
STATE OF NEW MEXICO
City of Texico
June 30, 2018

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2018
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, 2018

Board of Trustees

Jerry Bradley

Mayor

Oran Jay Autrey

Mayor Pro Tem

Max Carter

Member

Audrey Kittrell

Member

David Parmer

Member

Administrative Officials

Carolyn Johnson

Clerk-Treasurer

STATE OF NEW MEXICO
CITY OF TEXICO
Table of Contents
June 30, 2018

	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, 2018

	Page
Schedule of Required Supplementary Information and Notes for Pension Plan Public Employee Retirement Association (PERA) Pension Plan Last 10 Fiscal Years*	
Schedule of Proportionate Share of the Net Pension Liability	43
Schedule of Contributions	43
Notes to Required Supplementary Information	44
Required Supplementary Information	45
Schedule of Employer's Proportionate Share of the Net OPED Liability	45
Schedule of Employer's Contributions	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	52
Agency Funds - Statement of Changes in Assets and Liabilities	Schedule I 53
Other Supplemental Information	54
Bank Reconciliation - All Accounts	Schedule II 55
Compliance Section	56
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
Schedule of Findings and Responses	59-65

Financial Section

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Independent Auditor's Report

Brian S. Colón
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, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2018. 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, 2017 or the depreciation expense for the fiscal year ended June 30, 2018. I was unable to determine these amounts using alternative procedures and, as such, I am unable to express an opinion on capital assets as of June 30, 2018, and the depreciation accrual for the year then ended. The effect on assets, net position, and expenditures of the governmental activities and business-type activities are not readily determinable.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the general fund and major special revenue fund of the City as of June 30, 2018, and, the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management'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.

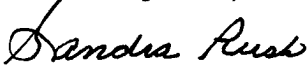
Accounting principles generally accepted in the United States of America require the GASB Supplementary Pension Schedules and the GASB Supplementary OPEB Schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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 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 the 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 an opinion on the basic financial statements. The supplemental information as noted in the table of contents required by Section 2.2.2 NMAC is the responsibility of management and was 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, the supplemental 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 3, 2019 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 3, 2019

Basic Financial Statements

Government-wide Financial Statements

STATE OF NEW MEXICO
CITY OF TEXICO
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 1,253,016	\$ 175,352	\$ 1,428,368
Accounts receivable			
Tax	46,646	1,614	48,260
Grantor	1,635	-	1,635
Other	7,535	-	7,535
Sales (net)	-	40,270	40,270
Due from other funds	635	-	635
Total current assets	<u>1,309,467</u>	<u>217,236</u>	<u>1,526,703</u>
Noncurrent assets			
Restricted cash	-	45,172	45,172
Cash NMFA state treasurer	39,192	6	39,198
Cash NMFA funds held reserve	14,118	10,158	24,276
Capital assets	3,694,676	2,508,562	6,203,238
Less: accumulated depreciation	<u>(3,032,225)</u>	<u>(1,288,632)</u>	<u>(4,320,857)</u>
Total noncurrent assets	<u>715,761</u>	<u>1,275,266</u>	<u>1,991,027</u>
Total assets	<u>2,025,228</u>	<u>1,492,502</u>	<u>3,517,730</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Aggregated deferred outflows	<u>169,735</u>	<u>-</u>	<u>169,735</u>
Total assets and deferred outflows of resources	<u>\$ 2,194,963</u>	<u>\$ 1,492,502</u>	<u>\$ 3,687,465</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable	\$ 25,258	\$ 12,029	\$ 37,287
Accrued wages	5,521	2,356	7,877
Payroll tax payable	3,074	781	3,855
Taxes payable	-	3,894	3,894
Due to other funds	-	635	635
Headstone deposits	1,280	-	1,280
Current portion of long term debt	<u>79,300</u>	<u>46,069</u>	<u>125,369</u>
Total current liabilities	<u>114,433</u>	<u>65,764</u>	<u>180,197</u>
Non-current liabilities			
Customer meter deposits	-	43,693	43,693
Compensated absences	4,040	757	4,797
Long term portion of long term debt	190,004	297,360	487,364
Net pension liability - PERA	407,453	-	407,453
Net OPEB liability - RHC	<u>331,718</u>	<u>-</u>	<u>331,718</u>
Total non-current liabilities	<u>933,215</u>	<u>341,810</u>	<u>1,275,025</u>
Total liabilities	<u>1,047,648</u>	<u>407,574</u>	<u>1,455,222</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Aggregated deferred inflows	<u>147,020</u>	<u>-</u>	<u>147,020</u>
<u>NET POSITION</u>			
Net investment in capital assets	393,147	876,501	1,269,648
Restricted			
Special revenue fund	211,853	-	211,853
Proprietary fund	-	45,172	45,172
Unrestricted	<u>395,295</u>	<u>163,255</u>	<u>558,550</u>
Total net position	<u>1,000,295</u>	<u>1,084,928</u>	<u>2,085,223</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,194,963</u>	<u>\$ 1,492,502</u>	<u>\$ 3,687,465</u>

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

STATE OF NEW MEXICO
CITY OF TEXICO

Statement of Activities
For the year ended June 30, 2018

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	\$ 1,210	\$ -	\$ -	\$ -	\$ (1,210)	\$ -	\$ (1,210)
General financial	213,316	17,338	-	-	(195,978)	-	(195,978)
Judicial	21,580	-	-	-	(21,580)	-	(21,580)
Public safety	585,625	190,085	301,333	-	(94,207)	-	(94,207)
Public works	105,093	-	77,486	18,000	(9,607)	-	(9,607)
Culture and recreation	25,095	-	15,968	-	(9,127)	-	(9,127)
Health and welfare	1,405	3,456	-	-	2,051	-	2,051
Interest	6,548	-	-	-	(6,548)	-	(6,548)
Capital outlay	4,512	-	-	-	(4,512)	-	(4,512)
Depreciation expense	190,915	-	-	-	(190,915)	-	(190,915)
Change in inflows / outflows	16,126	-	-	-	(16,126)	-	(16,126)
Total governmental activities	1,171,425	210,879	394,787	18,000	(547,759)	-	(547,759)
Business-type activities							
Public works	457,984	425,277	-	42,728	-	10,021	10,021
Total business-type activities	457,984	425,277	-	42,728	-	10,021	10,021
Total governmental and business-type activities	\$ 1,629,409	\$ 636,156	\$ 394,787	\$ 60,728	(547,759)	10,021	(537,738)
General Revenues							
Taxes							
Property tax					18,198	-	18,198
Franchise tax					21,323	5,625	26,948
Gross receipts tax					99,547	-	99,547
Gross receipts tax infrastructure					16,810	-	16,810
Gasoline tax 2 cents					22,106	-	22,106
Gross receipts tax (1.35)					74,819	-	74,819
Gross receipts taxes environmental					-	4,759	4,759
Motor Vehicle Department fees					1,246	-	1,246
Investment interest					7,516	527	8,043
Small cities assistance					131,704	-	131,704
Miscellaneous					-	1,579	1,579
Operating transfers (net)					(76,000)	76,000	-
Total general revenues					317,269	88,490	272,476
Change in net position					(230,490)	98,511	(131,979)
Net position, beginning					1,631,685	986,584	2,618,269
Restatement					(400,900)	(167)	(401,067)
Net position, beginning restated					1,230,785	986,417	2,217,202
Net position, ending					\$ 1,000,295	\$ 1,084,928	\$ 2,085,223

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, 2018

	General 101	Fire Protection 209	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,028,397	\$ 187,469	\$ 37,150	\$ 1,253,016
Cash NMFA state treasurer	38,516	676	-	39,192
Cash NMFA funds held reserve	14,118	-	-	14,118
Accounts receivable				
Tax	46,646	-	-	46,646
Other	-	7,535	-	7,535
Grantor	-	-	1,635	1,635
Due from other funds	91	544	-	635
	<u>1,127,768</u>	<u>196,224</u>	<u>38,785</u>	<u>1,362,777</u>
Total assets	<u>\$ 1,127,768</u>	<u>\$ 196,224</u>	<u>\$ 38,785</u>	<u>\$ 1,362,777</u>
<u>LIABILITIES</u>				
Accounts payables	\$ 3,613	\$ 21,599	\$ 46	\$ 25,258
Accrued wages	5,290	-	231	5,521
Payroll tax payable	3,074	-	-	3,074
Headstone deposits	-	-	1,280	1,280
	<u>11,977</u>	<u>21,599</u>	<u>1,557</u>	<u>35,133</u>
Total liabilities	<u>11,977</u>	<u>21,599</u>	<u>1,557</u>	<u>35,133</u>
<u>FUND BALANCE</u>				
Restricted for				
Special revenue funds	-	174,625	37,228	211,853
Unassigned, reported in				
General government funds	<u>1,115,791</u>	<u>-</u>	<u>-</u>	<u>1,115,791</u>
Total fund balance	<u>1,115,791</u>	<u>174,625</u>	<u>37,228</u>	<u>1,327,644</u>
Total liabilities and fund balance	<u>\$ 1,127,768</u>	<u>\$ 196,224</u>	<u>\$ 38,785</u>	<u>\$ 1,362,777</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, 2018

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

Fund balances - total governmental funds		\$	1,327,644
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds

Capital assets	\$	3,694,676	
Accumulated depreciation		<u>(3,032,225)</u>	662,451

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 - PERA		163,418	
Deferred inflows of resources related to pensions - PERA		(71,521)	
Deferred outflows of resources related to OPEB - RHC		6,317	
Deferred inflows of resources related to OPEB - RHC		<u>(75,499)</u>	22,715

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		(4,040)	
Loans and notes payable		(269,304)	
Net pension liability - PERA		(407,453)	
Net OPEB liability - RHC		<u>(331,718)</u>	<u>(1,012,515)</u>

Net position of governmental activities			<u>\$</u>	<u>1,000,295</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, 2018

	General 101	Fire Protection 209	Other Governmental Funds	Total Governmental Funds
Revenue				
Property tax	\$ 18,198	\$ -	\$ -	\$ 18,198
Franchise tax	21,323	-	-	21,323
Gross receipts tax	99,547	-	-	99,547
Gross receipts tax infrastructure	16,810	-	-	16,810
Licenses, fees, permits & fines	8,785	-	-	8,785
Charges for services	51	190,085	3,456	193,592
Investment interest	6,767	675	74	7,516
Rents	8,502	-	-	8,502
Donations	18,000	-	-	18,000
Local grant	-	7,223	1,843	9,066
LEPF DWI	6,575	-	-	6,575
Correction/housing fees	3,520	-	-	3,520
Gasoline tax 2 cents	42,664	-	-	42,664
Gross receipts tax (1.35)	74,819	-	-	74,819
Motor Vehicle Department fees	1,246	-	-	1,246
Small cities assistance	131,704	-	-	131,704
LEPF state grant	21,200	-	-	21,200
State coop (SHTD) grant	56,928	-	-	56,928
State fire allotment	-	262,815	-	262,815
State agency on aging	-	-	9,436	9,436
Federal grant	-	-	4,689	4,689
Total revenues	536,639	460,798	19,498	1,016,935
Expenditures				
Current				
Elected officials	1,210	-	-	1,210
General government	214,920	-	-	214,920
Judicial	21,580	-	-	21,580
Public safety	214,769	371,170	-	585,939
Public works	105,093	-	-	105,093
Culture and recreation	-	-	25,095	25,095
Health and welfare	-	-	1,405	1,405
Capital outlay	22,512	-	-	22,512
Debt service - principal	22,524	71,116	-	93,640
Debt service - interest	1,099	5,449	-	6,548
Total expenditures	603,707	447,735	26,500	1,077,942
Excess (deficiency) of revenues over expenditures	(67,068)	13,063	(7,002)	(61,007)
Other financing sources (uses)				
Liability change	(91)	(544)	-	(635)
Operating transfers (net)	(86,000)	-	10,000	(76,000)
Total other financing sources (uses)	(86,091)	(544)	10,000	(76,635)
Net change in fund balances	(153,159)	12,519	2,998	(137,642)
Fund balances, beginning	1,268,950	162,106	34,230	1,465,286
Fund balances, ending	<u>\$ 1,115,791</u>	<u>\$ 174,625</u>	<u>\$ 37,228</u>	<u>\$ 1,327,644</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, 2018

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

Net change in fund balances - total governmental funds	\$ (137,642)
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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 assets acquired capitalized	18,000
Depreciation expense	(190,915)

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

Principal payment	93,640
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Expenditures in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds.

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

Compensated absences	2,553
Change in inflows and outflows pensions	<u>(16,126)</u>

Change in net position of governmental activities	<u>\$ (230,490)</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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Property tax	\$ 17,020	\$ 17,020	\$ 16,434	\$ (586)
Franchise tax	24,000	24,000	21,722	(2,278)
Gross receipts tax	142,000	142,000	103,724	(38,276)
Gross receipts tax infrastructure	35,000	35,000	17,631	(17,369)
Contributions	-	-	18,000	18,000
Licenses, fees, permits & fines	10,875	10,875	9,046	(1,829)
Charges for services	150	150	51	(99)
Investment interest	3,600	3,600	6,767	3,167
Rents	10,250	10,250	8,502	(1,748)
LEPF DWI	10,000	10,000	6,575	(3,425)
Correction/housing fees	5,000	5,000	3,520	(1,480)
Gasoline tax 2 cents	52,000	52,000	51,138	(862)
Gross receipts tax (1.35)	130,000	130,000	76,362	(53,638)
Motor Vehicle Department fees	1,600	1,600	2,023	423
Small cities assistance	180,000	180,000	131,704	(48,296)
LEPF state grant	21,200	21,200	21,200	-
State coop (SHTD) grant	56,928	56,928	56,928	-
Total revenue	699,623	699,623	551,327	(148,296)
Expenditures				
Current				
Elected officials	5,000	5,000	1,210	3,790
General financial	275,075	275,075	217,088	57,987
Judicial	23,590	23,590	21,577	2,013
Public safety	261,713	261,713	213,254	48,459
Public works	109,897	109,897	103,728	6,169
Capital outlay	22,512	22,512	22,512	-
Debt service - principal	29,025	29,025	22,524	6,501
Debt service - interest	2,100	2,100	1,099	1,001
Total expenditures	728,912	728,912	602,992	125,920
Excess (deficiency) revenues over (under) expenditures	(29,289)	(29,289)	(51,665)	(22,376)
Other financing sources (uses)				
Operating transfers net	-	-	(86,000)	(86,000)
Liability change	-	-	(91)	(91)
Designated cash	29,289	29,289	-	(29,289)
Total other financing sources (uses)	29,289	29,289	(86,091)	(115,380)
Net change in fund balances	-	-	(137,756)	(137,756)
Cash balance, beginning	-	-	1,218,787	1,218,787
Cash balance, ending	\$ -	\$ -	\$ 1,081,031	\$ 1,081,031
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (137,756)	
Adjustment to revenues for accruals and other deferrals			(14,688)	
Adjustment to expenditures for payables, prepaids and other accruals			(715)	
Net change in fund balance (GAAP Basis)			\$ (153,159)	

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, 2018

	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	75,000	75,000	182,550	107,550
Investment interest	-	-	675	675
Rents	-	-	-	-
Insurance refunds/reimbursements	-	-	-	-
Gasoline tax 2 cents	-	-	-	-
Gross receipts tax (1.35)	-	-	-	-
Local grants	7,222	7,222	7,223	1
State fire allotment	194,382	194,382	262,815	68,433
Total revenues	276,604	276,604	453,263	176,659
Expenditures				
Current				
General government	-	-	-	-
Public safety	175,850	175,850	353,549	(177,699)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	71,116	71,116	71,116	-
Interest	5,449	5,449	5,449	-
Total expenditures	252,415	252,415	430,114	(177,699)
Excess (deficiency) revenues over (under) expenditures	24,189	24,189	23,149	(1,040)
Other financing sources (uses)				
Operating transfers	-	-	-	-
Liability change	-	-	(544)	(544)
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	(544)	(544)
Net change in fund balances	24,189	24,189	22,605	(1,584)
Cash balance, beginning	-	-	165,540	165,540
Restatement	-	-	-	-
Cash balance, beginning restated	-	-	165,540	165,540
Cash balance, ending	<u>\$ 24,189</u>	<u>\$ 24,189</u>	<u>\$ 188,145</u>	<u>\$ 163,956</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 22,605	
Adjustment to revenues for accruals and other deferrals			7,535	
Adjustment to expenditures for payables, prepaids and other accruals			(17,621)	
Net change in fund balance (GAAP Basis)			<u>\$ 12,519</u>	

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, 2018

	<u>Public Works</u>
<u>ASSETS</u>	
Current assets	
Cash and cash equivalents	\$ 175,352
Accounts receivable	
Taxes	1,614
Grantor	-
Sales (net)	<u>40,270</u>
Total current assets	<u>217,236</u>
Noncurrent assets	
Restricted cash, customer meter deposits	45,172
Cash NMFA State Treasurer	6
Cash NMFA funds held reserve	10,158
Capital assets	2,508,562
Less: accumulated depreciation	<u>(1,288,632)</u>
Total noncurrent assets	<u>1,275,266</u>
Total assets	<u>\$ 1,492,502</u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities	
Accounts payable	\$ 12,029
Accrued wages	2,356
Payroll tax payable	781
Taxes payable	3,894
Due to other funds	635
Current portion long-term debt	<u>46,069</u>
Total current liabilities	<u>65,764</u>
Noncurrent liabilities	
Customer meter deposits	43,693
Compensated absences	757
Long term portion of long term debt	<u>297,360</u>
Total noncurrent liabilities	<u>341,810</u>
Total liabilities	<u>407,574</u>
Net position	
Net Investment in capital assets	876,501
Restricted for proprietary funds	45,172
Unrestricted	<u>163,255</u>
Total net position	<u>1,084,928</u>
Total liabilities and net position	<u>\$ 1,492,502</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, 2018

	<u>Public Works</u>
Operating revenues	
Sales and services	\$ 410,315
Total operating revenues	<u>410,315</u>
Operating expenses	
Public works	227,022
Personnel services	149,269
Depreciation	<u>46,937</u>
Total operating expenses	<u>423,228</u>
Operating income (loss)	(12,913)
Non-operating revenues (expenses)	
Gross receipts taxes environmental	4,759
Franchise taxes	5,625
Interest income	527
Penalties	12,761
Connections	1,100
Re-connections	920
Miscellaneous	1,760
Meter deposits net	-
State grant	-
Federal grant CDBG	42,728
Loan proceeds	-
Capital outlay	-
Interest expense	(7,458)
Gross receipts tax net	-
Governmental gross receipts tax	-
Note payment principal	-
Ute water project expenses	(27,298)
Operating transfers (net)	<u>76,000</u>
Total non-operating revenue (expenses)	<u>111,424</u>
Net income (loss)	98,511
Net position, beginning	986,584
Restatement	<u>(167)</u>
Net position, beginning restated	<u>986,417</u>
Net position, ending	<u>\$ 1,084,928</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, 2018

	<u>Public Works</u>
Cash flows from operating activities	
Receipts from customers	\$ 411,542
Payments to suppliers, contractors and employees	<u>(384,557)</u>
Net cash provided (used) by operating activities	<u>26,985</u>
Cash flows from non capital financing activities	
Franchise taxes	5,683
Gross receipts tax environmental	4,964
Interest income	527
Penalties	12,761
Meter deposit (change)	430
Connections	1,100
Reconnections	920
Miscellaneous	1,578
Gross receipts tax - (net)	
State grants	2,075
Federal grant CDBG	43,742
Operating transfers in	76,635
Governmental gross receipts tax	
Water conservation fee	
Capital outlay	(114,144)
Debt service interest	(7,728)
Ute water project expenses	<u>(27,298)</u>
Net cash provided (used) by non capital financing activities	<u>1,245</u>
Cash flows from capital and related financing activities	
Loan proceeds	20,500
Debt service principal	<u>(40,102)</u>
Net cash provided (used) by capital and related financing activities	<u>(19,602)</u>
Net increase (decrease) in cash and cash equivalents	8,628
Cash and cash equivalents, beginning	222,227
Restatement	<u>(167)</u>
Cash and cash equivalents, beginning restated	<u>222,060</u>
Total cash and cash equivalents, ending	<u>\$ 230,688</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (12,913)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization	46,937
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	1,227
Increase (Decrease) in accounts payable	<u>(8,266)</u>
Net cash provided (used) by operating activities	<u>\$ 26,985</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, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 10,086</u>
Total assets	<u><u>\$ 10,086</u></u>
<u>LIABILITIES</u>	
Deposits held for others - cemetery association	<u>\$ 10,086</u>
Total liabilities	<u><u>\$ 10,086</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, 2018.

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. Generally, 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 City Board of Trustees should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the City'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 City'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 City did not have assigned fund balances for the year ended June 30, 2018.

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 City'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, 2018, is presented.

The appropriated budget for the year ended June 30, 2018, 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, 2018 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, 2018.

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, 2018		
General	\$ 174,987	Checking
General	860,691	Public Funds MMDA
Fire	84,697	Checking
Fire	103,568	Public Funds MMDA
Senior Citizens	6,360	Checking
Meter Fund	17,089	Checking
Meter Fund	28,655	Savings
Cemetery	21,334	Public Funds MMDA
Cemetery Headstone	8,465	Checking
Recreation	2,047	Checking
Ute Water	660	Checking
Public works	105,259	Checking
Public works	70,723	Public Funds MMDA
Cemetery Assoc.	10,086	Checking
Total deposited	<u>1,494,621</u>	
Less FDIC coverage Interest Bearing Acct	<u>(250,000)</u>	
Total uninsured public funds	<u>1,244,621</u>	
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	622,310	
Pledged securities	<u>3,675,142</u>	
Over (under)	<u>\$ 3,052,832</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.

Description	CUSIP	Market Value	Date	Location
GNMA II Pool #MA0926	36179NA32	\$ 1,044,995	04/20/43	The Independent Bankers
SBAP 2015-20B	83162CWV1	2,630,147	02/01/35	The Independent Bankers
		<u>\$ 3,675,142</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.

STATE OF NEW MEXICO
CITY OF TEXICO
Notes to The Financial Statements
June 30, 2018

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General Fund		Public Works	
NMFA Cash - State Treasurer	\$ 39,192	NMFA Cash - State Treasurer	\$ 6
NMFA Cash - Reserved Funds	<u>14,118</u>	NMFA Cash - Reserved Funds	<u>10,158</u>
	<u>\$ 53,310</u>		<u>\$ 10,164</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, 2018, none of the City's bank balance of \$1,494,621 was exposed to custodial credit risk.

Custodial Credit Risk Deposits

Account Balance	\$ 1,494,621
FDIC Insurance	250,000
Collateral:	
Collateral held by the pledging bank, not in the City's name	3,675,142
Uninsured and uncollateralized	<u>(2,430,521)</u>
Total Deposits	<u>\$ 1,494,621</u>

Note 4 Receivables

Receivables as of June 30, 2018, are as follows:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Major Funds</u>	<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Taxes</u>	<u>Utility Service</u>	<u>Totals</u>
Accounts receivable taxes						
General Fund						
Franchise Tax	\$ 5,609	-	-	-	-	-
Gross Receipts Tax Infrastructure	2,872	-	-	-	-	-
Gross Receipts Tax	14,655	-	-	-	-	-
Property Tax	2,137	-	-	-	-	-
Gas Tax 2 Cent	3,032	-	-	-	-	-
Gross Receipts Tax 1.35	15,153	-	-	-	-	-
Motor Vehicle	150	-	-	-	-	-
Streets Gas tax	<u>3,038</u>	-	46,646	-	-	-
Accounts receivable from grantor						
Senior Citizens Fund						
State grant	-	1,350	-	-	-	-
Federal grant	-	<u>285</u>	1,635	-	-	-
Accounts receivable other						
Fire	7,535	-	7,535	-	-	-
Public Works						
Franchise Tax	-	-	-	896	-	-
Gross Receipts Tax Environmental	-	-	-	<u>718</u>	-	1,614
Accounts receivable sales						
Public Works						
Sales	-	-	-	-	47,376	-
Allowance for uncollectible	-	-	-	-	<u>(7,106)</u>	40,270
	<u>\$ 54,181</u>	<u>\$ 1,635</u>	<u>\$ 55,816</u>	<u>\$ 1,614</u>	<u>\$ 40,270</u>	<u>\$ 41,884</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	\$ 10,000	\$ -
Public Works	76,000	-
General	-	86,000
Totals	\$ 86,000	\$ 86,000

Note 6 Accounts Payables

Accounts payable as of June 30, 2018, are as follows:

	Governmental Activities		Business-type Activities
Payable to suppliers		Payable to suppliers	
General	\$ 3,613	Public Works	\$ 12,029
Fire Protection	21,599		-
Senior Citizens	6		-
Cemetery	40		-
Total	\$ 25,258	Total	\$ 12,029

Note 7 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows.

Governmental Activities

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 84,484	\$ -	\$ -	\$ 84,484
Capital assets being depreciated				
Buildings and improvements	1,204,809	-	-	1,204,809
Machinery and equipment	657,384	-	-	657,384
Vehicles	1,729,999	18,000	-	1,747,999
Total assets	3,676,676	18,000	-	3,694,676
Less accumulated depreciation				
Buildings and improvements	(436,593)	(26,789)	-	(463,382)
Machinery and equipment	(825,429)	(42,930)	-	(868,359)
Vehicles	(1,579,288)	(121,196)	-	(1,700,484)
Total accumulated depreciation	(2,841,310)	(190,915)	-	(3,032,225)
Governmental activity capital assets, net	\$ 835,366	\$ (172,915)	\$ -	\$ 662,451

Capital assets, at June 30, 2018 appear in the Statement of Net Position as follows: Governmental activities capital assets total \$3,694,676 accumulated depreciation total \$3,032,225. Depreciation expense related to governmental activities totaled \$190,915.

Business-Type Activities

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Business-type activities:				
Capital assets not being depreciated				
CNP	\$ 515,991	\$ 51,865	\$ -	\$ 567,856
Capital assets being depreciated				
Buildings and improvements	67,655	-	-	67,655
Machinery & equipment	152,644	25,500	-	178,144
Vehicles	32,273	-	-	32,273
Infrastructure	1,662,634	-	-	1,662,634
Total assets	<u>2,431,197</u>	<u>77,365</u>	<u>-</u>	<u>2,508,562</u>
Less accumulated depreciation				
Buildings and improvements	(41,729)	(2,255)	-	(43,984)
Machinery & equipment	(91,079)	(5,065)	-	(96,144)
Vehicles	(80,513)	(4,824)	-	(85,337)
Infrastructure	(1,028,374)	(34,793)	-	(1,063,167)
Total accumulated depreciation	<u>(1,241,695)</u>	<u>(46,937)</u>	<u>-</u>	<u>(1,288,632)</u>
Business-type activity capital assets, net	<u>\$ 1,189,502</u>	<u>\$ 30,428</u>	<u>\$ -</u>	<u>\$ 1,219,930</u>

Depreciation expense related to business-type activities for the year ended June 30, 2018 totaled \$46,937.

Note 8 Risk Management

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

Note 9 Other Required Individual Fund Disclosures

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

Overview of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds.
None
- B. Expenditures exceeded appropriations by fund.
None
- C. Excess expenditures over budget.
Fire (\$177,699)
Recreation (\$166)
Public Works (\$24,174)

Note 10 Long-Term Debts

Governmental Activities

During the year ended June 30, 2018, the following changes occurred in the long-term liabilities reported in the government wide statement of net position:

STATE OF NEW MEXICO
CITY OF TEXICO
Notes to The Financial Statements
June 30, 2018

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities					
Note payable					
General Fund					
NMFA City Hall	\$ 16,060	-	\$ (16,060)	\$ -	\$ -
Kansas State Bank	27,284	-	(6,464)	20,820	6,696
Fire Protection Fund					
NMFA Medical Rescue Vehicle	149,353	-	(27,879)	121,474	28,672
NMFA Tanker	93,513	-	(30,448)	63,065	31,143
NMFA Fire station	76,734	-	(12,789)	63,945	12,789
	<u>\$ 362,944</u>	<u>\$ -</u>	<u>\$ (93,640)</u>	<u>\$ 269,304</u>	<u>- 79,300</u>
Other long term liabilities					
Compensated absences	\$ 6,593	\$ 15,295	\$ (17,848)	\$ 4,040	\$ -

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

Governmental Activities Notes Payable

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, 2018 was \$13,490. 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, 2018 was \$30,970. 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, 2018 was \$30,806. The fire tanker truck is general long-term debt of the City.

The fire station and equipment note 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, 2018 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, 2018, including interest and administration fees is as follows:

Kansas State Bank 2017 Tahoe Year Ended June 30,	Principal	Interest	Total
	2019	\$ 6,696	\$ 750
2020	6,937	508	7,445
2021	7,187	259	7,446
	<u>\$ 20,820</u>	<u>\$ 1,517</u>	<u>\$ 22,337</u>

STATE OF NEW MEXICO
CITY OF TEXICO
Notes to The Financial Statements
June 30, 2018

New Mexico Finance Authority
Medical Rescue Truck

Year Ended June 30,	Principal	Interest	Total
2019	\$ 28,672	\$ 2,656	\$ 31,328
2020	29,531	1,871	31,402
2021	63,271	3,743	67,014
	<u>\$ 121,474</u>	<u>\$ 8,270</u>	<u>\$ 129,744</u>

New Mexico Finance Authority
Fire Tanker Truck

Year Ended June 30,	Principal	Interest	Total
2019	\$ 31,143	\$ 1,664	\$ 32,807
2020	31,922	885	32,807
	<u>\$ 63,065</u>	<u>\$ 2,549</u>	<u>\$ 65,614</u>

New Mexico Finance Authority
Fire Station and Equip.

Year Ended June 30,	Principal	Interest	Total
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>\$ 63,945</u>	<u>\$ -</u>	<u>\$ 63,945</u>

Business-type Activities

During the year ended June 30, 2018, 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	\$ 51,568	\$ -	\$ (12,304)	\$ 39,264	\$ 12,688
Kansas State Bank		20,500		20,500	4,802
RIP Phase I Infrastructure	184,362	-	(16,082)	168,280	16,564
NMFA Water Upgrade	90,967	-	(10,006)	80,961	10,032
NMFA Storage, Conveyance	36,404	-	(1,980)	34,424	1,983
	<u>\$ 363,301</u>	<u>\$ 20,500</u>	<u>\$ (40,372)</u>	<u>\$ 343,429</u>	<u>46,069</u>
Other long term liabilities					
Compensated absences	\$ 1,087	\$ 6,830	\$ (7,160)	\$ 757	\$ -

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.

STATE OF NEW MEXICO
CITY OF TEXICO
Notes to The Financial Statements
June 30, 2018

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, 2018, including interest and are as follows:

Kansas State Bank Back Hoe			
Year Ended June 30,	Principal	Interest	Total
2019	\$ 12,688	\$ 1,225	\$ 13,913
2020	13,084	829	13,913
2021	13,492	421	13,913
	<u>\$ 39,264</u>	<u>\$ 2,475</u>	<u>\$ 41,739</u>

NM Environment Dept. - RIP Phase I Infrastructure			
Year Ended June 30,	Principal	Interest	Total
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	18,643	2,969	21,612
2024-2027	80,339	6,114	86,453
	<u>\$ 168,280</u>	<u>\$ 26,234</u>	<u>\$ 194,514</u>

New Mexico Finance Authority Water Upgrade			
Year Ended June 30,	Principal	Interest	Total
2019	\$ 10,032	\$ -	\$ 10,032
2020	10,057	-	10,057
2021	10,082	-	10,082
2022	10,107	-	10,107
2023	10,133	-	10,133
2024-2026	30,550	-	30,550
	<u>\$ 80,961</u>	<u>\$ -</u>	<u>\$ 80,961</u>

New Mexico Finance Authority Storage & Conveyance			
Year Ended June 30,	Principal	Interest	Total
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	2,003	-	-
2024-2028	10,090	280	-
2029-2033	10,215	155	-
2034-2035	4,154	20	4,174
	<u>\$ 34,424</u>	<u>\$ 769</u>	<u>\$ 12,450</u>

Kansas State Bank Tractor			
Year Ended June 30,	Principal	Interest	Total
2019	\$ 4,802	\$ 894	\$ 5,696
2020	5,011	684	5,695
2021	5,230	466	5,696
2022	5,457	238	5,695
	<u>\$ 20,500</u>	<u>\$ 2,282</u>	<u>\$ 22,782</u>

Note 11 Public Employees Retirement Association (PERA) Plan

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Benefits Provided For a description of the benefits provided and recent changes to the benefits see Note D in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-final.pdf>

Contributions. The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY 17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 46 through 48 of the PERA FY 17 annual audit report. The PERA coverage options that apply to the City are: General Division and Police Division.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017.

Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions,

an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Fund Division – General. At June 30, 2018, the City reported a liability of \$262,450 for its proportionate share of the net pension liability at June 30, 2017. At June 30, 2017, the City's proportion was 0.0191%, which was slightly higher than its 0.0157% proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund - General pension expense of approximately \$50,559.

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:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 10,313	\$ 13,442
Change in assumptions	12,103	2,712
Net difference between projected and actual earnings on plan investments	21,532	-
Change in proportion and difference between Entity contribution and proportionate share of contributions	44,005	-
Entity's contribution subsequent to the measurement date	16,076	-
Totals	<u>\$ 104,029</u>	<u>\$ 16,154</u>

For the General Division, \$16,076 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Municipal General Division
2019	\$ 26,246
2020	39,104
2021	12,742
2022	(6,293)

PERA Fund Division - Police. At June 30, 2018, the City reported a liability of \$145,003 for its proportionate share of the net pension liability at June 30, 2017. As of June 30, 2017, the City's proportion was 0.0261%, which was slightly lower than its 0.032% proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund - Police pension expense of approximately \$18,002.

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 MEXICO
CITY OF TEXICO
Notes to The Financial Statements
June 30, 2018

Municipal Police Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,807	\$ 27,092
Change in assumptions	8,627	3,372
Net difference between projected and actual earnings on plan investments	11,678	-
Change in proportion and difference between Entity contribution and proportionate share of contributions	20,109	24,903
Entity's contribution subsequent to the measurement date	10,168	-
Totals	<u>\$ 59,389</u>	<u>\$ 55,367</u>

For the Police Division, \$10,168 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Municipal Police Division
2019	\$ (382)
2020	8,158
2021	(10,508)
2022	(3,414)

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

PERA	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	4 year smoothed Market Value
Actuarial Assumptions	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years, then 2.75 all other years
Mortality Assumption	RP-2000 Mortality Tables
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) July 1, 2010 through June 30, 2016 (economic)

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

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds Asset Class	Target Allocation	Long-Term Expected 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 to Include Real Estate Equity	20.00%	7.35%
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.25% for the first ten years (select period) then 7.75% for all other years (ultimate). The equivalent blended rate of 7.48% will be used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Association's net pension liability in each PERA Fund Division in which the Association participates, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.

Proportionate share of the net pension liability	1% Decrease 6.51%	Current Discount 7.51%	1% Increase 8.51%
Municipal General Division	\$ 411,346	\$ 262,450	\$ 138,622
Municipal Police Division	\$ 231,239	\$ 145,003	\$ 74,233

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

Payables to the Pension Plan. At June 30, 2018, the City did not have any outstanding contributions to the pension plan reported within accounts payables in the General Fund

Note 12 OPEB

Plan description. Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund)-a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

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

Employees covered by benefit terms-At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

STATE OF NEW MEXICO
 CITY OF TEXICO
 Notes to The Financial Statements
 June 30, 2018

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	160,035
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	97,349

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

Contributions to the Fund from the City was \$2,394 for the year ended June 30, 2017.

At June 30, 2018, the City reported a liability of \$331,718 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the City's proportion was .00732 percent.

For the year ended June 30, 2018, the City recognized OPEB expense of \$13,188 . At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ 12,730
Change in assumptions	-	57,997
Difference between projected and actual and projected earnings on OPEB investments	-	4,772
District's contribution made after the measurement date	6,317	-
Totals	<u>\$ 6,317</u>	<u>\$ 75,499</u>

Deferred outflows of resources totaling \$6,317 represents the City's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$ (16,051)
2020	(16,051)
2021	(16,051)
2022	(16,051)
2023	<u>(11,295)</u>
Total	<u>\$ (75,499)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation 8% graded down to 4.5% over 14 years for Non- Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	4.10%
U.S. equity - large cap	9.10%
Non U.S. - emerging markets	12.20%
Non U.S. - developed equities	9.80%
Private equity	13.80%
Credit and structured finance	7.30%
Real estate	6.90%
Absolute return	6.10%
U.S. equity - small/mid cap	9.10%

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029.

Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

	1% Decrease 2.81%	Current Discount 3.81%	1% Increase 4.81%
District's proportionate share of the net pension liability	\$ 402,369	\$ 331,718	\$ 276,287

The following presents the net OPEB liability of the City as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rates	1% Increase
\$ 282,149	\$ 331,718	\$ 370,370

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the City did not report a payable for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

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 3, 2019 which is the date the financial statements were available for issuance.

Note 16 GASB 77 Abatement Disclosures

The Village was not part of any tax abatement agreements subject to GASBS 77 Tax Abatement Disclosures during the year ended June 30, 2018. As a result, they make no such disclosures related to GASBS 77.

Note 17 Restatement of Net Position

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

Governmental		Business-types	
Beginning Net Position, beginning	\$ 1,631,685	Beginning Net Position, beginning	\$ 986,584
Restatement		Restatement	
Retiree Health Care	(400,900)	Stale dated checks & deposits	(167)
Net Position, beginning restated	<u>\$ 1,230,785</u>	Net Position, beginning restated	<u>\$ 986,417</u>

Required Supplementary Information

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Required Supplementary Information and
Notes for Pension Plan
Public Employee Retirement Association (PERA) Pension Plan
Last 10 Fiscal Years*

Schedule of Proportionate Share of the Net Pension Liability

Fiscal Year Measurement Year	2015 2014	2016 2015	2017 2016	2018 2017
The Entity's proportion of the net pension liability (asset)	0.03710%	0.03730%	0.04770%	0.04520%
The Entity's proportionate share of the net pension liability (asset)	\$ 176,798	\$ 253,165	\$ 486,940	\$ 407,453
The Entity's covered-employee payroll	\$ 238,634	\$ 301,967	\$ 314,174	\$ 315,007
The Entity's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	74.09%	83.84%	154.99%	129.35%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%	73.74%

Schedule of Contributions

June 30,	2015	2016	2017	2018
Contractually required contribution	\$ 20,391	\$ 25,998	\$ 26,180	\$ 26,244
Contributions in relation to the contractually required contribution	<u>20,391</u>	<u>25,998</u>	<u>26,180</u>	<u>26,244</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Entity's covered-employee payroll	238,634	301,967	314,174	315,007
Contributions as a percentage of covered-employee payroll	8.54%	8.61%	8.33%	8.33%

* Governmental Accounting Standards Board Statement No.68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the entity is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Note: Employee contributions are not included in this schedule.

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Required Supplementary Information and
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

PERA Plan

Changes of Benefit Terms. The Public Employees Retirement Association of New Mexico (PERA) Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

Changes of Assumptions. PERA Annual Actuarial Valuation as of June 30, 2017 report is available at: http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf.

The summary of Key Findings for the PERA Fund (on page 2 of the report) states "based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio."

For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

RHC Plan

Changes in benefit provisions.

There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard.

Changes in assumptions and methods.

There were no modifications to the assumptions and methods as this is the first year of adoption of the OPEB accounting standard.

STATE OF NEW MEXICO
 CITY OF TEXICO
 Required Supplementary Information
 For the Year Ended June 30, 2018

Schedule of Employer's Proportionate Share of the Net OPEB Liability

	<u>2018*</u>
The District's proportion of the net OPEB liability	0.00732%
The District's proportionate share of the net OPEB liability	\$ 331,718
The District's covered-employee payroll	\$ 315,834
The District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	105.03%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

Schedule of Employer's Contributions

	<u>2018*</u>
Contractually required contribution	\$ 6,317
Contributions in relation to the contractually required contribution	<u>6,317</u>
Contribution deficiency (excess)	<u>\$ -</u>
The District's covered-employee payroll	\$ 315,834
Contributions as a percentage of covered-employee payroll	2.00%

*These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years.

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, 2018

	Recreation 217	Senior Citizens 219	Cemetery 600	Totals
<u>ASSETS</u>				
Cash in banks	\$ 2,047	\$ 5,595	\$ 29,508	\$ 37,150
Accounts receivable grantor	-	1,635	-	1,635
	<u>2,047</u>	<u>7,230</u>	<u>29,508</u>	<u>38,785</u>
Total assets	<u>\$ 2,047</u>	<u>\$ 7,230</u>	<u>\$ 29,508</u>	<u>\$ 38,785</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 6	\$ 40	\$ 46
Accrued wages	-	231	-	231
Payroll taxes payable	-	-	-	-
Headstone deposits	-	-	1,280	1,280
	<u>-</u>	<u>-</u>	<u>1,280</u>	<u>1,280</u>
Total liabilities	<u>-</u>	<u>237</u>	<u>1,320</u>	<u>1,557</u>
<u>FUND BALANCE</u>				
Restricted for				
Special revenue funds	<u>2,047</u>	<u>6,993</u>	<u>28,188</u>	<u>37,228</u>
Total fund balance	<u>2,047</u>	<u>6,993</u>	<u>28,188</u>	<u>37,228</u>
Total liabilities and fund balance	<u>\$ 2,047</u>	<u>\$ 7,230</u>	<u>\$ 29,508</u>	<u>\$ 38,785</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, 2018

	Recreation 217	Senior Citizens 219	Cemetery 600	Totals
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax - from state	-	-	-	-
Charges for services	-	-	3,456	3,456
Interest income	-	-	74	74
Headstone deposits	-	-	-	-
Donations	-	-	-	-
Local grant	-	1,843	-	1,843
State agency on the aging	-	9,436	-	9,436
Federal grant	-	4,689	-	4,689
Total revenues	-	15,968	3,530	19,498
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	366	24,729	-	25,095
Health and welfare	-	-	1,405	1,405
Capital outlay	-	-	-	-
Total expenditures	366	24,729	1,405	26,500
Excess (deficiency) of revenues over expenditures	(366)	(8,761)	2,125	(7,002)
Other financing sources (uses)				
Operating transfers (net)	-	10,000	-	10,000
Total other financing sources (uses)	-	10,000	-	10,000
Net change in fund balances	(366)	1,239	2,125	2,998
Fund balances, beginning	2,413	5,754	26,063	34,230
Restatement	-	-	-	-
Fund balances, beginning restated	2,413	5,754	26,063	34,230
Fund balances, ending	\$ 2,047	\$ 6,993	\$ 28,188	\$ 37,228

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Sales and service	\$ 463,250	\$ 463,250	\$ 411,542	\$ (51,708)
Total revenue	463,250	463,250	411,542	(51,708)
Expenses				
Current				
Public works	300,067	300,067	234,631	65,436
Personnel services	169,000	169,000	149,926	19,074
Total expenses	469,067	469,067	384,557	84,510
Excess (deficiency) revenues over (under) expenditures	(5,817)	(5,817)	26,985	32,802
Other financing sources (uses)				
Franchise taxes	-	-	5,683	5,683
Gross receipts tax environmental	-	-	4,964	4,964
Interest income	-	-	527	527
Penalties	795	795	12,761	11,966
Water meter deposits (change)	-	-	430	430
Connections	1,000	1,000	1,100	100
Reconnections	-	-	920	920
Miscellaneous	1,250	1,250	1,578	328
Gross receipts tax - (net)	35,000	35,000	2,075	(32,925)
State grants	-	-	-	-
Federal grants	40,000	40,000	43,742	3,742
Loan proceeds	105	105	20,500	20,395
Capital outlay	(114,500)	(114,500)	(114,144)	356
Debt service principal	(50,000)	(50,000)	(40,102)	9,898
Debt service interest	(15,000)	(15,000)	(7,728)	7,272
Ute water project expenses	(27,300)	(27,300)	(27,298)	2
Operating transfers (net)	20,913	20,913	76,635	55,722
Designated cash	113,554	113,554	-	(113,554)
Total other financing sources (uses)	5,817	5,817	(18,357)	(24,174)
Net change in fund balance	-	-	8,628	8,628
Cash balance, beginning	-	-	222,227	222,227
Restatement	-	-	(167)	(167)
Cash balance, beginning restated	-	-	222,060	222,060
Cash balance, ending	\$ -	\$ -	\$ 230,688	\$ 230,688
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 8,628	
Adjustment to revenues for accruals and other deferrals			(1,227)	
Adjustment to expenditures for payables, prepaids and other accruals			91,110	
Net change in fund balance (GAAP Basis)			\$ 98,511	

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, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>ASSETS</u>				
Cemetery Association	\$ 25,060	\$ 9,445	\$ (24,419)	\$ 10,086
Total assets	<u>\$ 25,060</u>	<u>\$ 9,445</u>	<u>\$ (24,419)</u>	<u>\$ 10,086</u>
<u>LIABILITIES</u>				
Funds handled on behalf of Citizens of Texico	\$ 25,060	\$ 9,445	\$ (24,419)	\$ 10,086
Total liabilities	<u>\$ 25,060</u>	<u>\$ 9,445</u>	<u>\$ (24,419)</u>	<u>\$ 10,086</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, 2018

Schedule II

Bank Name	Bank Statement Balance	Outstanding Deposits	Outstanding Checks	Reconciled Balance
The Citizens Bank of Clovis				
Checking				
General	\$ 174,987	\$ 150	\$ (7,431)	\$ 167,706
Fire	84,697	544	(1,340)	83,901
Recreation	2,047	-	-	2,047
Senior Citizens	6,360	-	(765)	5,595
Cemetery	21,334	-	-	21,334
Cemetery Headstone	8,465	-	(291)	8,174
Savings				
General	860,691	-	-	860,691
Fire	103,568	-	-	103,568
Total governmental funds	1,262,149	694	(9,827)	1,253,016
Checking				
Public Works	105,259	1,281	(2,571)	103,969
Meter	17,089	-	(572)	16,517
Ute Water Project	660	-	-	660
Savings				
Public Works	70,723	-	-	70,723
Meter	28,655	-	-	28,655
Total business type activities	222,386	1,281	(3,143)	220,524
Total governmental funds and business type activities	<u>\$ 1,484,535</u>	<u>\$ 1,975</u>	<u>\$ (12,970)</u>	<u>\$ 1,473,540</u>
Agency				
Checking				
Cemetery Association	10,086	-	-	10,086
Total Agency	10,086	-	-	10,086
Total Citizens Bank of Clovis	<u>\$ 1,494,621</u>	<u>\$ 1,975</u>	<u>\$ (12,970)</u>	<u>\$ 1,483,626</u>
New Mexico Finance Authority				
State treasurer general fund	38,516	-	-	38,516
State treasurer fire fund	676	-	-	676
Funds held reserve general fund	14,118	-	-	14,118
Total governmental funds	53,310	-	-	53,310
New Mexico Finance Authority				
State treasurer public works	6	-	-	6
Funds held reserve public works	10,158	-	-	10,158
Total business type activities	10,164	-	-	10,164
Total all types	<u>\$ 1,558,095</u>	<u>\$ 1,975</u>	<u>\$ (12,970)</u>	<u>\$ 1,547,100</u>

Compliance Section

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Brian S. Colón
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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue fund of the City of Texico (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated January 3, 2019.

Internal Control over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be either material weaknesses or 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 deficiency described in the accompanying schedule of findings and responses as items 2018-001, 2018-002 and 2018-003 to be a material weakness.

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 as item to be a significant deficiency. 2018-004, 2018-005, and 2018-006

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 Section 12-6-5 NMSA 1978 as items 2018-004, 2018-005, 2018-006, and 2018-007.

City's Responses to Findings

The City's responses to the findings identified in my audit are 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 City'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 3, 2019

2018-001 Bank Reconciliations and Cutoff and Completeness

Material Weakness

Condition

The City had bank accounts which are were not reconciled accurately:

- The meter deposit bank reconciliation had 7 checks totaling \$276 over 1 year old.
- The general bank reconciliation had 5 checks totaling \$1,009 not listed as outstanding on the bank reconciliation.
- The fire bank reconciliation: the bank statement ending balance listed on the reconciliation did not agree with the ending balance per the bank statement. The difference was \$544.
- The public works bank reconciliation had 2 deposits totaling \$109, 7 checks totaling \$276 over 1 year old. The reconciliation also did not list a check in the amount of \$544 as outstanding. Also, there was a deposit on the bank statement that was not recorded on the general ledger in the amount of \$68.

Criteria

2.2.2.10.D NMAC the financial statements and notes to the financial statements shall be prepared in accordance with accounting principles generally accepted in the United States of America. § 6-10-2 NMSA 1978 –A cash record must be maintained listing all items of receipts and disbursements of public money. The cash record must also be balanced daily to show the balance of public money on hand at the close of each business day.

Per FASB ASC 958-605, contributions received shall be recognized as revenues in the period received. Per FASB ASC 958-720, expenses should be recognized in the period when the economic benefits are used.

Cause

It is unclear why employees are not reconciling all bank accounts accurately.

Effect

The City is not maintaining adequate controls over cash to safeguard cash or facilitating prompt and accurate reporting to the New Mexico Department of Finance and Administration (DFA). This can also cause transactions to be unaccounted for within funds.

Recommendation

The City should perform complete and accurate bank reconciliations and record the revenue and expenditures/expenses in the proper month. The reconciliations should be reviewed by someone trained and knowledgeable. The review should be documented. All unusual reconciling items should be investigated and dealt with properly, so errors do not accumulate thereby making the reconciliation more difficult and time consuming

Response

I feel part of the errors occurred because when trying to reconcile the bank statements I get interrupted numerous times. I think this can be avoided by designating a day for bank statements and putting up a "do not disturb" on my door and not see anyone or take any phone calls that day. I try and post the deposits with the date on the deposit slip. Our deposits are made the next day. Our credit card amounts are posted the day they are made up they may not be deposited for several days thru the credit card company.

Responsible Position: Clerk-treasurer

Timeframe: June 30, 2019

2018-002 (2013-001) Capital Asset Listing / Depreciation Schedule - Material Weakness

Repeated

Condition

The City could not provide a complete Capital Asset listing and depreciation schedule for the fiscal year ending June 30, 2018 for governmental activities or business-type activities. The accumulated depreciation for machinery and equipment exceeded the value of the machinery and equipment by \$210,975. 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. Limited progress has been made correcting this finding.

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, 2018, 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, 2018, 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

We will start doing a complete inventory at the end of June of all assets. Then determine which are capital assets of over \$5,000.00. We have a listing of all buildings and vehicles and equipment. When one is sold or bought it is added or removed. We will work on a depreciation schedule. I will see if the employee handling it can find a class that can assist us with getting that set up.

Responsible Position: Clerk-treasurer

Timeframe: June 30, 2019

2018-003 (2013-002) 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 correcting this finding.

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

I will start trying to get some training on financial statements for governments.

Responsible Position: Clerk-treasurer

Timeframe: June 30, 2019

2018-004 (2015-001) Stale Dated Checks – Significant Deficiency and Compliance Other Revised and Repeated

Condition

The City maintained 7 check totaling \$276 in the Meter Deposit checking account and and 2 deposits totaling \$109 in the Enterprise Fund checking account that was dated at least one year prior to June 30, 2018. The clerk is responsible for reconciling the bank accounts. Limited progress has been made to correct this finding.

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

I will start notifying the NM Dept of Tax and Revenue. I will check and see with the State exactly what is needed. We get mostly meter funds returned to us or they are never cashed.

Responsible Position: Clerk-treasurer

Timeframe: June 30, 2019

2018-005 (2017-001) Exceeded Budgetary Authority - Significant Deficiency and Compliance Other Revised and Repeated

Condition

The City maintained expenditures at the fund level in which actual expenditures exceeded budgetary authority (\$903) in the Cemetery Fund, (\$177,699) in the Fire Fund, and (\$24,174) in the Public Works Fund. No progress has been made correcting this finding.

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

I have been doing the budget adjustments and sending them to the state for approval unless I am missing some. The DFA has looked at the ones I did and approved those. I will start trying to do budget adjustments monthly instead of quarterly.

Responsible Position: Clerk-treasurer

Timeframe: June 30, 2019

2018-006 (2017-002) DFA Cash Reports - Significant Deficiency and Compliance Other Revised and Repeated

Condition

The June 30, 2018 general ledger does not agree with the 4th quarter FY 6/2018 DFA report. The reconciled cash per the general ledger was \$1,547,100 and the cash per the DFA report was \$1,922,302 a difference of \$375,302. Also, the DFA cash reports is not prepared with the same revenue and expenditure categories as the general ledger. No progress has been made to correct this finding.

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 with 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 City should reorganize the general ledger to correspond with the reporting categories required for DFA reporting

Response

I thought the 4th quarter and the budget beginning balances were the same because if they weren't DFA usually calls me. But with turnover it may have been overlooked. I will try and get more training on the budget reports especially with the new system

Responsible Position: Clerk-treasurer

Timeframe: June 30, 2019

STATE OF NEW MEXICO
 CITY OF TEXICO
 Schedule of Findings and Responses
 June 30, 2018

2018-007 (2017-003) Audit Report Filed Late – Other Non Compliance Repeated

Condition

The June 30, 2018 audit report was not received by the State Auditor’s office timely. No progress has been made to correct this finding.

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 23, 2019.

Effect

The City is not in compliance with State Auditor Rule 2.2.2.9.A for the fiscal year ended June 30, 2018.

Recommendation

The audit needs to be submitted timely.

Response

We will start trying to have the information for the auditor by September 1, of the budget year.

Responsible Position: Clerk-treasurer

Timeframe: June 30, 2019

Prior Year Audit Findings

2018-002 (2013-001)	Capital Asset List	Material Weakness	Repeated
2018-003 (2013-002)	Financial Statements and Disclosures	Material Weakness	Repeated
2018-004 (2015-001)	Stale Dated Checks	Significant Deficiency	Revised and Repeated
2018-005 (2017-001)	Exceeded Budgetary Authority	Significant Deficiency	Revised and Repeated
2018-006 (2017-002)	DFA Cash RepoRt	Significant Deficiency	Revised and Repeated
2017-007 (2017-003)	Late Audit Report	Compliance Other	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 23, 2019.

