44,257		441,839
Health and welfare				-
Culture recreation	412,281	4,200		416,481
Debt service:				
Principal	69,471		577,257	646,728
Interest	8,533		214,138	222,671
Capital outlay	38,839	1,006,325		1,045,164
Total expenditures	\$ 1,841,038	\$ 1,054,782	\$ 791,395	\$ 3,687,215
Revenues over (under) expenditures	\$ 12,500	\$ (202,424)	\$ (197,506)	\$ (387,430)
Other financing sources (uses):				
Loan proceeds		17,714		17,714
Transfer in	175,968	403,795	269,874	849,637
Transfer (out)	(30,593)		(37,412)	(68,005)
Net change in fund balances	\$ 157,875	\$ 219,085	\$ 34,956	\$ 411,916
Fund balance, July 1, 2017	445,503	821,344	751,450	2,018,297
Fund balance, June 30, 2018	<u>\$ 603,378</u>	<u>\$ 1,040,429</u>	<u>\$ 786,406</u>	<u>\$ 2,430,213</u>

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	<u>Fire Protection</u>	<u>Lodgers Tax</u>	<u>Law Enforcement Protection</u>	<u>Correction Fees</u>
Assets				
Cash and investments	\$ 158,356	\$ 85,796	\$ 9,364	\$ 538
Taxes receivable		53,763		
Grants receivable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 158,356</u>	<u>\$ 139,559</u>	<u>\$ 9,364</u>	<u>\$ 538</u>
Liabilities				
Accounts payable	\$ 11,251	\$ 20,388	\$ 3,145	\$ 470
Interfund payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 11,251</u>	<u>\$ 20,388</u>	<u>\$ 3,145</u>	<u>\$ 470</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:				
Restricted:				
Public safety	\$ 147,105	\$ -	\$ 6,219	\$ 68
Culture and recreation		119,171		
Public works				
Health and welfare				
Unassigned				
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<u>\$ 147,105</u>	<u>\$ 119,171</u>	<u>\$ 6,219</u>	<u>\$ 68</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 158,356</u>	<u>\$ 139,559</u>	<u>\$ 9,364</u>	<u>\$ 538</u>

<u>EMS Grant</u>	<u>JJAC</u>	<u>Fueling Station</u>	<u>Municipal Street</u>	<u>Drug Free Communities</u>	<u>Tourism Development</u>
\$ 23	\$ -	\$ -	\$ 50,000	\$ 21,949	\$ 1,483
	15,120		73,362		
<u>\$ 23</u>	<u>\$ 15,120</u>	<u>\$ -</u>	<u>\$ 123,362</u>	<u>\$ 21,949</u>	<u>\$ 1,483</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	13,559	2,534			
<u>\$ -</u>	<u>\$ 13,559</u>	<u>\$ 2,534</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>	<u>\$ -</u>	<u>\$ -</u>
\$ 23	\$ 1,561	\$ -	\$ -	\$ 21,949	\$ -
			123,362		1,483
		(2,534)			
<u>\$ 23</u>	<u>\$ 1,561</u>	<u>\$ (2,534)</u>	<u>\$ 123,362</u>	<u>\$ 21,949</u>	<u>\$ 1,483</u>
<u>\$ 23</u>	<u>\$ 15,120</u>	<u>\$ -</u>	<u>\$ 123,362</u>	<u>\$ 21,949</u>	<u>\$ 1,483</u>

Town of Silver City
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS (concluded)
June 30, 2018

	<u>Public Safety GRT</u>	<u>NM Clean and Beautiful</u>	<u>Library</u>
Assets			
Cash and investments	\$ -	\$ -	\$ 113,462
Taxes receivable	74,057		
Grants receivable		23	
	<u>74,057</u>	<u>23</u>	<u>113,462</u>
Total assets	<u>\$ 74,057</u>	<u>\$ 23</u>	<u>\$ 113,462</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 532
Interfund payable	26,805		
	<u>26,805</u>		<u>532</u>
Total liabilities	<u>\$ 26,805</u>	<u>\$ -</u>	<u>\$ 532</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	\$ 47,252	\$ -	\$ -
Culture and recreation		23	112,930
Public works			
Health and welfare			
Unassigned			
	<u>47,252</u>	<u>23</u>	<u>112,930</u>
Total fund balance	<u>\$ 47,252</u>	<u>\$ 23</u>	<u>\$ 112,930</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 74,057</u>	<u>\$ 23</u>	<u>\$ 113,462</u>

<u>Historical Preservation</u>	<u>HIDTA</u>	<u>Forward Estate</u>	<u>Century Cable</u>	<u>Golf Course Surcharge</u>	<u>Total</u>
\$ -	\$ -	\$ 47,538	\$ -	\$ -	\$ 488,509
4,581					201,182
<u>4,581</u>					<u>19,724</u>
<u>\$ 4,581</u>	<u>\$ -</u>	<u>\$ 47,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,415</u>
\$ -	\$ 299	\$ 315	\$ 14,560	\$ 5,699	\$ 56,659
4,261	2,219				49,378
<u>4,261</u>	<u>2,518</u>	<u>315</u>	<u>14,560</u>	<u>5,699</u>	<u>106,037</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -		\$ -	\$ -	\$ -	\$ 224,177
320		47,223			281,150
	(2,518)		(14,560)	(5,699)	123,362
					-
					(25,311)
<u>\$ 320</u>	<u>\$ (2,518)</u>	<u>\$ 47,223</u>	<u>\$ (14,560)</u>	<u>\$ (5,699)</u>	<u>\$ 603,378</u>
<u>\$ 4,581</u>	<u>\$ -</u>	<u>\$ 47,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,415</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, 2018

	<u>Fire Protection</u>	<u>Lodgers Tax</u>	<u>Law Enforcement Protection</u>	<u>Correction Fees</u>
Revenues:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Lodgers tax		294,951		
Gas tax				
State sources	262,815	32,752	37,400	
Federal sources				
Charges for services				
Fines, licenses and permits				3,863
Miscellaneous				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 262,815</u>	<u>\$ 327,703</u>	<u>\$ 37,400</u>	<u>\$ 3,863</u>
Expenditures:				
Current:				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	114,049	6,217	34,863	4,929
Public works				
Health and welfare				
Culture recreation		221,097		
Debt - Principal	30,196			
Debt - Interest	2,313			
Capital outlay	38,839			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 185,397</u>	<u>\$ 227,314</u>	<u>\$ 34,863</u>	<u>\$ 4,929</u>
Revenues over (under) expenditures	\$ 77,418	\$ 100,389	\$ 2,537	\$ (1,066)
Other financing sources (uses):				
Transfer in				
Transfer (out)				
Loan proceeds				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	\$ 77,418	\$ 100,389	\$ 2,537	\$ (1,066)
Fund balance, July 1, 2017	<u>\$ 69,687</u>	<u>\$ 18,782</u>	<u>\$ 3,682</u>	<u>\$ 1,134</u>
Fund balance, June 30, 2018	<u><u>\$ 147,105</u></u>	<u><u>\$ 119,171</u></u>	<u><u>\$ 6,219</u></u>	<u><u>\$ 68</u></u>

<u>EMS Grant</u>	<u>JJAC</u>	<u>Fueling Station</u>	<u>Municipal Street</u>	<u>Drug Free Communities</u>	<u>Tourism Development</u>
\$ -	\$ -	\$ -	\$ 202,363	\$ -	\$ -
11,481	86,089		231,250		15,000
		180,295		5,652	
<u>\$ 11,481</u>	<u>\$ 86,089</u>	<u>\$ 180,295</u>	<u>\$ 433,613</u>	<u>\$ 5,652</u>	<u>\$ 15,000</u>
\$ -	\$ -	\$ 182,829	\$ -	\$ -	\$ -
11,793	84,997		321,992	13,633	
			39,275		29,916
			6,220		
<u>\$ 11,793</u>	<u>\$ 84,997</u>	<u>\$ 182,829</u>	<u>\$ 367,487</u>	<u>\$ 13,633</u>	<u>\$ 29,916</u>
\$ (312)	\$ 1,092	\$ (2,534)	\$ 66,126	\$ (7,981)	\$ (14,916)
			(30,593)		14,916
<u>\$ (312)</u>	<u>\$ 1,092</u>	<u>\$ (2,534)</u>	<u>\$ 35,533</u>	<u>\$ (7,981)</u>	<u>\$ -</u>
<u>\$ 335</u>	<u>\$ 469</u>	<u>\$ -</u>	<u>\$ 87,829</u>	<u>\$ 29,930</u>	<u>\$ 1,483</u>
<u>\$ 23</u>	<u>\$ 1,561</u>	<u>\$ (2,534)</u>	<u>\$ 123,362</u>	<u>\$ 21,949</u>	<u>\$ 1,483</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, 2018

	Public Safety GRT	NM Clean and Beautiful	Library
Revenues:			
Gross receipts tax	\$ 404,725	\$ -	\$ -
Lodgers tax			
Gas tax			
State sources			1,000
Federal sources			
Charges for services			
Fines, licenses and permits			
Miscellaneous			16,279
Total revenues	\$ 404,725	\$ -	\$ 17,279
Expenditures:			
Current:			
General government	\$ -	\$ -	\$ -
Public safety	421,789		
Public works			
Health and welfare			
Culture recreation			19,397
Debt - Principal			
Debt - Interest			
Capital outlay			
Total expenditures	\$ 421,789	\$ -	\$ 19,397
Revenues over (under) expenditures	\$ (17,064)	\$ -	\$ (2,118)
Other financing sources (uses):			
Transfer in		22	
Transfer (out)			
Loan proceeds			
Net change in fund balances	\$ (17,064)	\$ 22	\$ (2,118)
Fund balance, July 1, 2017	\$ 64,316	\$ 1	\$ 115,048
Fund balance, June 30, 2018	\$ 47,252	\$ 23	\$ 112,930

<u>Historical Preservation</u>	<u>HITDA</u>	<u>Forward Estate</u>	<u>Century Cable</u>	<u>Golf Course Surcharge</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 607,088
					294,951
13,714					231,250
	39,741				460,251
					45,393
					180,295
					3,863
<u>13,714</u>		<u>454</u>			<u>30,447</u>
<u>\$ 27,428</u>	<u>\$ 39,741</u>	<u>\$ 454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,853,538</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182,829
	39,233				731,503
			75,590		397,582
					-
27,108		9,064		105,699	412,281
					69,471
					8,533
					38,839
<u>\$ 27,108</u>	<u>\$ 39,233</u>	<u>\$ 9,064</u>	<u>\$ 75,590</u>	<u>\$ 105,699</u>	<u>\$ 1,841,038</u>
\$ 320	\$ 508	\$ (8,610)	\$ (75,590)	\$ (105,699)	\$ 12,500
			61,030	100,000	\$ 175,968
					(30,593)
					-
\$ 320	\$ 508	\$ (8,610)	\$ (14,560)	\$ (5,699)	\$ 157,875
\$ -	\$ (3,026)	\$ 55,833	\$ -	\$ -	\$ 445,503
					-
<u>\$ 320</u>	<u>\$ (2,518)</u>	<u>\$ 47,223</u>	<u>\$ (14,560)</u>	<u>\$ (5,699)</u>	<u>\$ 603,378</u>

Town of Silver City
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
June 30, 2018

	<u>Debt Service</u>
Assets	
Cash and investments	\$ 682,825
Property taxes receivable	92,233
Other taxes receivable	98,879
Accounts receivable	<u>4,675</u>
 Total assets	 <u><u>\$ 878,612</u></u>
Liabilities	
Interfund payable	<u>\$ -</u>
 Total liabilities	 <u>\$ -</u>
Deferred Inflows of Resources	
Unavailable revenue	<u>\$ 92,206</u>
 Total deferred inflows of resources	 <u>\$ 92,206</u>
Fund balance:	
Restricted:	
Debt service	\$ 786,406
Unassigned	
 Total fund balance	 <u><u>\$ 786,406</u></u>
 Total liabilities, deferred inflows of resources and fund balances	 <u><u>\$ 878,612</u></u>

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, 2018

	Debt Service
Revenues:	
Property taxes	\$ 35
Gross receipts taxes	553,665
Licenses and fees	37,274
Miscellaneous	2,915
Total revenues	\$ 593,889
Expenditures:	
Current:	
General government	\$ -
Debt service:	
Principal	577,257
Interest	214,138
Loan issue costs	-
Total expenditures	\$ 791,395
Revenues over (under) expenditures	\$ (197,506)
Other financing sources (uses):	
Transfer in	269,874
Transfer out	(37,412)
Loan proceeds	-
Net change in fund balances	\$ 34,956
Fund balance, July 1, 2017,	751,450
Fund balance, June 30, 2018	\$ 786,406

Town of Silver City
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEETS
June 30, 2018

	Colonias Ridge Road	Legislative Allocation Vol. Center	Vista De Plata	2016 Colonias College Street	NMDOT Cooper
Assets					
Cash and investments	\$ 159,391	\$ -	\$ 15,288	\$ 804,841	\$ -
Interfund receivable	8,710				
Grants receivable					32,339
Total assets	\$ 168,101	\$ -	\$ 15,288	\$ 804,841	\$ 32,339
Liabilities					
Interfund payable	\$ 8,709	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,042			144,035	
Total liabilities	\$ 9,751	\$ -	\$ -	\$ 144,035	\$ -
Deferred Inflows of Resources					
Unavailable revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance:					
Restricted:					
Construction	\$ 158,350	\$ -	\$ 15,288	\$ 660,806	\$ 32,339
Unassigned					
Total fund balance	\$ 158,350	\$ -	\$ 15,288	\$ 660,806	\$ 32,339
Total liabilities, deferred inflows of resources, and fund balances	\$ 168,101	\$ -	\$ 15,288	\$ 804,841	\$ 32,339

<u>Conservation Fund</u>	<u>Downtown Sidewalks</u>	<u>NM DOT Visitors Parking Lot</u>	<u>Scott Park Improvements</u>	<u>Silver Street Phase III</u>	<u>12TH Street</u>	<u>Total</u>
\$ -	\$ -	\$ 9,573	\$ -	\$ -	\$ 5,844	\$ 994,937
	3,061			313,341		8,710
						348,741
<u>\$ -</u>	<u>\$ 3,061</u>	<u>\$ 9,573</u>	<u>\$ -</u>	<u>\$ 313,341</u>	<u>\$ 5,844</u>	<u>\$ 1,352,388</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,758	\$ -	\$ 11,467
	12,209			143,206		300,492
<u>\$ -</u>	<u>\$ 12,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,964</u>	<u>\$ -</u>	<u>\$ 311,959</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ 9,573	\$ -	\$ 167,377	\$ 5,844	\$ 1,049,577
	(9,148)					(9,148)
<u>\$ -</u>	<u>\$ (9,148)</u>	<u>\$ 9,573</u>	<u>\$ -</u>	<u>\$ 167,377</u>	<u>\$ 5,844</u>	<u>\$ 1,040,429</u>
<u>\$ -</u>	<u>\$ 3,061</u>	<u>\$ 9,573</u>	<u>\$ -</u>	<u>\$ 313,341</u>	<u>\$ 5,844</u>	<u>\$ 1,352,388</u>

Town of Silver City
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
June 30, 2018

	<u>Colonias Ridge Road</u>	<u>Legislative Allocation Vol. Center</u>	<u>Vista De Plata</u>	<u>2016 Colonias College Street</u>	<u>NMDOT Cooper</u>
Revenues:					
State sources	\$ 159,423	\$ 10,478	\$ -	\$ 94,409	\$ -
Federal sources					46,973
Miscellaneous					
Total revenues	\$ 159,423	\$ 10,478	\$ -	\$ 94,409	\$ 46,973
Expenditures:					
Current:					
Public works	\$ 29,523	\$ -	\$ -	\$ -	\$ -
Culture and recreation		4,200			
Capital outlay			1	365,908	51,315
Total expenditures	\$ 29,523	\$ 4,200	\$ 1	\$ 365,908	\$ 51,315
Revenues over (under) expenditures	\$ 129,900	\$ 6,278	\$ (1)	\$ (271,499)	\$ (4,342)
Other financing sources (uses):					
Loan proceeds	17,714				
Transfer in	11,778			28,908	81,481
Transfer out					
Net change in fund balance	\$ 159,392	\$ 6,278	\$ (1)	\$ (242,591)	\$ 77,139
Fund balance, July 1, 2017,	<u>(1,042)</u>	<u>(6,278)</u>	<u>15,289</u>	<u>903,397</u>	<u>(44,800)</u>
Fund balance, June 30, 2018	<u><u>\$ 158,350</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,288</u></u>	<u><u>\$ 660,806</u></u>	<u><u>\$ 32,339</u></u>

<u>Conservation Fund</u>	<u>Downtown Sidewalks</u>	<u>NM DOT Visitors Parking Lot</u>	<u>Scott Park Improvements</u>	<u>Silver Street Phase III</u>	<u>12TH Street</u>	<u>Total</u>
\$ 14,715	\$ 52,705	\$ -	\$ 125,000	\$ - 348,655	\$ -	\$ 456,730 395,628 -
<u>\$ 14,715</u>	<u>\$ 52,705</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 348,655</u>	<u>\$ -</u>	<u>\$ 852,358</u>
\$ 14,734	\$ - 63,537	\$ -	\$ - 169,894	\$ - 355,670	\$ -	\$ 44,257 4,200 1,006,325
<u>\$ 14,734</u>	<u>\$ 63,537</u>	<u>\$ -</u>	<u>\$ 169,894</u>	<u>\$ 355,670</u>	<u>\$ -</u>	<u>\$ 1,054,782</u>
\$ (19)	\$ (10,832)	\$ -	\$ (44,894)	\$ (7,015)	\$ -	\$ (202,424)
19	46,906	9,573	44,894	174,392	5,844	17,714 403,795 -
\$ -	\$ 36,074	\$ 9,573	\$ -	\$ 167,377	\$ 5,844	\$ 219,085
-	(45,222)	-	-	-	-	821,344
<u>\$ -</u>	<u>\$ (9,148)</u>	<u>\$ 9,573</u>	<u>\$ -</u>	<u>\$ 167,377</u>	<u>\$ 5,844</u>	<u>\$ 1,040,429</u>

Town of Silver City
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Municipal Court Bond				
Cash and investments	\$ 3,569	\$ 3,164	\$ 3,164	\$ 3,569
Receivables				-
Total assets	<u>\$ 3,569</u>	<u>\$ 3,164</u>	<u>\$ 3,164</u>	<u>\$ 3,569</u>
Liabilities				
Due to others	<u>\$ 3,569</u>	<u>\$ 3,164</u>	<u>\$ 3,164</u>	<u>\$ 3,569</u>

Town on Silver City
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2018

	Wells Fargo	Western Bank	First NM Bank	Total
Checking and CD's Investments	\$ 2,820,422	\$ 51,103	\$ 14,484	\$ 2,886,009
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 2,820,422	\$ 51,103	\$ 14,484	\$ 2,886,009
Less: FDIC insurance	<u>(250,000)</u>	<u>(51,103)</u>	<u>(14,484)</u>	<u>(315,587)</u>
Total uninsured public funds	<u><u>\$ 2,570,422</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,570,422</u></u>
50% collateralization requirement (Section 6-10-17 NMSA)	<u>\$ 1,285,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,285,211</u>
 Pledged Securities:				
FMAC FGPC Cusip #3128MJWQ9 3.5% 7/1/45	\$ 906,858			\$ 906,858
FMAC FGPC Cusip #3128P8BV2 3.0% 10/1/35	<u>636,951</u>	<u>-</u>	<u>-</u>	<u>636,951</u>
Total pledged securities	<u>\$ 1,543,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,543,809</u>
Pledged securities over (under) requirement	<u><u>\$ 258,598</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 258,598</u></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, 2018

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Wells Fargo</u>			
General	Checking	\$ 2,776,256	\$ 2,553,564
Forward Library	Checking	40,363	40,363
Municipal Court	Checking	3,796	3,569
2011 Bond Projects	Checking	7	7
General	Savings		
		<u>\$ 2,820,422</u>	<u>\$ 2,597,503</u>
<u>LGIP</u>			
Refunding Reserve	LGIP	\$ 506	\$ 506
Library	LGIP	<u>25,872</u>	<u>25,872</u>
		<u>\$ 26,378</u>	<u>\$ 26,378</u>
<u>Edward Jones</u>			
General Fund and Library Memorial	Money Market	\$ 12,265	\$ 12,265
	Mutual Funds	<u>12,265</u>	<u>12,265</u>
		<u>\$ 24,530</u>	<u>\$ 24,530</u>
<u>First New Mexico Bank</u>			
General Fund	CD	<u>\$ 14,484</u>	<u>\$ 14,484</u>
<u>Western Bank</u>			
General Fund	CD	<u>\$ 51,103</u>	<u>\$ 51,103</u>
<u>NMFA</u>			
Cash on deposit with paying agent	NMFA	<u>\$ 1,351,373</u>	<u>\$ 1,351,373</u>
Cash on hand			<u>\$ 3,100</u>
		<u>\$ 4,288,290</u>	<u>\$ 4,068,471</u>

Town of Silver City
SCHEDULE OF JOINT POWERS AGREEMENTS
 For the Fiscal Year Ended June 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

	Baseball Fields 16-A4039	Volunteer Center 15-0784
Original appropriation	\$ 125,000	\$ 30,000
Additions/Deletions	<u> </u>	<u> -</u>
Amended appropriation	<u>\$ 125,000</u>	<u>\$ 30,000</u>
Expended through June 30, 2018	\$ 125,000	\$ 28,176
Encumbrances	<u> </u>	<u> -</u>
Total committed	<u>\$ 125,000</u>	<u>\$ 28,176</u>
Project expiration date	Completed	6/30/2019

Town of Silver City
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2018

<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 THE INTERIOR</u>				
Direct:				
Historic Preservation Grant	15.904	N/A	\$ -	\$ 16,714
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed through NM Department of Transportation:				
Surface Transportation Discretionary Grants	20.932	D14908	\$ -	\$ 348,655
Recreational Trails Program	20.219	N/A	-	29,954
Total U.S. Department of Transportation			\$ -	\$ 378,609
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct:				
Bullet Proof Vest Partnership Program	16.607	N/A	\$ -	\$ 1,172
Passed through the NM Department of Children, Youth & Families:				
Juvenile Justice and Delinquency Prevention	16.540	001-1400-515-50-40	-	84,997
Total U.S. Department of Justice			\$ -	\$ 86,169
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct:				
Drug Free Communities	93.276	N/A	\$ -	\$ 13,633
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>				
Direct:				
High Intensity Drug Trafficking Areas Program	95.001	N/A	\$ -	\$ 39,908
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Passed through the New Mexico Department of Housing and Urban Development:				
Community Development Block Grants-States Program	14.228	16-C-NR-I-01-G-14	\$ -	\$ 353,100
Total expenditures of federal awards			\$ -	\$ 888,133

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, 2018

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, 2018. 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, 2018

Current Status

Findings – Financial Statement Audit

FS 2017-001 Separation of duties insufficient

Resolved

Findings and Questioned Costs – Major Federal Award programs

None



MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, 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 comparisons for the general fund of Town of Silver City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Town of Silver City's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 2018-001.

Town of Silver City's Responses to Findings

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 12, 2018

Stone, McGee & Co.
Certified Public Accountants

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, 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, 2018. 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, 2018.

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 12, 2018

Stone, McGee & Co.
Certified Public Accountants

Town of Silver City
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018

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. No significant deficiencies related to 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*.
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 Community Development Block Grants – States Program, CFDA No. 14.228.
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

2018-001 Cash Controls (Other Noncompliance)

Condition – The Town's utility billing cash drawers do not have the capability of being locked. Although the drawers are behind a glass partition which prevents the general public from accessing them, Town personnel have access to this area.

Criteria – Sound internal controls require that cash drawers be kept under lock and key when unattended.

Effect – There is an increased likelihood that cash could be removed from the drawers.

Cause – The Town has not provided a locking device for the cash drawers.

Recommendation – We recommend that the Town provide locking cash drawers for the utility billing department, allowing each utility billing clerk the ability to secure their drawer when it is unattended.

Agency Response – The locking mechanisms will be installed immediately. The utility billing supervisor will be responsible for this task, and it is expected that it will be complete by December 31, 2018.

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 11, 2018. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Jose A. Ray, Jr.	Councilor	Town of Silver city
Alex Brown	City Manager	Town of Silver City
Anita Norero	Deputy Finance Director	Town of Silver City
Vanessa Cardenas	Purchasing Agent	Town of Silver City
Olivia Britton	Utility Billing Supervisor	Town of Silver City
Mike Stone, CPA	Shareholder	Stone, McGee & Co., CPA's