
STATE OF NEW MEXICO
City of Texico
June 30, 2016

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2016
With Independent Auditor's Report Thereon

Sandra Rush
Certified Public Accountant, PC

1101 E Llano Estacado
Clovis, New Mexico 88101

Introductory Section

STATE OF NEW MEXICO
CITY OF TEXICO

Official Roster
For the year ended June 30, 2016

Board of Trustees

Jerry Bradley

Mayor

Oran Jay Autrey

Mayor Pro Tem

Max Carter

Member

Audrey Kittrell

Member

Doug Scioli

Member

Administrative Officials

Carolyn Johnson

Clerk-Treasurer

STATE OF NEW MEXICO
CITY OF TEXICO
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CITY OF TEXICO
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Financial Section

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Independent Auditor's Report

Timothy Keller
New Mexico State Auditor
The Governing Board
City of Texico
Texico, New Mexico

Report on Financial Statements

I 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 and major special revenue fund of the City of Texico (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. I also have audited the financial statements of each of the City's nonmajor governmental, fiduciary fund and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents. I did not audit the 2015 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employees Retirement Association (PERA), the administrator of the cost sharing pension plan for the City. The schedules and statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the City, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

I was not able to verify balances due to inadequate accounting records relating to the City's capital assets, accumulated depreciation, and depreciation expense accounts as of and for the year ended June 30, 2016. Furthermore, evidence supporting historical cost of capital assets maintained by the City was not available. I was not able to verify either accumulated depreciation at July 1, 2015 or the depreciation expense for the fiscal year ended June 30, 2016. I was unable to determine these amounts through the use of alternative procedures and, as such, am unable to express an opinion on capital assets as of June 30, 2016, and the depreciation accrual for the year then ended. The effect on assets, net position, and expenditures of the governmental activities and business-type activities are not readily determinable.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in my opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City as of June 30, 2016, and the respective changes in financial position, thereof and the respective budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in my opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the general fund and each of the City's nonmajor funds for the year then ended June 30, 2016 in conformity with the budgetary basis more fully described in Note 2, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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. My opinion on the basic financial statements is not affected by this missing information.

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

Other Information

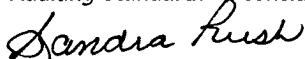
My audit was conducted for the purpose of forming opinions on the City's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and 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 the auditing standards generally accepted in the United States of America. In my opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 7, 2016 on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Sandra Rush CPA PC
Clovis, New Mexico
December 7, 2016

Basic Financial Statements

Government-wide Financial Statements

STATE OF NEW MEXICO
CITY OF TEXICO
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 1,573,699	\$ 199,654	\$ 1,773,353
Accounts receivable			
Tax	51,417	1,423	52,840
Grantor	813	-	813
Other	1,428	-	1,428
Sales (net)	-	40,617	40,617
Total current assets	<u>1,627,357</u>	<u>241,694</u>	<u>1,869,051</u>
Noncurrent assets			
Restricted cash, customer meter deposits	-	44,636	44,636
Cash NMFA state treasurer	40,242	-	40,242
Cash NMFA funds held reserve	14,186	10,195	24,381
Capital assets	3,354,142	1,915,206	5,269,348
Less: accumulated depreciation	<u>(2,652,195)</u>	<u>(1,196,033)</u>	<u>(3,848,228)</u>
Total noncurrent assets	<u>756,375</u>	<u>774,004</u>	<u>1,530,379</u>
Total assets	<u>2,383,732</u>	<u>1,015,698</u>	<u>3,399,430</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Aggregated deferred outflows	<u>42,268</u>	<u>-</u>	<u>42,268</u>
Total assets and deferred outflows of resources	<u>\$ 2,426,000</u>	<u>\$ 1,015,698</u>	<u>\$ 3,441,698</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable	\$ 56,245	\$ 13,703	\$ 69,948
Accrued wages	5,377	1,953	7,330
Headstone deposits	660	-	660
Compensated absences	6,686	1,805	8,491
Current portion of long term debt	<u>204,889</u>	<u>37,527</u>	<u>242,416</u>
Total current liabilities	<u>273,857</u>	<u>54,988</u>	<u>328,845</u>
Non-current liabilities			
Customer meter deposits	-	43,984	43,984
Long term portion of long term debt	335,660	326,897	662,557
Net pension liability	<u>253,165</u>	<u>-</u>	<u>253,165</u>
Total non-current liabilities	<u>588,825</u>	<u>370,881</u>	<u>959,706</u>
Total liabilities	<u>862,682</u>	<u>425,869</u>	<u>1,288,551</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Aggregated deferred inflows	<u>11,587</u>	<u>-</u>	<u>11,587</u>
<u>NET POSITION</u>			
Net investment in capital assets	161,398	354,749	516,147
Restricted			
Special revenue fund	393,026	-	393,026
Unrestricted	<u>997,307</u>	<u>235,080</u>	<u>1,232,387</u>
Total net position	<u>1,551,731</u>	<u>589,829</u>	<u>2,141,560</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,426,000</u>	<u>\$ 1,015,698</u>	<u>\$ 3,441,698</u>

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

STATE OF NEW MEXICO
CITY OF TEXICO

Statement of Activities
For the year ended June 30, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenues		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
Elected officials	\$ 2,323	\$ -	\$ -	\$ -	\$ (2,323)	\$ -	\$ (2,323)
General financial	273,511	4,707	-	-	(268,804)	-	(268,804)
Judicial	20,898	-	-	-	(20,898)	-	(20,898)
Public safety	384,394	72,573	387,035	-	75,214	-	75,214
Public works	110,264	5,793	57,601	-	(46,870)	-	(46,870)
Culture and recreation	22,265	9,500	9,813	-	(2,952)	-	(2,952)
Health and welfare	3,624	-	-	-	(3,624)	-	(3,624)
Interest	8,134	-	-	-	(8,134)	-	(8,134)
Depreciation expense	189,115	-	-	-	(189,115)	-	(189,115)
Change in inflows / outflows	(10,578)	-	-	-	10,578	-	10,578
Total governmental activities	1,003,950	92,573	454,449	-	(456,928)	-	(456,928)
Business-type activities							
Public works	427,745	420,954	-	-	-	(6,791)	(6,791)
Total business-type activities	427,745	420,954	-	-	-	(6,791)	(6,791)
Total governmental and business-type activities	\$ 1,431,695	\$ 513,527	\$ 454,449	\$ -	\$ (456,928)	\$ (6,791)	\$ (463,719)
General Revenues							
Taxes							
					\$ 14,317	\$ -	\$ 14,317
					19,603	5,741	25,344
					119,225	-	119,225
					20,233	-	20,233
					61,148	-	61,148
					89,039	-	89,039
					-	5,058	5,058
					1,779	-	1,779
					27,647	-	27,647
					5,255	658	5,913
					5,126	-	5,126
					16,919	-	16,919
					185,154	-	185,154
					565,445	11,457	374,829
					108,517	4,666	113,183
					1,442,365	585,530	2,027,895
					849	(367)	482
					1,443,214	585,163	2,028,377
					\$ 1,551,731	\$ 589,829	\$ 2,141,560

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

Fund Financial Statements

STATE OF NEW MEXICO
 CITY OF TEXICO
 Balance Sheet
 Governmental Funds
 June 30, 2016

	General 101	Fire Protection 209	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash checking	\$ 1,179,646	\$ 344,337	\$ 49,716	\$ 1,573,699
Cash NMFA state treasurer	40,096	146	-	40,242
Cash NMFA funds held reserve	14,186	-	-	14,186
Accounts receivable				
Tax	51,417	-	-	51,417
Grantor	-	-	813	813
Other	-	1,428	-	1,428
	<u>1,285,345</u>	<u>345,911</u>	<u>50,529</u>	<u>1,681,785</u>
Total assets	<u>\$ 1,285,345</u>	<u>\$ 345,911</u>	<u>\$ 50,529</u>	<u>\$ 1,681,785</u>
<u>LIABILITIES</u>				
Accounts payables	\$ 53,881	\$ 2,198	\$ 166	\$ 56,245
Accrued wages	4,987	-	390	5,377
Headstone deposits	-	-	660	660
	<u>58,868</u>	<u>2,198</u>	<u>1,216</u>	<u>62,282</u>
Total liabilities	<u>58,868</u>	<u>2,198</u>	<u>1,216</u>	<u>62,282</u>
<u>FUND BALANCE</u>				
Restricted for				
Special revenue funds	-	343,713	49,313	393,026
Unassigned, reported in				
General government funds	<u>1,226,477</u>	<u>-</u>	<u>-</u>	<u>1,226,477</u>
	<u>1,226,477</u>	<u>343,713</u>	<u>49,313</u>	<u>1,619,503</u>
Total fund balance	<u>1,226,477</u>	<u>343,713</u>	<u>49,313</u>	<u>1,619,503</u>
Total liabilities and fund balance	<u>\$ 1,285,345</u>	<u>\$ 345,911</u>	<u>\$ 50,529</u>	<u>\$ 1,681,785</u>

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

STATE OF NEW MEXICO
CITY OF TEXICO
Reconciliation of the Balance Sheet All Governmental Funds
to the Statement of Net Position
For the year ended June 30, 2016

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

Fund balances - total governmental funds		\$ 1,619,503
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds

Capital assets	\$ 3,354,142	
Accumulated depreciation	<u>(2,652,195)</u>	701,947

Deferred outflows and inflows of resources related to pensions are applicable
to future periods and therefore, are not reported in the funds:

Deferred outflows of resources related to employer contribution subsequent to the measurement date	25,998	
Deferred outflows of resources related to change in proportion	8,340	
Deferred outflows of resources related to change in actuarial	<u>7,930</u>	42,268
Deferred inflows of resources related to change in assumption	(4,749)	
Deferred inflows of resources related to change in actuarial experience	(3,094)	
Deferred inflows of resources related to change in proportion	(2,987)	
Deferred inflows of resources related to investment experience	<u>(757)</u>	(11,587)

Certain long-term liabilities, including compensated absences, bonds payable,
lease purchase notes and net pension liability, are not due and payable in
the current period and therefore are reported in the funds

Accrued compensated absences	(6,686)	
Loans and notes payable	(540,549)	
Net pension liability	<u>(253,165)</u>	<u>(800,400)</u>
Net position of governmental activities		<u>\$ 1,551,731</u>

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

STATE OF NEW MEXICO
CITY OF TEXICO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016

	General 101	Fire Protection 209	Other Governmental Funds	Total Governmental Funds
Revenue				
Property tax	\$ 14,317	\$ -	\$ -	\$ 14,317
Franchise tax	19,603	-	-	19,603
Gross receipts tax	119,225	-	-	119,225
Gross receipts tax infrastructure	20,233	-	-	20,233
Licenses, fees, permits & fines	27,647	-	-	27,647
Charges for services	60	72,573	5,793	78,426
Investment interest	4,022	1,095	138	5,255
Rents	9,884	4,263	-	14,147
Insurance refunds/reimbursements	3,145	1,981	-	5,126
Donations	-	-	532	532
Local grant	-	-	2,304	2,304
LEPF DWI	3,179	-	-	3,179
Correction/housing fees	10,033	-	-	10,033
Gasoline tax 2 cents	61,148	-	-	61,148
Gross receipts tax (1.35)	89,039	-	-	89,039
Motor Vehicle Department fees	1,779	-	-	1,779
Small cities assistance	185,154	-	-	185,154
LEPF state grant	21,200	-	-	21,200
State coop (SHTD) grant	57,601	-	-	57,601
State fire allotment	-	245,238	-	245,238
State grant	-	100,000	-	100,000
EMS grant	-	7,385	-	7,385
State agency on aging	-	-	3,058	3,058
Federal grant	-	-	3,919	3,919
Total revenues	647,269	432,535	15,744	1,095,548
Expenditures				
Current				
Elected officials	2,323	-	-	2,323
General government	276,816	-	-	276,816
Judicial	20,898	-	-	20,898
Public safety	261,774	118,082	-	379,856
Public works	110,264	-	-	110,264
Culture and recreation	-	-	22,265	22,265
Health and welfare	-	-	3,624	3,624
Capital outlay	-	214,275	-	214,275
Debt service - principal	22,237	68,587	-	90,824
Debt service - interest	783	7,351	-	8,134
Total expenditures	695,095	408,295	25,889	1,129,279
Excess (deficiency) of revenues over expenditures	(47,826)	24,240	(10,145)	(33,731)
Other financing sources (uses)				
Operating transfers (net)	(12,000)	-	12,000	-
Gain (loss) disposal of assets	-	20,000	-	20,000
Total other financing sources (uses)	(12,000)	20,000	12,000	20,000
Net change in fund balances	(59,826)	44,240	1,855	(13,731)
Fund balances, beginning	1,285,494	299,473	47,418	1,632,385
Restatement	809	-	40	849
Fund balances, beginning restated	1,286,303	299,473	47,458	1,633,234
Fund balances, ending	<u>\$ 1,226,477</u>	<u>\$ 343,713</u>	<u>\$ 49,313</u>	<u>\$ 1,619,503</u>

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

STATE OF NEW MEXICO

CITY OF TEXICO

Reconciliation of the Statement of Revenues, Expenditures, and Changes

in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ (13,731)
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Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.

Current year capital expenditures capitalized	214,275
Depreciation expense	(189,115)
Gain (loss) disposal capital asset	(3,081)

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payment	90,824
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Expenditures in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds.

Governmental funds report city 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:

Compensated absences	(1,233)
Change in inflows and outflows	<u>10,578</u>

Change in net position of governmental activities	<u>\$ 108,517</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
General Fund - 101
Statement of Revenues, Expenditures, and Changes in Cash Balance
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Property tax	\$ 15,159	\$ 15,159	\$ 14,357	\$ (802)
Franchise tax	27,000	27,000	22,838	(4,162)
Gross receipts tax	92,200	92,200	118,661	26,461
Gross receipts tax infrastructure	17,000	17,000	20,109	3,109
Licenses, fees, permits & fines	14,200	14,200	27,746	13,546
Charges for services	220	220	60	(160)
Investment interest	7,500	7,500	4,022	(3,478)
Rents	9,500	9,500	9,884	384
Insurance refunds/reimbursements	-	-	3,145	3,145
LEPF DWI	-	-	3,179	3,179
Correction/housing fees	5,000	5,000	10,033	5,033
Gasoline tax 2 cents	56,000	56,000	59,042	3,042
Gross receipts tax (1.35)	73,000	73,000	88,563	15,563
Motor Vehicle Department fees	1,600	1,600	1,553	(47)
Small cities assistance	280,000	185,154	185,154	-
LEPF state grant	21,200	21,200	21,200	-
State coop (SHTD) grant	56,397	56,397	56,397	-
Total revenue	675,976	581,130	645,943	64,813
Expenditures				
Current				
Elected officials	4,500	4,500	2,693	1,807
General financial	300,648	300,697	224,290	76,407
Judicial	21,393	21,393	20,697	696
Public safety	259,355	264,968	259,833	5,135
Public works	112,696	112,696	108,875	3,821
Capital outlay	-	-	-	-
Debt service - principal	22,237	22,237	22,237	-
Debt service - interest	783	783	783	-
Total expenditures	721,612	727,274	639,408	87,866
Excess (deficiency) revenues over (under) expenditures	(45,636)	(146,144)	6,535	152,679
Other financing sources (uses)				
Operating transfers net	(12,000)	(12,000)	(12,000)	-
Designated cash	57,636	158,144	-	(158,144)
Total other financing sources (uses)	45,636	146,144	(12,000)	(158,144)
Net change in fund balances	-	-	(5,465)	(5,465)
Cash balance, beginning	-	-	1,238,584	1,238,584
Prior period voided checks	-	-	809	809
Cash balance, beginning restated	-	-	1,239,393	1,239,393
Cash balance, ending	\$ -	\$ -	\$ 1,233,928	\$ 1,233,928
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (5,465)	
Adjustment to revenues for accruals and other deferrals			1,326	
Adjustment to expenditures for payables, prepaids and other accruals			(55,687)	
Net change in fund balance (GAAP Basis)			\$ (59,826)	

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

STATE OF NEW MEXICO
CITY OF TEXICO
Special Revenues Fund - Fire Protection Fund - 209
Statement of Revenue, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax	-	-	-	-
Gross receipts tax infrastructure	-	-	-	-
Licenses, fees, permits & fines	-	-	-	-
Charges for services	45,000	45,000	77,123	32,123
Investment interest	-	-	1,095	1,095
Rents	-	-	4,263	4,263
Insurance refunds/reimbursements	-	-	1,981	1,981
Gasoline tax 2 cents	-	-	-	-
Gross receipts tax (1.35)	-	-	-	-
State fire allotment	245,238	245,238	245,238	-
State grant	-	-	100,000	100,000
EMS grant	7,385	7,385	7,385	-
Total revenues	297,623	297,623	437,085	139,462
Expenditures				
Current				
General government	-	-	-	-
Public safety	249,637	249,637	117,185	132,452
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	214,275	214,275	214,275	-
Debt service				
Principal	68,587	68,587	68,587	-
Interest	7,351	7,351	7,351	-
Total expenditures	539,850	539,850	407,398	132,452
Excess (deficiency) revenues over (under) expenditures	(242,227)	(242,227)	29,687	271,914
Other financing sources (uses)				
Operating transfers	-	-	-	-
Gain (loss) disposal of assets	2,500	2,500	20,000	17,500
Designated cash	239,727	239,727	-	(239,727)
Total other financing sources (uses)	242,227	242,227	20,000	(222,227)
Net change in fund balances	-	-	49,687	49,687
Cash balance, beginning	-	-	294,796	294,796
Cash balance, ending	\$ -	\$ -	\$ 344,483	\$ 344,483
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 49,687	
Adjustment to revenues for accruals and other deferrals			(4,550)	
Adjustment to expenditures for payables, prepaids and other accruals			(897)	
Net change in fund balance (GAAP Basis)			\$ 44,240	

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

STATE OF NEW MEXICO
 CITY OF TEXICO
 Proprietary Fund
 Statement of Net Position
 June 30, 2016

	<u>Public Works</u>
<u>ASSETS</u>	
Current assets	
Cash and cash equivalents	\$ 199,654
Accounts receivable	
Taxes	1,423
Sales (net)	<u>40,617</u>
Total current assets	<u>241,694</u>
Noncurrent assets	
Restricted cash, customer meter deposits	44,636
Cash NMFA funds held reserve	10,195
Capital assets	1,915,206
Less: accumulated depreciation	<u>(1,196,033)</u>
Total noncurrent assets	<u>774,004</u>
Total assets	<u>\$ 1,015,698</u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities	
Accounts payable	\$ 13,703
Accrued wages	1,953
Compensated absences	1,805
Current portion long-term debt	<u>37,527</u>
Total current liabilities	<u>54,988</u>
Noncurrent liabilities	
Customer meter deposits	43,984
Long term portion of long term debt	<u>326,897</u>
Total noncurrent liabilities	<u>370,881</u>
Total liabilities	<u>425,869</u>
Net position	
Net Investment in capital assets	354,749
Unrestricted	<u>235,080</u>
Total net position	<u>589,829</u>
Total liabilities and net position	<u>\$ 1,015,698</u>

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

STATE OF NEW MEXICO
CITY OF TEXICO

Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2016

	<u>Public Works</u>
Operating revenues	
Sales and services	<u>\$ 410,419</u>
Total operating revenues	<u>410,419</u>
Operating expenses	
Public works	219,948
Personnel services	128,338
Depreciation	<u>45,662</u>
Total operating expenses	<u>393,948</u>
Operating income (loss)	16,471
Non-operating revenues (expenses)	
Gross receipts taxes environmental	5,058
Franchise taxes	5,741
Interest income	658
Penalties	9,971
Connections	250
Re-connections	299
Miscellaneous	15
Meter deposits net	-
Capital outlay	-
Interest expense	(6,731)
Gross receipts tax net	(2,215)
Ute water project expenses	<u>(24,851)</u>
Total non-operating revenue (expenses)	<u>(11,805)</u>
Net income (loss)	4,666
Operating transfers (net)	<u>-</u>
Change in net position	4,666
Net position, beginning	585,530
Restatement	<u>(367)</u>
Net position, beginning restated	<u>585,163</u>
Net position, ending	<u>\$ 589,829</u>

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

STATE OF NEW MEXICO
CITY OF TEXICO
Proprietary Fund
Statement of Cash Flows
For the year ended June 30, 2016

	<u>Public Works</u>
Cash flows from operating activities	
Receipts from customers	\$ 409,073
Payments to suppliers, contractors and employees	<u>(344,354)</u>
Net cash provided (used) by operating activities	<u>64,719</u>
Cash flows from non capital financing activities	
Franchise taxes	5,723
Gross receipts tax environmental	5,027
Interest income	658
Penalties	9,971
Meter deposit (change)	811
Connections	250
Reconnections	299
Miscellaneous	15
Gross receipts tax - (net)	(2,215)
Capital outlay	(27,467)
Debt service interest	(6,757)
Ute water project expenses	<u>(24,851)</u>
Net cash provided (used) by non capital financing activities	<u>(38,536)</u>
Cash flows from capital and related financing activities	
Debt service principal	<u>(25,637)</u>
Net cash provided (used) by capital and related financing activities	<u>(25,637)</u>
Net increase (decrease) in cash and cash equivalents	546
Cash and cash equivalents, beginning	254,306
Restatement	<u>(367)</u>
Cash and cash equivalents, beginning restated	<u>253,939</u>
Total cash and cash equivalents, ending	<u><u>\$ 254,485</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 16,471
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization	45,662
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(1,346)
Increase (Decrease) in accounts payable	<u>3,932</u>
Net cash provided (used) by operating activities	<u><u>\$ 64,719</u></u>

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

STATE OF NEW MEXICO
CITY OF TEXICO
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 25,040
Total assets	<u>\$ 25,040</u>
<u>LIABILITIES</u>	
Deposits held for others	\$ 25,040
Total liabilities	<u>\$ 25,040</u>

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

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

This summary of significant accounting policies of the City is presented to assist in the understanding of the City's financial statements. The financial statements and notes are the representation of the City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

During the year ended June 30, 2016, the City adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* ("GASB 68"), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* ("GASB 71"). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government would recognize a net pension liability ("NPL") measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or non-employer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year, thus avoiding possible understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

A. Reporting Entity

The City is a political subdivision of the state of New Mexico and was incorporated under provisions of Chapter 3, Article 2, NMSA 1978 as amended. The City operates under the mayor-trustee form of government. The City provides the following authorized services: public safety, police and fire, highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements, and general administrative services. The City's basic financial statements include all activities and accounts of the City's *financial reporting entity*.

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will

on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, there are no component units of the City. The City is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2016.

B. Government-Wide Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

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

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service taxes, interest income, etc.). The City does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The City's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since, by definition, the assets are being held for the benefit of a third party, and cannot be used to address activities or obligations of the municipality; these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property, franchise, sales and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial.

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

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

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

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

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the City is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund and the Fire Protection Fund. No other funds were required to be presented as major at the discretion of management.

General Fund

The City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through property, gross receipts and other miscellaneous taxes.

Fire Protection Fund Special Revenue Fund

To account for discretionary funds used for the fire department.

The government reports its Public Works Fund (Proprietary funds) as major business-type funds. Additionally, the government reports the following fund types:

The *fiduciary funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations.

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

Program revenues reduce the cost of the function to be financed from the City's general revenues. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for services for the City's garbage, water & sewer utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

D. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents:

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Restricted Assets:

Restricted assets are those held in trust for others.

Receivables and Payables:

Inter-fund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

Inventory:

The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed.

Capital Assets:

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

Buildings and improvements	20 - 65 years
Machinery and equipment	3 - 15 years
Vehicles	3 - 15 years

Deferred Outflows of Resources:

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has one type of item that qualifies for reporting in this category. Accordingly, the item, employer contributions subsequent to measurement date, is reported in the Statement of Net Position. This amount is deferred and recognized as an outflow of resources in the period the amount becomes available. The City has recorded \$17,969 related to employer contributions subsequent to measurement date.

Deferred Inflows of Resources:

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

In addition, the City has two types of items present on the Statement of Net Position which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the difference between expected and actual experience, \$20,391; and net difference between projected and actual earnings, \$74,233 are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences:

All permanent employees who have completed six months of satisfactory service shall earn paid vacation time at the rate of ten (10) days per year. At the end of six months, and upon successful completion of probation, the employee is entitled to his or her pro rata vacation time even if the employee has not been employed for one year. Accumulated vacation in excess of the ten normal days in a calendar year is limited to five (5) additional days.

Permanent employees who terminate are paid for accrued annual leave. Initial probationary and temporary employees are not paid annual leave upon termination. Accrued sick leave is not paid upon termination.

Short -Term Debt

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

Capital Leases

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

Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

Implementation of New Accounting Standards

During the year ended June 30, 2016, the Village adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The statement will not have a material impact on the Village's financial statements.

GASB No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement will not have a material impact on the Village's financial statements.

Fund Balance: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent: The following classifications may be used:

Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Village Board of Trustees should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the Village's Board of Trustees removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Trustees or the Finance Committee. The Village did not have assigned fund balances for the year ended June 30, 2016.

Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds, other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the Village's policy to use committed first followed by assigned and unassigned resources as they are needed.

Net Position and Fund Equity:

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

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.

Restricted Net Position:

Consist of net position with "legally enforceable" constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment. If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

Unrestricted Net Position:

All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

Inter-fund Transactions:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Estimates:

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

Tax Revenues:

The City receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The City recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The City records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements.

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

Note 2 Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets of the City are prepared prior to June 1 and must be approved by City Council resolution, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the City Council and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

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

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

Formal budgetary integration is employed as a management control device during the year for the General Fund, and Special Revenue Funds. The City is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The City Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Cash Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016, is presented.

The appropriated budget for the year ended June 30, 2016, was properly amended by the City Council throughout the year.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016 is presented as part of the budgetary statements.

Note 3 Deposits and Investments

State statutes authorize the investment of the City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2016.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case, shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Per the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the City's deposits.

	Citizens Bank Clovis, NM	Type
Total amount on deposit on June 30, 2016		
General	\$ 72,318	Checking
General	1,118,649	Public Funds MMDAS
Fire	125,314	Checking
Fire	222,491	Public Funds MMDAS
Senior Citizens	2,109	Checking
Meter Fund	17,433	Checking
Meter Fund	27,376	Savings
Cemetery	38,191	Public Funds MMDAS
Cemetery Headstone	7,655	Checking
Recreation	2,420	Checking
Ute Water	6,809	Checking
Public works	88,166	Checking
Public works	114,310	Public Funds MMDAS
Cemetery Assoc.	15,923	Checking
Cemetery Assoc.	9,121	Savings
Total deposited	<u>1,868,285</u>	
Less FDIC coverage Interest Bearing Accounts	<u>(250,000)</u>	
Total uninsured public funds	<u>1,618,285</u>	
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	809,143	
Pledged securities	<u>4,972,563</u>	
Over (under)	<u>\$ 4,163,421</u>	

Pledged Collateral

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

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<u>Description</u>	<u>CUSIP</u>	<u>Market Value</u>	<u>Date</u>	<u>Location</u>
GNMA II Pool #MA0926	36179NA32	\$ 1,565,577	04/20/43	The Independent Bankers
SBAP 2015-20B	83162CWV1	3,406,986	02/01/34	The Independent Bankers
		<u>\$ 4,972,563</u>		

Cash Held by Fiscal Agent

As required by note agreements with the New Mexico Finance Authority (NMFA) the City has cash held and invested with the NMFA.

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
<u>General Fund</u>		<u>Public Works</u>	
NMFA Cash - State Treasurer	\$ 40,241	NMFA Cash - State Treasurer	\$ 1
NMFA Cash - Reserved Funds	24,380	NMFA Cash - Reserved Funds	10,194
	<u>\$ 64,621</u>		<u>\$ 10,195</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016, none of the City's bank balance of \$1,868,285 was exposed to custodial credit risk.

Custodial Credit Risk Deposits

Account Balance	\$ 1,868,285
FDIC Insurance	250,000
Collateral:	
Collateral held by the pledging bank, not in the City's name	4,972,563
Uninsured and uncollateralized	<u>(3,354,278)</u>
Total Deposits	<u>\$ 1,868,285</u>

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Note 4 Receivables

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

	Governmental Activities			Business-type Activities		
	Major Funds	Nonmajor Funds	Totals	Taxes	Utility Service	Totals
Accounts receivable taxes						
General Fund						
Franchise Tax	\$ 3,130	-	-	-	513	-
Gross Receipts Tax Infrastructure	3,640	-	-	-	-	-
Gross Receipts Tax	18,570	-	-	-	-	-
Property Tax	1,059	-	-	-	-	-
Gas Tax 2 Cent	4,718	-	-	-	-	-
Gross Receipts Tax 1.35	16,298	-	-	-	-	-
Motor Vehicle	259	-	-	-	-	-
Streets Gas tax	3,743	-	51,417	-	-	-
Public Works						
Franchise Tax	-	-	-	513	-	-
Gross Receipts Tax Environmental	-	-	-	910	-	1,423
Accounts receivable other						
Fire Fund						
Charges for services	1,428	-	-	-	-	-
Allowance for uncollectible	-	-	1,428	-	-	-
Accounts receivable from grantor						
Senior Citizens Fund						
Local grant	-	-	-	-	-	-
State grant	-	424	-	-	-	-
Federal grant	-	389	813	-	-	-
Accounts receivable sales						
Public Works						
Sales	-	-	-	-	52,978	-
Allowance for uncollectible	-	-	-	-	(12,874)	40,104
	<u>\$ 52,845</u>	<u>\$ 813</u>	<u>\$ 53,658</u>	<u>\$ 1,423</u>	<u>\$ 40,617</u>	<u>\$ 41,527</u>

The above accounts receivable taxes and accounts receivable from grantor are deemed 100% collectible. In accordance with GASB No.33, property tax receivables are presented net of unearned revenue in the governmental balance sheet. In accordance with GASB No.65, Deferred inflows of resources accounts for delinquent property taxes that are due to the City but that have not been remitted to the City. The deferred inflows of resources totaling \$0, as presented in the general fund.

Note 5 Interfund Receivables, Payables, and Transfers

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The City Council authorizes transfers between funds to cover the expenditures in the receiving funds. Interfund balances are due within one year. The following permanent transfer was made during the year

	Transfer In	Transfer Out
Senior Citizens	\$ 12,000	\$ -
General	-	(12,000)
Totals	<u>\$ 12,000</u>	<u>\$ (12,000)</u>

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Note 6 Accounts Payables

Accounts payable as of June 30, 2016, are as follows:

	Governmental Activities		Business-type Activities
Payable to suppliers		Payable to suppliers	
General	\$ 53,881	Public Works	\$ 13,703
Fire Protection	2,198		-
Cemetery	27		-
Senior Citizens	139		-
	<u>56,245</u>		<u>13,703</u>
Total	<u>\$ 56,245</u>	Total	<u>\$ 13,703</u>

Note 7 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows.

Governmental Activities

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 85,284	\$ -	\$ -	\$ 85,284
Capital assets being depreciated				
Buildings and improvements	1,154,809	-	-	1,154,809
Machinery and equipment	604,167	-	-	604,167
Vehicles	1,244,620	326,826	(61,564)	1,509,882
Total assets	<u>3,088,880</u>	<u>326,826</u>	<u>(61,564)</u>	<u>3,354,142</u>
Less accumulated depreciation				
Buildings and improvements	(383,015)	(26,789)	-	(409,804)
Machinery and equipment	(739,569)	(42,930)	-	(782,499)
Vehicles	(1,398,979)	(119,396)	58,483	(1,459,892)
Total accumulated depreciation	<u>(2,521,563)</u>	<u>(189,115)</u>	<u>58,483</u>	<u>(2,652,195)</u>
Governmental activity capital assets, net	<u>\$ 567,317</u>	<u>\$ 137,711</u>	<u>\$ (3,081)</u>	<u>\$ 701,947</u>

Capital assets, at June 30, 2016 appear in the Statement of Net Position as follows: Governmental activities capital assets total \$3,354,142 accumulated depreciation total \$2,652,195. Depreciation expense related to governmental activities totaling \$189,115 was charged to the general government function.

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Business-Type Activities

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Business-type activities:				
Capital assets being depreciated				
Buildings and improvements	\$ 67,655	\$ -	\$ -	\$ 67,655
Machinery & equipment	74,144	78,500	-	152,644
Vehicles	32,273	-	-	32,273
Infrastructure	1,650,167	12,467	-	1,662,634
Total assets	1,824,239	90,967	-	1,915,206
Less accumulated depreciation				
Buildings and improvements	(37,219)	(2,255)	-	(39,474)
Machinery & equipment	(83,499)	(3,790)	-	(87,289)
Vehicles	(70,865)	(4,824)	-	(75,689)
Infrastructure	(958,788)	(34,793)	-	(993,581)
Total accumulated depreciation	(1,150,371)	(45,662)	-	(1,196,033)
Business-type activity capital assets, net	\$ 673,868	\$ 45,305	\$ -	\$ 719,173

Depreciation expense related to business-type activities for the year ended June 30, 2016 totaled \$45,662.

Note 8 Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased insurance from a commercial vendor and pays an annual premium for its general insurance coverage, as such all risk of loss is transferred.

Note 9 Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combining Statements

Overview of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds.
None
- B. Expenditures exceeded appropriations by fund.
None
- C. Excess expenditures over budget.
None

Note 10 Long-term Debts

Governmental Activities

During the year ended June 30, 2016, the following changes occurred in the long-term liabilities reported in the government wide statement of net position:

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	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities					
Note payable					
General Fund					
Kansas State Bank	\$ 13,013	\$ -	\$ (6,396)	\$ 6,617	\$ 6,617
NMFA City Hall	47,849	-	(15,841)	32,008	15,948
Fire Protection Fund					
Kansas State Bank	-	112,551	-	112,551	112,551
NMFA Medical rescue vehicle	203,044	-	(26,528)	176,516	27,163
NMFA Tanker	152,604	-	(29,270)	123,334	29,821
NMFA Fire station	102,312	-	(12,789)	89,523	12,789
	<u>\$ 518,822</u>	<u>\$ 112,551</u>	<u>\$ (90,824)</u>	<u>\$ 540,549</u>	<u>- 204,889</u>
Other long term liabilities					
Compensated absences	<u>\$ 5,453</u>	<u>\$ 14,756</u>	<u>\$ (13,523)</u>	<u>\$ 6,686</u>	<u>\$ 6,686</u>

In prior years, the General Fund has typically liquidated the compensated absences.

Governmental Activities Notes Payable

The general fund, police department vehicle note is payable to Kansas State Bank in annual principal and interest payments through September 1, 2016. Principal payments vary from \$6,397 to \$6,616 and the interest rates is 3.440%. The police vehicle is general long-term debt of the City.

The city hall note is payable to the New Mexico Finance Authority in annual principal installments and semi-annual interest installments through May 1, 2018. Interest rates vary from 1.23% to 3.86% and principal payments vary from \$6,040 to \$16,060. The City pledged State Shared Gross Receipts Tax revenue distributed monthly by the New Mexico Taxation and Revenue Department pursuant to Section 7-9-4, 7-1-6.4 and 7-1-6.15 NMSA 1978. The intercept amount for the year ended June 30, 2016 was \$16,188. The city hall is general long-term debt of the City.

The medical rescue truck note is payable to the New Mexico Finance Authority in annual principal installments and semi-annual interest installments through May 1, 2021. The blended interest rate is 1.785% and principal payments vary from \$24,813 to \$63,271. The City pledged the distribution of State Fire Protection revenue pursuant to Section 59A-53-7 NMSA. The intercept amount for the year ended June 30, 2016 was \$30,061. The medical rescue truck is general long-term debt of the City.

The fire tanker truck note is payable to the New Mexico Finance Authority in annual principal installments and semi-annual interest installments through May 1, 2020. The interest rate varies from .84% to 2.77% and principal payments vary from \$18,706 to \$31,922. The City pledged the distribution of State Fire Protection revenue pursuant to Section 59A-53-7 NMSA. The intercept amount for the year ended June 30, 2016 was \$30,806. The fire tanker truck is general long-term debt of the City.

The fire station and equipment note is payable to the New Mexico Finance Authority in annual principal installments and semi-annual interest installments through May 1, 2023. The interest rate is 0% and the principal payments are \$12,789. The City pledged the distribution of State Fire Protection revenue pursuant to Section 59A-53-7 NMSA. The intercept amount for the year ended June 30, 2016 was \$12,789. The fire station and equipment is general long-term debt of the City.

The annual requirement to amortize the loan as of June 30, 2016, including interest and administration fees is as follows:

Kansas State Bank Police Vehicle Year Ended June 30, 2017	Principal	Interest	Total
	<u>\$ 6,617</u>	<u>\$ 228</u>	<u>\$ 6,845</u>
	<u>\$ 6,617</u>	<u>\$ 228</u>	<u>\$ 6,845</u>

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New Mexico Finance Authority
City Hall

Year Ended June 30,	Principal	Interest	Total
2017	\$ 15,948	\$ 228	\$ 16,176
2018	16,060	116	16,176
	<u>\$ 32,008</u>	<u>\$ 344</u>	<u>\$ 32,352</u>

New Mexico Finance Authority
Medical Rescue Truck

Year Ended June 30,	Principal	Interest	Total
2017	\$ 27,163	\$ 3,480	\$ 30,643
2018	27,879	3,091	30,970
2019	28,672	2,656	31,328
2020	29,531	1,871	31,402
2021	63,271	3,743	67,014
	<u>\$ 176,516</u>	<u>\$ 14,841</u>	<u>\$ 191,357</u>

New Mexico Finance Authority
Fire Tanker Truck

Year Ended June 30,	Principal	Interest	Total
2017	\$ 29,821	\$ 2,985	\$ 32,806
2018	30,448	2,358	32,806
2019	31,143	1,664	32,807
2020	31,922	885	32,807
	<u>\$ 123,334</u>	<u>\$ 7,892</u>	<u>\$ 131,226</u>

New Mexico Finance Authority
Fire Station and Equip.

Year Ended June 30,	Principal	Interest	Total
2017	\$ 12,789	\$ -	\$ 12,789
2018	12,789	-	12,789
2019	12,789	-	12,789
2020	12,789	-	12,789
2021	12,789	-	12,789
2022-2023	25,578	-	25,578
	<u>\$ 89,523</u>	<u>\$ -</u>	<u>\$ 89,523</u>

Kansas State Bank
Wildland Truck

Year Ended June 30,	Principal	Interest	Total
2017	\$ 112,551	\$ -	\$ 112,551
	<u>\$ 112,551</u>	<u>\$ -</u>	<u>\$ 112,551</u>

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Business-type Activities

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government wide statement of net position:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Business-type activities					
Note payable					
Public Utility Fund					
Kansas State Bank	\$ 215,135	\$ 63,500	\$ -	\$ 278,635	\$ 11,932
RIP Phase I infrastructure	110,905	-	(15,159)	195,746	15,614
NMFA Water upgrade	110,905	-	(9,957)	100,948	9,981
	<u>\$ 326,040</u>	<u>\$ 63,500</u>	<u>\$ (25,116)</u>	<u>\$ 364,424</u>	<u>37,527</u>
Other long term liabilities					
Compensated absences	<u>\$ 1,293</u>	<u>\$ 5,748</u>	<u>\$ (5,236)</u>	<u>\$ 1,805</u>	<u>\$ 1,805</u>

In prior years, the Public Works Fund has typically liquidated the compensated absences.

Business-type Activities Notes Payable

The City entered a loan arrangement with the New Mexico Environmental Department - Rural Infrastructure Program (RIP) to help finance a water project. The note is payable in annual principal installments and interest installments through February 27, 2027. The annual principal payments vary from \$11,966 to \$20,983. The interest rate is 3.00%. The RIP Phase I Infrastructure note is general long-term debt of the City. Debt payments are made by the Public Works Fund.

The water system upgrade note is payable to the New Mexico Finance Authority in annual principal installments through May 1, 2026. The interest rate is 0% and the principal payments vary from \$6,422 to \$10,102. The City pledged the distribution of State Shared Gross Receipts Tax revenue by the New Mexico Taxation and Revenue Department pursuant to Section 7-9-4, 7-1-6.4 and 7-1-6.15 NMSA 1978. State Fire Protection revenue pursuant to Section 59A-53-7 NMSA. The intercept amount for the year ended June 30, 2016 was \$10,083. The water system upgrade is general long-term debt of the City. Debt payments are made by the Public Works Fund.

The Public Works Fund back hoe note is payable to Kansas State Bank in annual principal and interest payments through September 1, 2020. Annual payments are \$13,913.06. The back-hoe note is a general long-term debt of the City. Debt payments were made by the Public Works Fund.

The annual requirement to amortize the loan as of June 30, 2016, including interest and are as follows:

NM Environment Dept. - RIP

Phase I Infrastructure

Year Ended June 30,	Principal	Interest	Total
2017	\$ 15,614	\$ 5,999	\$ 21,613
2018	16,082	5,531	21,613
2019	16,564	5,048	21,612
2020	17,061	4,551	21,612
2021	17,573	4,040	21,613
2022-2026	96,097	11,966	108,063
2027	20,985	629	21,614
	<u>\$ 199,976</u>	<u>\$ 37,764</u>	<u>\$ 237,740</u>

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New Mexico Finance Authority

Water Upgrade

Year Ended June 30,	Principal	Interest	Total
2017	\$ 9,981	\$ -	\$ 9,981
2018	10,006	-	10,006
2019	10,032	-	10,032
2020	10,057	-	10,057
2021	10,082	-	10,082
2022-2026	50,790	-	50,790
	<u>\$ 100,948</u>	<u>\$ -</u>	<u>\$ 100,948</u>

Kansas State Bank

Back Hoe

Year Ended June 30,	Principal	Interest	Total
2017	\$ 11,932	\$ 1,981	\$ 13,913
2018	12,304	1,609	13,913
2019	12,688	1,225	13,913
2020	13,084	829	13,913
2021	13,492	421	13,913
	<u>\$ 63,500</u>	<u>\$ 6,065</u>	<u>\$ 69,565</u>

Note 11 Public Employees Retirement Association (PERA) 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://www.saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015, available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf

Contributions – The contribution requirements of defined benefit plan members and the 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 FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf

The PERA coverage options that applies to City are The Municipal General Division and the Municipal Police Division. Statutorily required contributions to the pension plan from the City were \$13,335 for the Municipal General Division and \$12,663 for the Municipal Police Division for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement dated June 30, 2015.

STATE OF NEW MEXICO
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 Notes to The Financial Statements
 June 30, 2016

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Municipal General Division

For the PERA Municipal General Division, at June 30, 2016, the City reported a liability of \$139,683 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 0.0137%, which increased from its proportion of 0.0123% measured as of June 30, 2014.

For the PERA Municipal Police Division, at June 30, 2016, the City reported a liability of \$133,482 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 0.0236%, which decreased from its proportion of 0.0248% measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized PERA Municipal General Division pension expense of \$7,927. At June 30, 2016, the City reported PERA Fund Division deferred outflows of resources and deferred inflows of resources of \$21,675 and \$3,590 respectively, related to pensions from the following sources:

For the year ended June 30, 2016, the City recognized PERA Municipal Police Division pension expense of \$6,590. At June 30, 2016, the City reported PERA Fund Division deferred outflows of resources and deferred inflows of resources of \$20,593 and \$7,997, respectively, related to pensions from the following sources:

General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ 3,094
Change in assumptions	-	54
Net difference between projected and actual earnings on plan investments	-	442
Change in proportion and difference between City contribution and proportionate share of contributions	8,340	-
City's contribution subsequent to the measurement date	<u>13,335</u>	<u>-</u>
Totals	<u>\$ 21,675</u>	<u>\$ 3,590</u>

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Notes to The Financial Statements
June 30, 2016

Police Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,930	\$ -
Change in assumptions	-	4,695
Net difference between projected and actual earnings on plan investments	-	315
Change in proportion and difference between City contribution and proportionate share of contributions	-	2,987
City's contribution subsequent to the measurement date	12,663	-
Totals	\$ 20,593	\$ 7,997

\$13,335 and \$12,663 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Municipal General Division	Year Ended June 30,	Municipal Police Division
2017	\$ (3,700)	2017	\$ (966)
2018	(3,700)	2018	(966)
2019	(3,700)	2019	(966)
2020	7,509	2020	5,819
Total	(3,591)	Total	2,921

Actuarial assumptions – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014, for each of the membership groups. Then each PERA Fund member group pension liability was rolled from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. There were not significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015, actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Lever percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increase	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirees, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
Experience study date	July 1, 2008 to June 30, 2013

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

class are summarized in the following table:

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On that 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 GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the City’s net pension liability in each PERA fund division that City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

<u>Proportionate share of the net pension liability</u>	<u>1% Decrease 6.75%</u>	<u>Current Discount Rate 7.75%</u>	<u>1% Increase 8.75%</u>
PERA Fund Division			
General Division	\$ 149,272	\$ 139,683	\$ 36,462
Police Division	\$ 187,409	\$ 113,482	\$ 52,837

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

NOTE 12 Post-Employment Benefits – State Retiree Health Care Plan

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

Eligible retirees are:

- 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time required for employee and employer contributions shall become the period between the employer's effective date and the date of retirement;
- 2) retirees defined by the Act who retired prior to July 1, 1990;

- 3) former legislators who served at least two years; and
- 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to:

Retiree Health Care Authority
4308 Carlisle NE, Suite 104
Albuquerque, NM 87107

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$9,013 \$7,153, and \$6,977, respectively, which equal the required contributions for each year.

Note 13 Contingent Liabilities

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 14 Surety Bond

The officials and certain employees of the City are covered by a surety bond as required by Section 126-7 NMSA 1978 Compilation.

Note 15 Subsequent Review

The City has evaluated subsequent events through December 7, 2016 which is the date the financial statements were available for issuance.

Note 16 Restatement of Net Position

The following adjustments were made to restate Governmental Activities Net Position:

Governmental		Business-types	
Beginning Net Position, beginning	\$ 1,442,365	Beginning Net Position, beginning	\$ 585,530
Restatement		Restatement	
Stale dated checks	849	Stale dated checks	462
	<u>-</u>	Prior void check that cleared	<u>(829)</u>
Net Position, beginning restated	<u>\$ 1,443,214</u>	Net Position, beginning restated	<u>\$ 585,163</u>

Required Supplementary Information

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Proportionate Share of the Net Pension Liability
Public Employee Retirement Association (PERA) Pension Plan
Last 10 Fiscal Years*

Schedule A-1

Municipal General Division	<u>2015</u>	<u>2016</u>
The City's proportion of the net pension liability (asset)	0.01230%	0.01370%
The City's proportionate share of the net pension liability (asset)	\$ 95,953	\$ 139,683
The City's covered-employee payroll	\$ 147,520	\$ 180,208
The City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.04%	77.51%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%
Municipal Police Division	<u>2015</u>	<u>2016</u>
The City's proportion of the net pension liability (asset)	0.02480%	0.02360%
The City's proportionate share of the net pension liability (asset)	\$ 80,845	\$ 113,482
The City's covered-employee payroll	\$ 91,114	\$ 121,759
The City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	88.73%	93.20%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

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

See notes to required supplementary information

STATE OF NEW MEXICO
 CITY OF TEXICO
 Schedule of Contributions
 Public Employee Retirement Association (PERA) Pension Plan
 Last 10 Fiscal Years*

Schedule A-2

Municipal General Division	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 10,916	\$ 13,335
Contributions in relation to the contractually required contribution	<u>10,916</u>	<u>13,335</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
The City's covered-employee payroll	\$ 147,520	\$ 180,208
Contributions as a percentage of covered-employee payroll	7.40%	7.40%
Municipal Police Division	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 9,475	\$ 12,663
Contributions in relation to the contractually required contribution	<u>9,475</u>	<u>12,663</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
The City's covered-employee payroll	\$ 91,114	\$ 121,759
Contributions as a percentage of covered-employee payroll	10.40%	10.40%

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

See notes to required supplementary information

Changes in Benefit Terms

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of Assumptions

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015, report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf.

Supplementary Information Related to Non-Major Governmental Funds

NON-MAJOR
SPECIAL REVENUE FUNDS

Recreation Fund

Accounts for receipts which are restricted for use in recreational areas only. The fund was established by local ordinance.

Senior Citizens Fund

Accounts for the operation and maintenance of the senior citizen's transportation and health awareness program. The municipality provides out-of-City transportation for senior citizens seeking medical services. Funding is provided by federal, state, and local sources. The federal funding source is: Title III-B, funded by the United States Department of Health and Human Services and passed through the state of New Mexico. The state funds are authorized by the New Mexico General Appropriations Act (Chapter 3, 1999 Laws of New Mexico). The fund was established by local ordinance.

Cemetery Fund

Accounts for funds received from the sale of lots and donations to maintain a community cemetery. The fund was established by local ordinance authorized by Section 3-40-1, NMSA 1978.

STATE OF NEW MEXICO
 CITY OF TEXICO
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2016

	Recreation 217	Senior Citizens 219	Cemetery 600	Totals
<u>ASSETS</u>				
Cash in banks	\$ 2,420	\$ 1,580	\$ 45,716	\$ 49,716
Accounts receivable grantor	-	813	-	813
Total assets	<u>\$ 2,420</u>	<u>\$ 2,393</u>	<u>\$ 45,716</u>	<u>\$ 50,529</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 139	\$ 27	\$ 166
Accrued wages	-	390	-	390
Headstone deposits	-	-	660	660
Total liabilities	<u>-</u>	<u>529</u>	<u>687</u>	<u>1,216</u>
<u>FUND BALANCE</u>				
Restricted for				
Special revenue funds	<u>2,420</u>	<u>1,864</u>	<u>45,029</u>	<u>49,313</u>
Total fund balance	<u>2,420</u>	<u>1,864</u>	<u>45,029</u>	<u>49,313</u>
Total liabilities and fund balance	<u>\$ 2,420</u>	<u>\$ 2,393</u>	<u>\$ 45,716</u>	<u>\$ 50,529</u>

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

STATE OF NEW MEXICO
CITY OF TEXICO
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

	Recreation 217	Senior Citizens 219	Cemetery 600	Totals
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax - from state	-	-	-	-
Charges for services	-	-	5,793	5,793
Interest income	-	-	138	138
Headstone deposits	-	-	-	-
Donations	-	532	-	532
Local grant	-	2,304	-	2,304
State agency on the aging	-	3,058	-	3,058
Federal grant	-	3,919	-	3,919
Total revenues	<u>-</u>	<u>9,813</u>	<u>5,931</u>	<u>15,744</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	200	22,065	-	22,265
Health and welfare	-	-	3,624	3,624
Capital outlay	-	-	-	-
Total expenditures	<u>200</u>	<u>22,065</u>	<u>3,624</u>	<u>25,889</u>
Excess (deficiency) of revenues over expenditures	(200)	(12,252)	2,307	(10,145)
Other financing sources (uses)				
Operating transfers (net)	-	12,000	-	12,000
Total other financing sources (uses)	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Net change in fund balances	(200)	(252)	2,307	1,855
Fund balances, beginning	2,620	2,076	42,722	47,418
Restatement	-	40	-	40
Fund balances, beginning restated	<u>2,620</u>	<u>2,116</u>	<u>42,722</u>	<u>47,458</u>
Fund balances, ending	<u>\$ 2,420</u>	<u>\$ 1,864</u>	<u>\$ 45,029</u>	<u>\$ 49,313</u>

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

STATE OF NEW MEXICO
CITY OF TEXICO
Special Revenue Fund - Recreation Fund - 217
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax - from state	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Headstone deposits	-	-	-	-
Donations	-	-	-	-
Local grant	-	-	-	-
State agency on the aging	-	-	-	-
Federal grant	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	200	200	200	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	200	200	200	-
Excess (deficiency) revenues over (under) expenditures	(200)	(200)	(200)	-
Other financing sources (uses)				
Operating transfers	-	-	-	-
Designated cash	200	200	-	(200)
Total other financing sources (uses)	200	200	-	(200)
Net change in fund balances	-	-	(200)	(200)
Cash balance, beginning	-	-	2,620	2,620
Cash balance, ending	\$ -	\$ -	\$ 2,420	\$ 2,420
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (200)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (200)	

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

STATE OF NEW MEXICO
CITY OF TEXICO
Special Revenue Fund - Senior Citizens Fund - 219
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax - from state	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Headstone deposits	-	-	-	-
Donations	-	-	532	532
Local grant	1,843	1,843	2,304	461
State agency on the aging	5,387	5,387	3,809	(1,578)
Federal grant	4,963	4,963	3,530	(1,433)
Total revenues	<u>12,193</u>	<u>12,193</u>	<u>10,175</u>	<u>(2,018)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	25,675	25,675	21,536	4,139
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>25,675</u>	<u>25,675</u>	<u>21,536</u>	<u>4,139</u>
Excess (deficiency) revenues over (under) expenditures	(13,482)	(13,482)	(11,361)	2,121
Other financing sources (uses)				
Operating transfers	13,500	13,500	12,000	(1,500)
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>13,500</u>	<u>13,500</u>	<u>12,000</u>	<u>(1,500)</u>
Net change in fund balances	18	18	639	621
Cash balance, beginning	-	-	901	901
Prior period voided check	-	-	40	-
Cash balance, beginning restated	-	-	941	941
Cash balance, ending	<u>\$ 18</u>	<u>\$ 18</u>	<u>\$ 1,580</u>	<u>\$ 1,562</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 639	
Adjustment to revenues for accruals and other deferrals			(362)	
Adjustment to expenditures for payables, prepaids and other accruals			(529)	
Net change in fund balance (GAAP Basis)			<u>\$ (252)</u>	

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

STATE OF NEW MEXICO
CITY OF TEXICO
Special Revenue Fund - Cemetery Fund - 600
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax - from state	-	-	-	-
Charges for services	3,000	3,000	5,793	2,793
Interest income	140	250	138	(112)
Headstone deposits	-	-	660	660
Donations	-	-	-	-
Local grant	-	-	-	-
State agency on the aging	-	-	-	-
Federal grant	-	-	-	-
Total revenues	<u>3,140</u>	<u>3,250</u>	<u>6,591</u>	<u>3,341</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	26,000	26,000	3,597	22,403
Capital outlay	-	-	-	-
Total expenditures	<u>26,000</u>	<u>26,000</u>	<u>3,597</u>	<u>22,403</u>
Excess (deficiency) revenues over (under) expenditures	(22,860)	(22,750)	2,994	25,744
Other financing sources (uses)				
Operating transfers	-	-	-	-
Designated cash	<u>22,860</u>	<u>22,750</u>	-	(22,750)
Total other financing sources (uses)	<u>22,860</u>	<u>22,750</u>	-	(22,750)
Net change in fund balances	-	-	2,994	2,994
Cash balance, beginning	-	-	<u>42,722</u>	<u>42,722</u>
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,716</u>	<u>\$ 45,716</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2,994	
Adjustment to revenues for accruals and other deferrals			(660)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(27)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 2,307</u>	

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

STATE OF NEW MEXICO
CITY OF TEXICO
Enterprise Fund - Public Works Fund - 500
Statement of Revenues, Expenses, and Changes in Cash Balance
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Sales and service	\$ 409,850	\$ 409,850	\$ 409,073	\$ (777)
Total revenue	409,850	409,850	409,073	(777)
Expenses				
Current				
Public works	367,864	367,864	217,940	149,924
Personnel services	130,000	130,000	126,414	3,586
Total expenses	497,864	497,864	344,354	153,510
Excess (deficiency) revenues over (under) expenditures	(88,014)	(88,014)	64,719	152,733
Other financing sources (uses)				
Franchise taxes	10,000	10,000	5,723	(4,277)
Gross receipts tax environmental	5,200	5,200	5,027	(173)
Interest income	900	900	658	(242)
Penalties	19,450	19,450	9,971	(9,479)
Water meter deposits (change)	-	-	811	811
Connections	250	250	250	-
Reconnections	300	300	299	(1)
Miscellaneous	-	-	15	15
Gross receipts tax - (net)	(5,000)	(5,000)	(2,215)	2,785
Capital outlay	(45,000)	(45,000)	(27,467)	17,533
Debt service principal	(25,637)	(25,637)	(25,637)	-
Debt service interest	(6,757)	(6,757)	(6,757)	-
Ute water project expenses	(25,000)	(25,000)	(24,851)	149
Operating transfers (net)	-	-	-	-
Designated cash	159,308	159,308	-	(159,308)
Total other financing sources (uses)	88,014	88,014	(64,173)	(152,187)
Net change in fund balance	-	-	546	546
Cash balance, beginning	-	-	254,306	254,306
Restatement	-	-	(367)	(367)
Cash balance, beginning restated	-	-	253,939	253,939
Cash balance, ending	\$ -	\$ -	\$ 254,485	\$ 254,485
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 546	
Adjustment to revenues for accruals and other deferrals			1,346	
Adjustment to expenditures for payables, prepaids and other accruals			2,774	
Net change in fund balance (GAAP Basis)			\$ 4,666	

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

Supplementary Information Related to Agency Funds

AGENCY FUNDS

Activity Trust Fund

To account for funds collected on behalf of the State of New Mexico that is custodial in nature.

STATE OF NEW MEXICO
 CITY OF TEXICO
 Agency Funds
 Statement of Changes in Assets and Liabilities
 June 30, 2016

Schedule I

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>ASSETS</u>				
Cemetery Association	\$ 26,145	\$ 6,520	\$ (7,625)	\$ 25,040
Total assets	<u>\$ 26,145</u>	<u>\$ 6,520</u>	<u>\$ (7,625)</u>	<u>\$ 25,040</u>
<u>LIABILITIES</u>				
Funds handled on behalf of Citizens of Texico	\$ 26,145	\$ 6,520	\$ (7,625)	\$ 25,040
Total liabilities	<u>\$ 26,145</u>	<u>\$ 6,520</u>	<u>\$ (7,625)</u>	<u>\$ 25,040</u>

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

Other Supplemental Information

STATE OF NEW MEXICO
CITY OF TEXICO
Bank Reconciliation - All Accounts
For the year ended June 30, 2016

Schedule II

Bank Name	Bank Statement Balance	Outstanding Deposits	Outstanding Checks	Reconciled Balance
The Citizens Bank of Clovis				
Checking				
General	\$ 72,388	\$ -	\$ (11,391)	\$ 60,997
Fire	125,384	-	(3,538)	121,846
Recreation	2,420	-	-	2,420
Senior Citizens	2,279	-	(699)	1,580
Cemetery	38,226	-	(35)	38,191
Cemetery Headstone	7,655	-	(130)	7,525
Savings				
General	1,118,649	-	-	1,118,649
Fire	222,491	-	-	222,491
Total governmental funds	1,589,492	-	(15,793)	1,573,699
Checking				
Public Works	86,708	1,534	(9,707)	78,535
Meter	17,283	150	(173)	17,260
Ute Water Project	6,809	-	-	6,809
Savings				
Public Works	114,310	-	-	114,310
Meter	27,376	-	-	27,376
Total business type activities	252,486	1,684	(9,880)	244,290
Agency				
Checking				
Cemetery Association	15,923	-	-	15,923
Savings				
Cemetery Association	9,117	-	-	9,117
Total Agency	25,040	-	-	25,040
Total Citizens Bank of Clovis	<u>\$ 1,867,018</u>	<u>\$ 1,684</u>	<u>\$ (25,673)</u>	<u>\$ 1,843,029</u>
New Mexico Finance Authority				
State treasurer general	40,096	-	-	40,096
State treasurer fire	146	-	-	146
Funds held reserve general	14,186	-	-	14,186
Total governmental funds	54,428	-	-	54,428
New Mexico Finance Authority				
Funds held reserve	10,195	-	-	10,195
Total business type activities	10,195	-	-	10,195
Total all types	<u>\$ 1,931,641</u>	<u>\$ 1,684</u>	<u>\$ (25,673)</u>	<u>\$ 1,907,652</u>

STATE OF NEW MEXICO
 CITY OF TEXICO
 Vendor Schedule
 For the Year Ended June 30, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
6174	CITY OF TEXICO	MUNICIPALITY	N/A		DACO FIRE EQUIPMENT	YES	\$168,000.00	N/A	201 AVENUE R LUBBOCK TX 79408	N/A	N/A	LIFELINE AMBULANCE TYPE 1 SUPERLINER FORD 550 DEMO & PAINT JOB HGAC CONTRACT	N/A

Compliance Section

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Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Independent Auditors Report

Timothy Keller
New Mexico State Auditor
The Governing Board
City of Texico
Texico, New Mexico

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, of the City of Texico (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplementary information, and have issued my report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

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

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I identified deficiencies in internal control that I consider to be material weaknesses. The material weakness is described as 2013-001 and 2013-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2015-001.

The City's Response to Finding

The City's response to the finding identified in my audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, i express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 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.



Sandra Rush CPA PC
Clovis, New Mexico
December 7, 2016

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Findings and Responses
June 30, 2016

2013-001 (2013-01) Capital Asset Listing / Depreciation Schedule - Material Weakness

Repeated

Condition

The City could not provide a complete Capital Asset listing and depreciation schedule for the fiscal year ending June 30, 2016 for governmental activities or business-type activities. Nor has the council approved a formal depreciation policy. Also, the City did not conduct an annual inventory of movable chattel and equipment on the inventory list at the end of the physical year, nor did the City certify the correctness of the inventory after the physical inventory. No progress has been made.

Criteria

A capital asset inventory and depreciation schedule should be maintained in a usable form. Section 12-6-10(A) NMSA 1978 requires each agency prepare and maintain an accurate listing of fixed assets. The City must have a capital assets management policy to provide accountability for the safeguarding of assets in accordance with GASB 34 and Section 12-6-10(A) NMSA 1978. Also, the City is required to conduct an annual physical inventory of movable chattel and equipment on the inventory list at the end of the physical year. The agency shall certify the correctness of the inventory after the physical inventory. This certification is to be provided to the auditor.

Cause

There are no procedures in place to ensure that all capital assets are accounted for in a capital asset inventory listing. Management of the City is not adequately trained to maintain a capital asset inventory and depreciation schedule. For the year ended June 30, 2016, the entity was unable to provide a list that contained current year depreciation and capital asset information compliant with GASB 34.177a and 3.30.1.12 NMAC. For the year ended June 30, 2016, the entity had done extensive work on developing a usable listing, however the list needs historical cost, date purchased, and accumulated depreciation and current year's depreciation. The list should also provide the fund and function that purchased the asset.

Effect

Lack of sufficient records results in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity. Capital assets cannot be correctly depreciated due to lack of information being maintained. The financial statements of the City are not in compliance with GASB 34 and Section 12-6-10(A) NMSA 1978.

Recommendation

The clerk should attend training to become familiar with the preparation of a capital asset inventory and depreciation schedule that is GASB 34 compliant.

Response

The clerk will continue working on compiling a capital asset listing that complies with GASB 34 and Section 12-6-10(A) NMSA 1978. An annual inventory will be taken at June 30, 2017 and certified as correct. The clerk is responsible for compiling the Capital Asset listing and does not anticipate completing the process by June 30, 2017.

2013-002 (2013-02) Financial Statements and Disclosures - - Material Weakness

Repeated

Condition

The City relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The City requires the independent auditor gather all necessary information to convert their cash basis accounting information into financial statements prepared in accordance with GAAP. Presently the clerk is unable to prepare the financial statements in accordance with GAAP and does not anticipate being able to obtain sufficient knowledge to prepare GAAP financial statements. No progress has been made.

Criteria

Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 states the following: "Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting."

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum, management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SAS 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states "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." SAS 115 paragraph 15 provides a list of indicators of a material weakness in internal control. One such example is "Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."

Effect

Since the City personnel lack the ability to prepare, and did not prepare, the financial statements, there is an increased risk that a misstatement of the City's financial statements, that is more than inconsequential, will not be prevented or detected. Further, since the City accounting staff lacks the proper knowledge or training regarding the requirements of GAAP financial reporting, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

Cause

The City's staff lacks the proper ability to prepare financial statements and the associated disclosures. When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient; however, the accounting profession, by issuance of SAS 115, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

Recommendation

I recommend the accounting staff of the City attend seminars on governmental financial reporting to increase their knowledge and abilities. Also, the clerk should attend accounting classes at the local community college.

Response

The clerk will seek training through the Municipal League, DFA and the State Auditor. However, due to lack of accounting knowledges the clerk does not anticipate ever having the knowledge to prepare GAAP financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Findings and Responses
June 30, 2016

2015-001 Stale Dated Checks – Compliance Other

Repeated

Condition

The City maintained 3 check totaling \$1,860 in the General Fund checking account and 1 check totaling \$150 in the Public Works Fund checking account and 1 check for \$40 in the Senior Citizens Fund checking account and 6 checks totaling \$312 in the Meter Deposit checking account that was dated at least one year prior to June 30, 2016. The clerk is responsible for reconciling the bank accounts. No progress has been made.

Criteria

Section 7-8A NMSA 1978 and related regulations require the City provide information about the payee and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for checks that were distributed but not cashed within one year.

Cause

The City did not implement an internal control policy to account for stale dated outstanding checks.

Effect

The City is in violation of Section 7-8A NMSA 1978, and related regulations. Also, carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Recommendation

The City should implement a procedure to review the outstanding check list for all bank accounts and track stale dated checks. If checks on the outstanding check list are greater than one-year-old take appropriate steps to ensure the funds are reported to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

The bank reconciliation provided to the council for approval should have the issue date and payee of all outstanding checks.

Response

The clerk is in the process of going through all these outstanding checks to find out why they are outstanding and will work with our auditors with the information I gather to find out what to do with them. For the year ended June 30, 2016, if checks on the outstanding check list are greater than one-year-old the clerk will take appropriate steps to ensure the funds are reported to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department as needed.

STATE OF NEW MEXICO
 CITY OF TEXICO
 Schedule of Findings and Responses
 June 30, 2016

Prior Year Audit Findings

2004-004 (2004-04)	Exceeded Budgetary Authority	Significant Deficiency	Resolved
2004-006 (2004-6)	Accounting System	Material Weakness	Resolved
2013-001 (2013-01)	Capital Asset List	Material Weakness	Repeated
2013-002 (2013-02)	Financial Statements and Disclosures	Material Weakness	Repeated
2014-002 (2014-002)	Mileage and Per Diem	Compliance Other	Resolved
2015-001	Stale Dated Checks	Compliance Other	Repeated
2015-002	Credit Card	Other	Resolved
2015-003	Late Audit	Compliance Other	Resolved

Financial Statement Preparation

Although it would be preferred and desirable for the City to prepare its own GAAP-basis financial statements, it is felt that the City's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the City. Management of the City signed a management responsibility letter accepting responsibility for the financial statements.

Exit Conference

The contents of this report were discussed with, Jerry Bradley, Mayor, Carolyn Johnson clerk-treasurer, and Sandra Rush, CPA, in an exit conference on December 7, 2016.