
STATE OF NEW MEXICO
City of Texico
June 30, 2017

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2017
With Independent Auditor's Report Thereon

Sandra Rush CPA 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, 2017

Board of Trustees

Jerry Bradley

Mayor

Oran Jay Autrey

Mayor Pro Tem

Max Carter

Member

Audrey Kittrell

Member

Administrative Officials

Carolyn Johnson

Clerk-Treasurer

STATE OF NEW MEXICO
CITY OF TEXICO
Table of Contents
June 30, 2017

	Page
Introductory Section	i
Official Roster	ii
Table of Contents	iii-iv
Financial Section	1
Independent Auditor's Report	3-4
Basic Financial Statements	5
Government-wide Financial Statements	6
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements	9
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet All Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non - GAAP Budgetary Basis)	
General Fund - 101	14
Special Revenue Fund - Fire Protection - 209	15
Proprietary Fund - Statement of Net Position	16
Proprietary Fund - Statement of Revenues, Expenses, and Changes in Net Position	17
Proprietary Fund - Statement of Cash Flows	18
Agency Funds - Statement of Fiduciary Assets and Liabilities	19
Notes to Financial Statements	20-41
Required Supplementary Information	42

STATE OF NEW MEXICO
CITY OF TEXICO
Table of Contents
June 30, 2017

	Page
Schedule of Proportionate Share of the Net Pension Liability Public Employee Retirement Association (PERA) Pension Plan Last 10 Fiscal Years*	43
Schedule of Contributions Public Employee Retirement Association (PERA) Pension Plan Last 10 Fiscal Years*	44
Notes to Required Supplementary Information	45
Supplementary Information Related to Non-Major Governmental Funds	46
Fund Descriptions	47
Nonmajor Governmental Funds - Combining Balance Sheet	48
Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	49
Statement of Revenues, Expenses, and Changes in Cash Balances - Budget and Actual (Non - GAAP Budgetary Basis)	
Enterprise Fund Public Works Fund - 500	50
Supplementary Information Related to Agency Funds	51
Agency Fund Description	Schedule I 52
Agency Funds - Statement of Changes in Assets and Liabilities	53
Other Supplemental Information	54
Bank Reconciliation - All Accounts	Schedule II 55
Compliance Section	56
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> Independent Auditors Report	57-58
Schedule of Findings and Responses	59-64

Financial Section

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Independent Auditor's Report

Wayne Johnson
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, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue fund of the City of Texico (City) as of and for the year ended June 30, 2017, 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 did not audit the 2016 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 of material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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, 2017. Furthermore, evidence supporting historical cost of capital assets maintained by the City were not available. I was not able to verify either accumulated depreciation at July 1, 2016 or the depreciation expense for the fiscal year ended June 30, 2017. I was unable to determine these amounts through the use of alternative procedures and, as such, I am unable to express an opinion on capital assets as of June 30, 2017, 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, based on my report and the report of the other auditors, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis 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 the *Schedule of the Proportionate Share of the Net Pension Liability* on pages 43, the *Schedule of Contributions* on page 44, and the notes to the required supplementary information page 45 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 the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 financial statements the combining and individual fund financial statements, and the budgetary comparisons that collectively comprise the City's basic financial statements. The other schedules required by section 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 section 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 auditing standards generally accepted in the United States of America. In my opinion, except for the effects on the supplementary information referred to in the Qualified Opinion paragraph the other schedules required by section 2.2.2. NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 25, 2018 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
January 25, 2018

Basic Financial Statements

Government-wide Financial Statements

STATE OF NEW MEXICO
CITY OF TEXICO
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 1,363,790	\$ 155,821	\$ 1,519,611
Accounts receivable			
Tax	61,073	1,877	62,950
Grantor	1,335	1,014	2,349
Sales (net)	-	41,496	41,496
	<u>1,426,198</u>	<u>200,208</u>	<u>1,626,406</u>
Total current assets			
Noncurrent assets			
Restricted cash	-	56,184	56,184
Cash NMFA state treasurer	40,798	2	40,800
Cash NMFA funds held reserve	14,220	10,220	24,440
Capital assets	3,676,676	2,431,197	6,107,873
Less: accumulated depreciation	<u>(2,841,310)</u>	<u>(1,241,695)</u>	<u>(4,083,005)</u>
	<u>890,384</u>	<u>1,255,908</u>	<u>2,146,292</u>
Total noncurrent assets			
	<u>2,316,582</u>	<u>1,456,116</u>	<u>3,772,698</u>
Total assets			
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Aggregated deferred outflows	<u>197,254</u>	-	<u>197,254</u>
Total assets and deferred outflows of resources			
	<u>\$ 2,513,836</u>	<u>\$ 1,456,116</u>	<u>\$ 3,969,952</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable	\$ 5,053	\$ 58,417	\$ 63,470
Accrued wages	6,428	2,680	9,108
Payroll tax payable	3,224	784	4,008
Headstone deposits	1,225	-	1,225
Current portion of long term debt	<u>93,640</u>	<u>40,370</u>	<u>134,010</u>
	<u>109,570</u>	<u>102,251</u>	<u>211,821</u>
Total current liabilities			
Non-current liabilities			
Customer meter deposits	-	43,263	43,263
Compensated absences	6,593	1,087	7,680
Long term portion of long term debt	269,304	322,931	592,235
Net pension liability	<u>486,940</u>	<u>-</u>	<u>486,940</u>
	<u>762,837</u>	<u>367,281</u>	<u>1,130,118</u>
Total non-current liabilities			
	<u>872,407</u>	<u>469,532</u>	<u>1,341,939</u>
Total liabilities			
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Aggregated deferred inflows	<u>9,744</u>	-	<u>9,744</u>
<u>NET POSITION</u>			
Net investment in capital assets	472,422	826,201	1,298,623
Restricted			
Special revenue fund	196,336	-	196,336
Unrestricted	<u>962,927</u>	<u>160,383</u>	<u>1,123,310</u>
	<u>1,631,685</u>	<u>986,584</u>	<u>2,618,269</u>
Total net position			
	<u>\$ 2,513,836</u>	<u>\$ 1,456,116</u>	<u>\$ 3,969,952</u>
Total liabilities, deferred inflows of resources and net position			

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, 2017

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	\$ 1,830	\$ -	\$ -	\$ -	\$ (1,830)	\$ -	\$ (1,830)
General financial	189,667	8,859	-	-	(180,808)	-	(180,808)
Judicial	16,830	-	-	-	(16,830)	-	(16,830)
Public safety	363,114	82,480	305,896	-	25,262	-	25,262
Public works	108,648	-	80,816	-	(27,832)	-	(27,832)
Culture and recreation	23,295	-	12,660	-	(10,635)	-	(10,635)
Health and welfare	22,938	3,872	-	-	(19,066)	-	(19,066)
Interest	6,921	-	-	-	(6,921)	-	(6,921)
Capital outlay	-	-	-	50,000	50,000	-	50,000
Depreciation expense	189,115	-	-	-	(189,115)	-	(189,115)
Change in inflows / outflows	76,946	-	-	-	(76,946)	-	(76,946)
Total governmental activities	999,304	95,211	399,372	50,000	(454,721)	-	(454,721)
Business-type activities							
Public works	453,124	426,745	-	355,675	-	329,296	329,296
Total business-type activities	453,124	426,745	-	355,675	-	329,296	329,296
Total governmental and business-type activities	\$ 1,452,428	\$ 521,956	\$ 399,372	\$ 405,675	\$ (454,721)	\$ 329,296	\$ (125,425)
General Revenues							
Taxes							
Property tax				\$ 14,392	\$ -	\$ 14,392	
Franchise tax				24,571	6,388	30,959	
Gross receipts tax				161,868	2,167	164,035	
Gross receipts tax infrastructure				28,579	-	28,579	
Gasoline tax 2 cents				30,680	-	30,680	
Gross receipts tax (1.35)				129,549	-	129,549	
Gross receipts taxes environmental				-	7,669	7,669	
Motor Vehicle Department fees				1,447	-	1,447	
Licenses, fees, permits & fines				8,240	-	8,240	
Investment interest				5,107	616	5,723	
Small cities assistance				177,449	-	177,449	
Gain (loss) disposal of assets				2,720	-	2,720	
Operating transfers (net)				(50,000)	50,000	-	
Total general revenues				534,602	66,840	421,273	
Change in net position				79,881	396,136	476,017	
Net position, beginning				1,551,731	589,829	2,141,560	
Restatement				73	619	692	
Net position, beginning restated				1,551,804	590,448	2,142,252	
Net position, ending				\$ 1,631,685	\$ 986,584	\$ 2,618,269	

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, 2017

	General 101	Fire Protection 209	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,164,129	\$ 165,180	\$ 34,481	\$ 1,363,790
Cash NMFA state treasurer	40,438	360	-	40,798
Cash NMFA funds held reserve	14,220	-	-	14,220
Accounts receivable				
Tax	61,073	-	-	61,073
Grantor	-	-	1,335	1,335
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,279,860</u>	<u>\$ 165,540</u>	<u>\$ 35,816</u>	<u>\$ 1,481,216</u>
<u>LIABILITIES</u>				
Accounts payables	\$ 1,557	\$ 3,434	\$ 62	\$ 5,053
Accrued wages	6,184	-	244	6,428
Payroll tax payable	3,169	-	55	3,224
Headstone deposits	-	-	1,225	1,225
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>10,910</u>	<u>3,434</u>	<u>1,586</u>	<u>15,930</u>
<u>FUND BALANCE</u>				
Restricted for				
Special revenue funds	-	162,106	34,230	196,336
Unassigned, reported in				
General government funds	<u>1,268,950</u>	<u>-</u>	<u>-</u>	<u>1,268,950</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>1,268,950</u>	<u>162,106</u>	<u>34,230</u>	<u>1,465,286</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 1,279,860</u>	<u>\$ 165,540</u>	<u>\$ 35,816</u>	<u>\$ 1,481,216</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, 2017

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

Fund balances - total governmental funds		\$	1,465,286
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Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds

Capital assets	\$	3,676,676	
Accumulated depreciation		<u>(2,841,310)</u>	835,366

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 pensions			197,254
Deferred inflows of resources related to pensions			<u>(9,744)</u>

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		(6,593)	
Loans and notes payable		(362,944)	
Net pension liability		<u>(486,940)</u>	<u>(856,477)</u>

Net position of governmental activities			<u>\$</u>	<u>1,631,685</u>
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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, 2017

	General 101	Fire Protection 209	Other Governmental Funds	Total Governmental Funds
Revenue				
Property tax	\$ 14,392	\$ -	\$ -	\$ 14,392
Franchise tax	24,571	-	-	24,571
Gross receipts tax	161,868	-	-	161,868
Gross receipts tax infrastructure	28,579	-	-	28,579
Licenses, fees, permits & fines	8,375	-	-	8,375
Charges for services	62	82,480	3,872	86,414
Investment interest	3,853	1,154	100	5,107
Rents	8,662	-	-	8,662
Donations	-	-	350	350
Local grant	-	-	1,843	1,843
LEPF DWI	4,825	-	-	4,825
Correction/housing fees	3,520	-	-	3,520
Gasoline tax 2 cents	53,385	-	-	53,385
Gross receipts tax (1.35)	129,549	-	-	129,549
Motor Vehicle Department fees	1,447	-	-	1,447
Small cities assistance	177,449	-	-	177,449
LEPF state grant	21,200	-	-	21,200
State coop (SHTD) grant	58,111	-	-	58,111
State fire allotment	-	250,899	-	250,899
State grant	50,000	-	-	50,000
EMS grant	-	25,452	-	25,452
State agency on aging	-	-	5,105	5,105
Federal grant	-	-	5,362	5,362
Total revenues	749,848	359,985	16,632	1,126,465
Expenditures				
Current				
Elected officials	1,830	-	-	1,830
General government	190,120	-	-	190,120
Judicial	21,368	-	-	21,368
Public safety	241,408	116,808	-	358,216
Public works	108,648	-	-	108,648
Culture and recreation	-	-	23,295	23,295
Health and welfare	-	-	22,938	22,938
Capital outlay	87,284	236,050	-	323,334
Debt service - principal	22,565	182,324	-	204,889
Debt service - interest	456	6,465	-	6,921
Total expenditures	673,679	541,647	46,233	1,261,559
Excess (deficiency) of revenues over expenditures	76,169	(181,662)	(29,601)	(135,094)
Other financing sources (uses)				
Operating transfers (net)	(64,500)	-	14,500	(50,000)
Loan proceeds	27,284	-	-	27,284
Gain (loss) disposal of assets	3,520	-	-	3,520
Total other financing sources (uses)	(33,696)	-	14,500	(19,196)
Net change in fund balances	42,473	(181,662)	(15,101)	(154,290)
Fund balances, beginning	1,226,477	343,713	49,313	1,619,503
Restatement	-	55	18	73
Fund balances, beginning restated	1,226,477	343,768	49,331	1,619,576
Fund balances, ending	<u>\$ 1,268,950</u>	<u>\$ 162,106</u>	<u>\$ 34,230</u>	<u>\$ 1,465,286</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, 2017

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

Net change in fund balances - total governmental funds	\$ (154,290)
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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	323,334
Depreciation expense	(189,115)
Disposal of capital assets	(800)

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.

Loan proceeds	(27,284)
Principal payment	204,889

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	93
Change in inflows and outflows	<u>(76,946)</u>

Change in net position of governmental activities	<u>\$ 79,881</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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Property tax	\$ 16,156	\$ 16,156	\$ 15,078	\$ (1,078)
Franchise tax	28,000	28,000	21,693	(6,307)
Gross receipts tax	120,000	120,000	161,606	41,606
Gross receipts tax infrastructure	25,000	25,000	28,526	3,526
Licenses, fees, permits & fines	17,225	17,225	8,276	(8,949)
Charges for services	150	150	62	(88)
Investment interest	4,000	4,000	3,853	(147)
Rents	8,800	8,800	8,662	(138)
LEPF DWI	10,000	10,000	4,825	(5,175)
Correction/housing fees	7,500	7,500	3,520	(3,980)
Gasoline tax 2 cents	62,000	62,000	47,302	(14,698)
Gross receipts tax (1.35)	90,000	90,000	129,151	39,151
Motor Vehicle Department fees	1,600	1,600	779	(821)
State grant cemetery	-	-	50,000	50,000
Small cities assistance	185,000	185,000	177,449	(7,551)
LEPF state grant	21,200	21,200	21,200	-
State coop (SHTD) grant	58,111	58,111	58,111	-
Total revenue	654,742	654,742	740,093	85,351
Expenditures				
Current				
Elected officials	4,000	4,000	1,830	2,170
General financial	267,197	267,197	239,772	27,425
Judicial	22,990	22,990	21,320	1,670
Public safety	274,930	274,930	238,493	36,437
Public works	117,392	117,392	109,818	7,574
Capital outlay	107,000	107,000	87,284	19,716
Debt service - principal	22,570	22,570	22,565	5
Debt service - interest	588	588	456	132
Total expenditures	816,667	816,667	721,538	95,129
Excess (deficiency) revenues over (under) expenditures	(161,925)	(161,925)	18,555	180,480
Other financing sources (uses)				
Operating transfers net	(59,540)	(59,540)	(64,500)	(4,960)
Gain (loss) sale of capital assets	1,700	1,700	3,520	1,820
Loan proceeds	-	-	27,284	27,284
Designated cash	219,765	219,765	-	(219,765)
Total other financing sources (uses)	161,925	161,925	(33,696)	(195,621)
Net change in fund balances	-	-	(15,141)	(15,141)
Cash balance, beginning	-	-	1,233,928	1,233,928
Cash balance, ending	\$ -	\$ -	\$ 1,218,787	\$ 1,218,787
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (15,141)	
Adjustment to revenues for accruals and other deferrals			9,755	
Adjustment to expenditures for payables, prepaids and other accruals			47,859	
Net change in fund balance (GAAP Basis)			\$ 42,473	

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, 2017

	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	65,000	65,000	83,908	18,908
Investment interest	-	-	1,154	1,154
Rents	-	-	-	-
Insurance refunds/reimbursements	-	-	-	-
Gasoline tax 2 cents	-	-	-	-
Gross receipts tax (1.35)	-	-	-	-
State fire allotment	251,226	251,226	250,899	(327)
State grant	-	-	-	-
EMS grant	10,332	10,332	25,452	15,120
Total revenues	326,558	326,558	361,413	34,855
Expenditures				
Current				
General government	-	-	-	-
Public safety	115,572	115,572	115,572	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	236,050	236,050	236,050	-
Debt service				
Principal	186,391	186,391	182,324	4,067
Interest	6,465	6,465	6,465	-
Total expenditures	544,478	544,478	540,411	4,067
Excess (deficiency) revenues over (under) expenditures	(217,920)	(217,920)	(178,998)	38,922
Other financing sources (uses)				
Operating transfers	-	-	-	-
Designated cash	217,920	217,920	-	(217,920)
Total other financing sources (uses)	217,920	217,920	-	(217,920)
Net change in fund balances	-	-	(178,998)	(178,998)
Cash balance, beginning	-	-	344,483	344,483
Restatement	-	-	55	55
Cash balance, beginning restated	-	-	344,538	344,538
Cash balance, ending	\$ -	\$ -	\$ 165,540	\$ 165,540
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (178,998)	
Adjustment to revenues for accruals and other deferrals			(1,428)	
Adjustment to expenditures for payables, prepaids and other accruals			(1,236)	
Net change in fund balance (GAAP Basis)			\$ (181,662)	

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, 2017

	<u>Public Works</u>
<u>ASSETS</u>	
Current assets	
Cash and cash equivalents	\$ 155,821
Accounts receivable	
Taxes	1,877
Grantor	1,014
Sales (net)	<u>41,496</u>
Total current assets	<u>200,208</u>
Noncurrent assets	
Restricted cash, customer meter deposits	44,226
Restricted cash, Ute water project	11,958
Cash NMFA State Treasurer	2
Cash NMFA funds held reserve	10,220
Capital assets	2,431,197
Less: accumulated depreciation	<u>(1,241,695)</u>
Total noncurrent assets	<u>1,255,908</u>
Total assets	<u>\$ 1,456,116</u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities	
Accounts payable	\$ 58,417
Accrued wages	2,680
Payroll tax payable	784
Compensated absences	1,087
Current portion long-term debt	<u>40,370</u>
Total current liabilities	<u>103,338</u>
Noncurrent liabilities	
Customer meter deposits	43,263
Long term portion of long term debt	<u>322,931</u>
Total noncurrent liabilities	<u>366,194</u>
Total liabilities	<u>469,532</u>
Net position	
Net Investment in capital assets	826,201
Unrestricted	<u>160,383</u>
Total net position	<u>986,584</u>
Total liabilities and net position	<u>\$ 1,456,116</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, 2017

	<u>Public Works</u>
Operating revenues	
Sales and services	<u>\$ 412,140</u>
Total operating revenues	<u>412,140</u>
Operating expenses	
Public works	205,078
Personnel services	149,214
Depreciation	<u>45,662</u>
Total operating expenses	<u>399,954</u>
Operating income (loss)	12,186
Non-operating revenues (expenses)	
Gross receipts taxes environmental	7,669
Franchise taxes	6,388
Interest income	616
Penalties	12,033
Connections	1,250
Re-connections	508
Miscellaneous	814
Meter deposits net	-
State grant	350,100
Federal grant CDBG	5,575
Water trust board loan proceeds	-
Capital outlay	-
Interest expense	(8,328)
Gross receipts tax net	2,167
Governmental gross receipts tax	(18,910)
Water conservation fee	(1,081)
Ute water project expenses	(24,851)
Operating transfers (net)	<u>50,000</u>
Total non-operating revenue (expenses)	<u>383,950</u>
Net income (loss)	396,136
Net position, beginning	589,829
Restatement	<u>619</u>
Net position, beginning restated	<u>590,448</u>
Net position, ending	<u>\$ 986,584</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, 2017

	<u>Public Works</u>
Cash flows from operating activities	
Receipts from customers	\$ 411,261
Payments to suppliers, contractors and employees	<u>(345,564)</u>
Net cash provided (used) by operating activities	<u>65,697</u>
Cash flows from non capital financing activities	
Franchise taxes	5,947
Gross receipts tax environmental	7,656
Interest income	616
Penalties	12,033
Meter deposit (change)	(548)
Connections	1,250
Reconnections	335
Miscellaneous	814
Gross receipts tax - (net)	2,167
State grants	350,100
Federal grant CDBG	4,561
Operating transfers in	50,000
Governmental gross receipts tax	(18,910)
Water conservation fee	(1,081)
Capital outlay	(479,212)
Debt service interest	(8,329)
Ute water project expenses	<u>(24,851)</u>
Net cash provided (used) by non capital financing activities	<u>(97,452)</u>
Cash flows from capital and related financing activities	
Water trust board loan proceeds	38,900
Debt service principal	<u>(39,501)</u>
Net cash provided (used) by capital and related financing activities	<u>(601)</u>
Net increase (decrease) in cash and cash equivalents	(32,356)
Cash and cash equivalents, beginning	254,485
Restatement	<u>98</u>
Cash and cash equivalents, beginning restated	<u>254,583</u>
Total cash and cash equivalents, ending	<u>\$ 222,227</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 12,186
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	(879)
Increase (Decrease) in accounts payable	<u>8,728</u>
Net cash provided (used) by operating activities	<u>\$ 65,697</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, 2017

	<u>Agency Funds</u>
 <u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 25,060</u>
Total assets	<u><u>\$ 25,060</u></u>
 <u>LIABILITIES</u>	
Deposits held for others - cemetery association	<u>\$ 25,060</u>
Total liabilities	<u><u>\$ 25,060</u></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.

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, 2017.

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 \$26,180 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.

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, 2017.

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, 2017, is presented.

The appropriated budget for the year ended June 30, 2017, 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, 2017 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, 2017.

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, 2017		
General	\$ 69,826	Checking
General	1,099,586	Public Funds MMDA
Fire	64,518	Checking
Fire	102,708	Public Funds MMDA
Senior Citizens	5,103	Checking
Meter Fund	16,062	Checking
Meter Fund	28,014	Savings
Cemetery	19,609	Public Funds MMDA
Cemetery Headstone	7,735	Checking
Recreation	2,413	Checking
Ute Water	11,958	Checking
Public works	90,028	Checking
Public works	70,277	Public Funds MMDA
Cemetery Assoc.	16,572	Checking
Cemetery Assoc.	9,164	Savings
Total deposited	<u>1,613,573</u>	
Less FDIC coverage Interest Bearing Accr	(250,000)	
Total uninsured public funds	<u>1,363,573</u>	
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	681,787	
Pledged securities	<u>4,280,767</u>	
Over (under)	<u>\$ 3,598,981</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.

STATE OF NEW MEXICP
CITY OF TEXICO
Notes to The Financial Statements
June 30. 2017

Description	CUSIP	Market Value	Date	Location
GNMA II Pool #MA0926	36179NA32	\$ 1,254,527	04/20/43	The Independent Bankers
SBAP 2015-20B	83162CWV1	3,026,240	02/01/35	The Independent Bankers
		<u>\$ 4,280,767</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.

Governmental Activities		Business-type Activities	
General Fund		Public Works	
NMFA Cash - State Treasurer	\$ 40,798	NMFA Cash - State Treasurer	\$ 2
NMFA Cash - Reserved Funds	14,220	NMFA Cash - Reserved Funds	10,220
	<u>\$ 55,018</u>		<u>\$ 10,222</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, 2017, none of the City's bank balance of \$1,613,573 was exposed to custodial credit risk.

Custodial Credit Risk Deposits

Account Balance	\$ 1,613,573
FDIC Insurance	250,000
Collateral:	
Collateral held by the pledging bank, not in the City's name	4,280,767
Uninsured and uncollateralized	<u>(2,917,194)</u>
Total Deposits	<u>\$ 1,613,573</u>

Note 4 Receivables

Receivables as of June 30, 2017, are as follows:

	Governmental Activities			Business-type Activities		
	Major Funds	Nonmajor Funds	Totals	Taxes	Utility Service	Totals
Accounts receivable taxes						
General Fund						
Franchise Tax	\$ 6,008	-	-	-	-	-
Gross Receipts Tax Infrastructure	3,693	-	-	-	-	-
Gross Receipts Tax	18,832	-	-	-	-	-
Property Tax	840	-	-	-	-	-
Gas Tax 2 Cent	10,807	-	-	-	-	-
Gross Receipts Tax 1.35	16,229	-	-	-	-	-
Motor Vehicle	927	-	-	-	-	-
Streets Gas tax	3,737	-	61,073	-	-	-
Accounts receivable from grantor						
Senior Citizens Fund						
Local grant	-	-	-	-	-	-
State grant	-	633	-	-	-	-
Federal grant	-	702	1,335	-	-	-
Public Works						
Franchise Tax	-	-	-	954	-	-
Gross Receipts Tax Environmental	-	-	-	923	-	1,877
Accounts receivable from grantor	-	-	-	-	-	1,014
Accounts receivable sales						
Public Works						
Sales	-	-	-	-	46,191	-
Allowance for uncollectible	-	-	-	-	(4,695)	41,496
	<u>\$ 61,073</u>	<u>\$ 1,335</u>	<u>\$ 62,408</u>	<u>\$ 1,877</u>	<u>\$ 41,496</u>	<u>\$ 44,387</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	\$ 14,500	\$ -
General	-	14,500
Public Works	50,000	-
General	-	50,000
Totals	<u>\$ 64,500</u>	<u>\$ 64,500</u>

Note 6 Accounts Payables

Accounts payable as of June 30, 2017, are as follows:

	Governmental Activities		Business-type Activities
Payable to suppliers		Payable to suppliers	
General	\$ 1,557	Public Works	\$ 58,417
Fire Protection	3,434		-
Cemetery	62		-
Total	<u>\$ 5,053</u>	Total	<u>\$ 58,417</u>

Note 7 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows.

Governmental Activities

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 85,284	\$ -	\$ (800)	\$ 84,484
Capital assets being depreciated				
Buildings and improvements	1,154,809	50,000	-	1,204,809
Machinery and equipment	604,167	53,217	-	657,384
Vehicles	1,509,882	220,117	-	1,729,999
Total assets	<u>3,354,142</u>	<u>323,334</u>	<u>(800)</u>	<u>3,676,676</u>
Less accumulated depreciation				
Buildings and improvements	(409,804)	(26,789)	-	(436,593)
Machinery and equipment	(782,499)	(42,930)	-	(825,429)
Vehicles	(1,459,892)	(119,396)	-	(1,579,288)
Total accumulated depreciation	<u>(2,652,195)</u>	<u>(189,115)</u>	<u>-</u>	<u>(2,841,310)</u>
Governmental activity capital assets, net	<u>\$ 701,947</u>	<u>\$ 134,219</u>	<u>\$ (800)</u>	<u>\$ 835,366</u>

Capital assets, at June 30, 2017 appear in the Statement of Net Position as follows: Governmental activities capital assets total \$3,676,676 accumulated depreciation total \$2,841,310. Depreciation expense related to governmental activities totaled \$189,115.

Business-Type Activities

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Business-type activities:				
Capital assets not being depreciated				
CNP	\$ -	\$ 515,991	\$ -	\$ 515,991
Capital assets being depreciated				
Buildings and improvements	67,655	-	-	67,655
Machinery & equipment	152,644	-	-	152,644
Vehicles	32,273	-	-	32,273
Infrastructure	1,662,634	-	-	1,662,634
Total assets	<u>1,915,206</u>	<u>515,991</u>	<u>-</u>	<u>2,431,197</u>
Less accumulated depreciation				
Buildings and improvements	(39,474)	(2,255)	-	(41,729)
Machinery & equipment	(87,289)	(3,790)	-	(91,079)
Vehicles	(75,689)	(4,824)	-	(80,513)
Infrastructure	(993,581)	(34,793)	-	(1,028,374)
Total accumulated depreciation	<u>(1,196,033)</u>	<u>(45,662)</u>	<u>-</u>	<u>(1,241,695)</u>
Business-type activity capital assets, net	<u>\$ 719,173</u>	<u>\$ 470,329</u>	<u>\$ -</u>	<u>\$ 1,189,502</u>

Depreciation expense related to business-type activities for the year ended June 30, 2017 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.
Cemetery (\$903)
- C. Excess expenditures over budget.
None

Note 10 Long-term Debts

Governmental Activities

During the year ended June 30, 2017, the following changes occurred in the long-term liabilities reported in the government wide statement of net position:

STATE OF NEW MEXICP
CITY OF TEXICO
Notes to The Financial Statements
June 30. 2017

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities					
Note payable					
General Fund					
Kansas State Bank	\$ 6,617	\$ -	\$ (6,617)	\$ -	\$ -
NMFA City Hall	32,008	-	(15,948)	16,060	16,060
Kansas State Bank	-	27,284	-	27,284	6,464
Fire Protection Fund					
Danko	112,551	-	(112,551)	-	-
NMFA Medical Rescue Vehicle	176,516	-	(27,163)	149,353	27,879
NMFA Tanker	123,334	-	(29,821)	93,513	30,448
NMFA Fire station	89,523	-	(12,789)	76,734	12,789
	<u>\$ 540,549</u>	<u>\$ 27,284</u>	<u>\$ (204,889)</u>	<u>\$ 362,944</u>	<u>- 93,640</u>
Other long term liabilities					
Compensated absences	<u>\$ 6,686</u>	<u>\$ 14,565</u>	<u>\$ (14,658)</u>	<u>\$ 6,593</u>	<u>\$ -</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, 2017 was \$16,188. The city hall is general long-term debt of the City.

The general fund, police department vehicle note is payable to Kansas State Bank in annual principal and interest payments through January 21, 2021. Principal payments vary from \$6,464 to \$7,187 and the interest rates is 3.440%. The police vehicle 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, 2017 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, 2017 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, 2017 was \$12,789. The fire station and equipment are general long-term debt of the City.

The annual requirement to amortize the loan as of June 30, 2017, including interest and administration fees is as follows:

STATE OF NEW MEXICP
CITY OF TEXICO
Notes to The Financial Statements
June 30. 2017

New Mexico Finance Authority
City Hall

Year Ended June 30,	Principal	Interest	Total
2018	\$ 16,060	\$ 116	\$ 16,176

Kansas State Bank
2017 Tahoe

Year Ended June 30,	Principal	Interest	Total
2018	\$ 6,464	\$ 982	\$ 7,446
2019	6,696	750	7,446
2020	6,937	508	7,445
2021	7,187	259	7,446
	<u>\$ 27,284</u>	<u>\$ 2,499</u>	<u>\$ 29,783</u>

New Mexico Finance Authority
Medical Rescue Truck

Year Ended June 30,	Principal	Interest	Total
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>\$ 149,353</u>	<u>\$ 11,361</u>	<u>\$ 160,714</u>

New Mexico Finance Authority
Fire Tanker Truck

Year Ended June 30,	Principal	Interest	Total
2018	\$ 30,448	\$ 2,358	\$ 32,806
2019	31,143	1,664	32,807
2020	31,922	885	32,807
	<u>\$ 93,513</u>	<u>\$ 4,907</u>	<u>\$ 98,420</u>

New Mexico Finance Authority
Fire Station and Equip.

Year Ended June 30,	Principal	Interest	Total
2018	\$ 12,789	\$ -	\$ 12,789
2019	12,789	-	12,789
2020	12,789	-	12,789
2021	12,789	-	12,789
2022	12,789	-	12,789
2023	12,789	-	12,789
	<u>\$ 76,734</u>	<u>\$ -</u>	<u>\$ 76,734</u>

Business-type Activities

During the year ended June 30, 2017, 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	\$ 63,500	\$ -	\$ (11,932)	\$ 51,568	\$ 12,304
RIP Phase I infrastructure	199,976	-	(15,614)	184,362	16,082
NMFA Water upgrade	100,948	-	(9,981)	90,967	10,006
NMFA Storage, Conveyance	-	38,379	(1,975)	36,404	1,978
	<u>\$ 364,424</u>	<u>\$ 38,379</u>	<u>\$ (39,502)</u>	<u>\$ 363,301</u>	<u>40,370</u>
Other long term liabilities					
Compensated absences	\$ 1,805	\$ 6,886	\$ (7,604)	\$ 1,087	\$ -

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

Business-type Activities Notes Payable

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 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 water system upgrade is general long-term debt of the City. Debt payments are made by the Public Works Fund.

The storage, conveyance, and delivery of water note is payable to the New Mexico Finance Authority in annual principal installments through June 1, 2035. The interest rate is .25% and the principal payments vary from \$558 to \$2,063. The storage, conveyance, and delivery of water note is general long-term debt of the City. Debt payments are made by the Public Works Fund.

The annual requirement to amortize the loan as of June 30, 2017, including interest and are as follows:

Year Ended June 30,	Kansas State Bank Back Hoe		
	Principal	Interest	Total
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>\$ 51,568</u>	<u>\$ 4,084</u>	<u>\$ 55,652</u>

NM Environment Dept. - RIP
Phase I Infrastructure

Year Ended June 30,	Principal	Interest	Total
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	18,100	3,512	21,612
2023-2027	98,982	9,083	108,065
	<u>\$ 184,362</u>	<u>\$ 31,765</u>	<u>\$ 216,127</u>

New Mexico Finance Authority
Water Upgrade

Year Ended June 30,	Principal	Interest	Total
2018	\$ 10,006	\$ -	\$ 10,006
2019	10,032	-	10,032
2020	10,057	-	10,057
2021	10,082	-	10,082
2022	10,107	-	-
2023-2026	40,683	-	40,683
	<u>\$ 90,967</u>	<u>\$ -</u>	<u>\$ 80,860</u>

New Mexico Finance Authority
Storage & Conveyance

Year Ended June 30,	Principal	Interest	Total
2018	\$ 1,978	\$ 91	\$ 2,069
2019	1,983	86	2,069
2020	1,988	81	2,069
2021	1,993	76	2,069
2022	1,998	71	2,069
2023-2027	10,065	280	-
2028-2032	10,190	155	-
2033-2035	6,209	20	6,229
	<u>\$ 36,404</u>	<u>\$ 860</u>	<u>\$ 16,574</u>

Note 11 Public Employees Retirement Association (PERA) Plan

Plan description

Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits provided

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum

benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25- year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. See PERA's compressive annual financial report for Contribution provided description

Coverage Plan	PERA Contribution Rate and Pension Factor as of July 1, 2016					
	Employee Contribution Percent		Employer Contribution Percent	Pension Factor per year of Service		Pension Maximum as a Percentage of Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90%
Municipal Plan 1 plan open to new employees	7.00%	8.50%	7.40%	2.00%	2.00%	90%
Municipal Plan 2 plan open to new employees	9.15%	10.65%	9.55%	2.50%	2.00%	90%
Municipal Plan 3 plan closed to new employees 6/95	13.15%	14.65%	9.55%	3.00%	2.50%	90%
Municipal Plan 4 plan closed to new employees 6/00	15.65%	17.15%	12.05%	3.00%	2.50%	90%
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90%
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90%
State Police and Adult Correction Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90%
State Plan 3 Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90%
Juvenile Correction Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of \$486,940 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City's proportion was 0.0373%, which was an increase of 0.0104% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$75,808. At June 30, 2017, City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For PERA Fund Division – the City's General Division

At June 30, 2017, the City reported a liability of \$250,834 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.0157 percent, which was an increase of .0020 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the City recognized PERA Fund – General, pension expense of \$33,995. At June 30, 2017, the City reported PERA Fund Division – General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,533	\$ 2,448
Change in assumptions	14,708	42
Net difference between projected and actual earnings on plan investments	46,153	-
Change in proportion and difference between City contribution and proportionate share of contributions	23,816	-
City's contribution subsequent to the measurement date	16,016	-
Totals	\$ 113,226	\$ 2,490

\$16,016 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Municipal General Division	Year Ended June 30,	Municipal Police Division
2018	\$ 24,169	2018	\$ 24,045
2019	24,169	2019	24,045
2020	34,245	2020	34,281
2021	12,137	2021	10,419

For PERA Fund Division - the City's Police Division

At June 30, 2017, the City reported a liability of \$236,106 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was .032 percent which is an increase of .0084 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Division - Police pension expense of \$41,813. At June 30, 2017, the City reported PERA Fund Division – Police deferred outflows of resources and deferred inflows or, resources related to pensions from the following sources:

STATE OF NEW MEXICP
CITY OF TEXICO
Notes to The Financial Statements
June 30. 2017

Police Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 17,334	\$ -
Change in assumptions	15,638	4,258
Net difference between projected and actual earnings on plan investments	37,341	-
Change in proportion and difference between City contribution and proportionate share of contributions	29,731	2,996
City's contribution subsequent to the measurement date	10,164	-
Totals	<u>\$ 110,208</u>	<u>\$ 7,254</u>

\$10,164 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense are reported above.

Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial Assumptions	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years, then 2.75 all other years
Mortality Assumption	RP-2000 Mortality Tables (combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2015 (economic).

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	<u>100.00%</u>	

Discount rate

A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

Proportionate share of the net pension liability	1% Decrease 6.48%	Current Discount 7.48%	1% Increase 8.48%
Municipal General Division	\$ 373,970	\$ 250,834	\$ 148,698
Municipal Police Division	\$ 347,370	\$ 236,106	\$ 145,045

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

Payables to the pension plan

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

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

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (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 the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RCHA 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 RCHA or viewed on their website at www.nmrhca.stat.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA monthly. The statutory requirement for the contributions can be changed by the New Mexico State Legislature. Employers that chose 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 plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, 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, 2013, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$9,423, \$9,013 and \$7,153 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 because 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 January 25, 2018 which is the date the financial statements were available for issuance.

Note 16 Related Party

One of the council members son is a partner in AMD Engineering LLC. The proprietary fund paid AMD Engineering LLC \$29,492 for professional services.

Note 17 Restatement of Net Position

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

Governmental		Business-types	
Beginning Net Position, beginning	\$ 1,551,731	Beginning Net Position, beginning	\$ 589,829
Restatement		Restatement	
Stale dated checks	73	Beginning loan balance	521
	-	Stale dated checks	173
	-	Stale dated deposit	<u>(75)</u>
Net Position, beginning restated	<u>\$ 1,551,804</u>	Net Position, beginning restated	<u>\$ 590,448</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*

Municipal General Division	<u>2015</u>	<u>2016</u>	<u>2017</u>
The City's proportion of the net pension liability (asset)	0.01230%	0.01370%	0.01570%
The City's proportionate share of the net pension liability (asset)	\$ 95,953	\$ 139,683	\$ 250,834
The City's covered-employee payroll	\$ 147,520	\$ 180,208	\$ 216,439
The City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.04%	77.51%	115.89%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%

Municipal Police Division	<u>2015</u>	<u>2016</u>	<u>2017</u>
The City's proportion of the net pension liability (asset)	0.02480%	0.02360%	0.03200%
The City's proportionate share of the net pension liability (asset)	\$ 80,845	\$ 113,482	\$ 236,106
The City's covered-employee payroll	\$ 91,114	\$ 121,759	\$ 97,735
The City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	88.73%	93.20%	241.58%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%

*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.

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

Municipal General Division	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 10,916	\$ 13,335	\$ 16,016
Contributions in relation to the contractually required contribution	<u>10,916</u>	<u>13,335</u>	<u>16,016</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The City's covered-employee payroll	\$ 147,520	\$ 180,208	\$ 216,439
Contributions as a percentage of covered-employee payroll	7.40%	7.40%	7.40%

Municipal Police Division	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 9,475	\$ 12,663	\$ 10,164
Contributions in relation to the contractually required contribution	<u>9,475</u>	<u>12,663</u>	<u>10,164</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The City's covered-employee payroll	\$ 91,114	\$ 121,759	\$ 97,735
Contributions as a percentage of covered-employee payroll	10.40%	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.

Changes of benefit terms and assumptions

There were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2.0%, which resulted in a net \$138 million decrease in the unfunded actuarial accrued liability

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, 2017

	Recreation 217	Senior Citizens 219	Cemetery 600	Totals
<u>ASSETS</u>				
Cash in banks	\$ 2,413	\$ 4,718	\$ 27,350	\$ 34,481
Accounts receivable grantor	-	1,335	-	1,335
	<u>2,413</u>	<u>6,053</u>	<u>27,350</u>	<u>35,816</u>
Total assets	<u>\$ 2,413</u>	<u>\$ 6,053</u>	<u>\$ 27,350</u>	<u>\$ 35,816</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ 62	\$ 62
Accrued wages	-	244	-	244
Payroll taxes payable	-	55	-	55
Headstone deposits	-	-	1,225	1,225
	<u>-</u>	<u>299</u>	<u>1,287</u>	<u>1,586</u>
Total liabilities	<u>-</u>	<u>299</u>	<u>1,287</u>	<u>1,586</u>
 <u>FUND BALANCE</u>				
Restricted for				
Special revenue funds	<u>2,413</u>	<u>5,754</u>	<u>26,063</u>	<u>34,230</u>
Total fund balance	<u>2,413</u>	<u>5,754</u>	<u>26,063</u>	<u>34,230</u>
Total liabilities and fund balance	<u>\$ 2,413</u>	<u>\$ 6,053</u>	<u>\$ 27,350</u>	<u>\$ 35,816</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, 2017

	Recreation 217	Senior Citizens 219	Cemetery 600	Totals
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax - from state	-	-	-	-
Charges for services	-	-	3,872	3,872
Interest income	-	-	100	100
Headstone deposits	-	-	-	-
Donations	-	350	-	350
Local grant	-	1,843	-	1,843
State agency on the aging	-	5,105	-	5,105
Federal grant	-	5,362	-	5,362
Total revenues	-	12,660	3,972	16,632
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	7	23,288	-	23,295
Health and welfare	-	-	22,938	22,938
Capital outlay	-	-	-	-
Total expenditures	7	23,288	22,938	46,233
Excess (deficiency) of revenues over expenditures	(7)	(10,628)	(18,966)	(29,601)
Other financing sources (uses)				
Operating transfers (net)	-	14,500	-	14,500
Total other financing sources (uses)	-	14,500	-	14,500
Net change in fund balances	(7)	3,872	(18,966)	(15,101)
Fund balances, beginning	2,420	1,864	45,029	49,313
Restatement	-	18	-	18
Fund balances, beginning restated	2,420	1,882	45,029	49,331
Fund balances, ending	\$ 2,413	\$ 5,754	\$ 26,063	\$ 34,230

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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Sales and service	\$ 431,070	\$ 431,070	\$ 411,261	\$ (19,809)
Total revenue	431,070	431,070	411,261	(19,809)
Expenses				
Current				
Public works	198,160	198,160	197,143	1,017
Personnel services	149,210	149,210	148,421	789
Total expenses	347,370	347,370	345,564	1,806
Excess (deficiency) revenues over (under) expenditures	83,700	83,700	65,697	(18,003)
Other financing sources (uses)				
Franchise taxes	6,000	6,000	5,947	(53)
Gross receipts tax environmental	14,000	14,000	7,656	(6,344)
Interest income	900	900	616	(284)
Penalties	12,033	12,033	12,033	-
Water meter deposits (change)	(6,935)	(6,935)	(548)	6,387
Connections	1,250	1,250	1,250	-
Reconnections	333	333	335	2
Miscellaneous	814	814	814	-
Gross receipts tax - (net)	8,000	8,000	2,167	(5,833)
State grants	389,000	389,000	350,100	(38,900)
Federal grants	250,000	250,000	4,561	(245,439)
Water trust board loan proceeds	50,000	50,000	38,900	(11,100)
Governmental gross receipts tax	(18,915)	(18,915)	(18,910)	5
Capital outlay	(606,423)	(606,423)	(479,212)	127,211
Debt service principal	(39,505)	(39,505)	(39,501)	4
Debt service interest	(8,330)	(8,330)	(8,329)	1
Ute water project expenses	(24,855)	(24,855)	(24,851)	4
Water conservation fee	(1,085)	(1,085)	(1,081)	4
Operating transfers (net)	5,000	5,000	50,000	45,000
Designated cash	-	-	-	-
Total other financing sources (uses)	31,282	31,282	(98,053)	(129,335)
Net change in fund balance	114,982	114,982	(32,356)	(147,338)
Cash balance, beginning	-	-	254,485	254,485
Restatement	-	-	98	98
Cash balance, beginning restated	-	-	254,583	254,583
Cash balance, ending	\$ -	\$ -	\$ 222,227	\$ 222,227
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (32,356)	
Adjustment to revenues for accruals and other deferrals			879	
Adjustment to expenditures for payables, prepaids and other accruals			427,613	
Net change in fund balance (GAAP Basis)			\$ 396,136	

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, 2017

Schedule I

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>ASSETS</u>				
Cemetery Association	\$ 25,040	\$ 7,012	\$ (6,992)	\$ 25,060
Total assets	<u>\$ 25,040</u>	<u>\$ 7,012</u>	<u>\$ (6,992)</u>	<u>\$ 25,060</u>
<u>LIABILITIES</u>				
Funds handled on behalf of Citizens of Texico	\$ 25,040	\$ 7,012	\$ (6,992)	\$ 25,060
Total liabilities	<u>\$ 25,040</u>	<u>\$ 7,012</u>	<u>\$ (6,992)</u>	<u>\$ 25,060</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, 2017

Schedule II

Bank Name	Bank Statement Balance	Outstanding Deposits	Outstanding Checks	Reconciled Balance
The Citizens Bank of Clovis				
Checking				
General	\$ 69,826	\$ 1,356	\$ (6,639)	\$ 64,543
Fire	64,518	-	(2,046)	62,472
Recreation	2,413	-	-	2,413
Senior Citizens	5,103	-	(385)	4,718
Cemetery	19,609	6	-	19,615
Cemetery Headstone	7,735	-	-	7,735
Savings				
General	1,099,586	-	-	1,099,586
Fire	102,708	-	-	102,708
Total governmental funds	1,371,498	1,362	(9,070)	1,363,790
Checking				
Public Works	90,028	2,227	(6,711)	85,544
Meter	16,062	240	(90)	16,212
Ute Water Project	11,958	-	-	11,958
Savings				
Public Works	70,277	-	-	70,277
Meter	28,014	-	-	28,014
Total business type activities	216,339	2,467	(6,801)	212,005
Total governmental funds and business type activities	<u>\$ 1,587,837</u>	<u>\$ 3,829</u>	<u>\$ (15,871)</u>	<u>\$ 1,575,795</u>
Agency				
Checking				
Cemetery Association	16,572	20	(700)	15,892
Savings				
Cemetery Association	9,164	4	-	9,168
Total Agency	25,736	24	(700)	25,060
Total Citizens Bank of Clovis	<u>\$ 1,613,573</u>	<u>\$ 3,853</u>	<u>\$ (16,571)</u>	<u>\$ 1,600,855</u>
New Mexico Finance Authority				
State treasurer general fund	40,438	-	-	40,438
State treasurer fire fire	360	-	-	360
Funds held reserve general fund	14,220	-	-	14,220
Total governmental funds	55,018	-	-	55,018
New Mexico Finance Authority				
State treasurer public works	2	-	-	2
Funds held reserve public works	10,220	-	-	10,220
Total business type activities	10,222	-	-	10,222
Total all types	<u>\$ 1,678,813</u>	<u>\$ 3,853</u>	<u>\$ (16,571)</u>	<u>\$ 1,666,095</u>

Compliance Section

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

Wayne Johnson
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, 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 (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds of the City presented as supplementary information, except for the effects of the matter described with the Basis for Qualified Opinion Paragraph and have issued my report thereon dated January 25, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses. 2013-001 and 2013-002

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. I consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies. 2015-001, 2017-001 and 2017-002.

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.

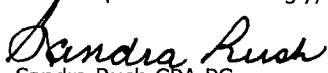
The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2015-001, 2017-001, 2017-002, and 2017-003.

Response to Findings

The City's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Sandra Rush CPA PC
Clovis, New Mexico
January 25, 2018

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Findings and Responses
June 30, 2017

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

Condition

The City could not provide a complete Capital Asset listing and depreciation schedule for the fiscal year ending June 30, 2017 for governmental activities or business-type activities. 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.

The council did approve a formal depreciation policy. Limited 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, 2017, 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, 2017, 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 City of Texico Has assigned the capital assets to the administrative assistant. She will start working on the historical data and we will conduct yearly inventories. We are hoping to find some good training on capital assets for the administrative assistant to attend.

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Findings and Responses
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. Limited 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 City of Texico will send the City Clerk to more training for governmental accounting to increase her knowledge in financial statements

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Findings and Responses
June 30, 2017

2015-001 Stale Dated Checks – Significant Deficiency and Compliance Other

Revised and Repeated

Condition

The City maintained 1 check totaling \$55 in the Fire Fund checking account and 3 checks totaling \$173 in the Meter Fund checking account that was dated at least one year prior to June 30, 2017. The clerk is responsible for reconciling the bank accounts. Limited 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 will include the dates of outstanding check for the council to look at when reviewing the bank reconciliations and will start reporting to the Unclaimed property of the NM Tax Revenue department.

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Findings and Responses
June 30, 2017

2017-001 Exceeded Budgetary Authority - Significant Deficiency and Compliance Other

Condition

The City maintained expenditures at the fund level in which actual expenditures exceeded budgetary authority (\$903) in the Cemetery Fund.

Criteria

Sound financial management and state regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. For municipalities, the fund is the legal level of control.

Cause

Staff shortages, insufficient budget oversight and failure to work closely with the DFA Local Government Division were all factors that contributed to this finding.

Effect

As a result, the City is not in compliance with New Mexico regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978.

Recommendation

The clerk must establish a policy of budgetary review and make necessary budget adjustments. It is recommended that the clerk work with DFA Local Government Division in monitoring budgetary compliance throughout the fiscal year.

Response

The Clerk failed to catch the over budget and failed to do a budget adjustment. She will in the future make sure the budget are either adjusted.

2017-002 DFA Cash Reports - Significant Deficiency and Compliance Other

Condition

The June 30, 2017 general ledger does not agree with the 4th quarter FY 6/2017 DFA cash report. The DFA cash reports is not prepared with the same revenue and expenditure categories as the general ledger. Also, the ending cash per the general ledger does not agree with the DFA FY 6/2017 4th quarter cash report. The reconciled cash per the general ledger was \$1,600,855 and the cash per the DFA report was \$1,720,900 a difference of \$120,135.

Criteria

There are several key underlying accounting standards related to an organization designing and implementing an effective financial close and reporting process. Auditors, are required to identify and communicate internal weaknesses according to "Statement on Auditing Standards (SAS) 115 Communication of Internal Control Related Matters Identified in an Audit". The following are a few concepts associated with this standard:

The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;

The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and

A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements and other reporting requirements.

The DFA cash report is considered a significant process of internal control and should agree the reconciled general ledger.

Cause

Lack of understanding of DFA report guidelines.

Effect

When the same categories are not used for the cash report and general ledger it is not possible to compare the reports.

The City is not in compliance with DFA reporting requirements.

Recommendation

The DFA cash report should be prepared with the same categories as used on the general ledger.

Response

The City Clerk failed to make the budget adjustments for changes in the investment account regarding interest and spending. The investment is actually a savings account that the City has access to the funds whenever they are needed. She was told to make any changes to that account she needed to make budget adjustments at the end of the year.

STATE OF NEW MEXICO
 CITY OF TEXICO
 Schedule of Findings and Responses
 June 30, 2017

2017-003 Audit Report Filed Late – Compliance Other

Condition

The June 30, 2017 audit report was not received by the State Auditor’s office timely.

Criteria

According to State Auditor Rule NMAC 2.2.2.9.A, the audited financial statements were due December 15 of the fiscal year audited.

Cause

The audit was submitted to the New Mexico State Auditor on January 26, 2017.

Effect

The City is not in compliance with State Auditor Rule 2.2.2.9.A for the fiscal year ended June 30, 2017.

Recommendation

The audit needs to be submitted timely.

Response

The city clerk was out of office a lot on sick leave when the audit needed to be started. She will make every effort in the future to make sure the auditors have all necessary records on time.

Prior Year Audit Findings

2013-001 (2013-01)	Capital Asset List	Material Weakness	Revised and Repeated
2013-002 (2013-02)	Financial Statements and Disclosures	Material Weakness	Repeated
2015-001	State Dated Checks	Compliance Other	Revised and Repeated

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 January 25, 2018.