# State of New Mexico City of Tucumcari

**FINANCIAL STATEMENTS** 

For the Year Ended June 30, 2017



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# **INTRODUCTORY SECTION**

City of Tucumcari Table of Contents June 30, 2017

INTRODUCTORY SECTION	Exhibit	Page
Table of Contents		4-5
Official Roster		7
FINANCIAL SECTION		
Independent Auditors' Report		10-13
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Statement of Net Position	A-1	16-17
Statement of Activities	A-2	18-19
Fund Financial Statements:		
Balance Sheet - Governmental Funds	B-1	20-21
Reconciliation of the Balance Sheet to the Statement of Net Position	B-1	23
Statement of Revenues, Expenditures, and Changes in Fund	БТ	25
Balances - Governmental Funds	B-2	24-25
Reconciliation of the Statement of Revenues, Expenditures,	D-Z	24-23
and Changes in Fund Balances of Governmental Funds to the Statement of Activities	B-2	27
Statement of Revenues, Expenditures, and Changes in Fund Balance-	D-Z	27
Budget (Non-GAAP Budgetary Basis) and Actual: General Fund	C 1	20
	C-1	28
EMS Special Revenue Fund	C-2	29
Proprietary Fund Statements:	D 4	00.00
Statement of Net Position - Proprietary Funds	D-1	30-33
Statement of Revenues, Expenses, and Changes in Net	5.0	0.4.0 <del></del>
Position - Proprietary Funds	D-2	34-35
Statement of Cash Flows - Proprietary Funds	D-3	36-39
NOTES TO THE FINANCIAL STATEMENTS		41-78
REQUIRED SUPPLEMENTARY INFORMATION	Schedule	
Schedule of the City's Proportionate Share of Net Pension Liability of PERA Fund:		
Municipal General Division	I	80
Municipal Police Division	Ī	81
Schedule of Employer Contributions:	-	
Municipal General Division	II	82
Municipal Police Division	II	83
Notes to Required Supplementary Information	11	84
Notes to required supplementary information		04
SUPPLEMENTARY INFORMATION	Statement	
Nonmajor Governmental Fund Descriptions	_	87-89
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	A-1	90-95
Combining Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Nonmajor Governmental Funds	A-2	96-101

Page 2 of 2

City of Tucumcari Table of Contents June 30, 2017

SUPPORTING SCHEDULES	Schedule	Page
Schedule of Deposit and Investment Accounts	III	104-105
Schedule of Collateral Pledged by Depository for Public Funds	IV	107
Financial Data Schedule - Tucumcari Housing Authority	V	108-117
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance		
and Other Matters Based on an Audit of Financial Statements		
Performed in Accordance with Government Auditing Standards		120-121
FEDERAL FINANCIAL ASSISTANCE		
Report on Compliance for Each Major Federal Program and on Internal Control		
Over Compliance Required by the Uniform Guidance		124-125
Schedule of Expenditures of Federal Awards	VI	126-129
Schedule of Findings and Questioned Costs	VII	131-139
OTHER DISCLOSURES		141

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City of Tucumcari Official Roster June 30, 2017

# **City Commission**

**Todd Duplantis** 

NameTitleRuth Ann LitchfieldMayorRalph MoyaCity CommissionerAmy GutierrezCity CommissionerRobert LumpkinMayor Pro-Tem/City Commissioner

City Commissioner

Jared Langenegger

City Manager (resigned in 2018)

Dennis Dyssart

Finance Director (retired in December 2017)

Rachelle Arias

Administrative Services Director

Angelica Gray

City Clerk

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# FINANCIAL SECTION



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#### INDEPENDENT AUDITORS' REPORT

Wayne A. Johnson New Mexico State Auditor The United States Office of Management and Budget and The City Commission Members City of Tucumcari Tucumcari, New Mexico

### **Report on Financial Statements**

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund and major special revenue fund with a legally adopted budget of the City of Tucumcari, New Mexico (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

## 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.

# **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matters described in the "Basis for Disclaimer of Opinion on the Governmental Activities, Business-Type Activities, Major Governmental Funds, Airport Fund, Joint Utility Fund, Sanitation Fund and the Aggregate Remaining Funds" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion Unit	Type of Opinion
Governmental Activities	Disclaimer
Business-Type Activities	Disclaimer
Major Governmental Funds	Disclaimer
Airport Fund	Disclaimer
Joint Utility Fund	Disclaimer
Sanitation Fund	Disclaimer
Tucumcari Housing Authority	Unmodified
Aggregate Remaining Fund Information	Disclaimer

Basis for Disclaimer of Opinion on the Governmental Activities, Business-Type Activities, Major Governmental Funds, Airport Fund, Joint Utility Fund, Sanitation Fund and the Aggregate Remaining Funds

Because of material unreconciled differences in cash that cannot be attributed to any specific opinion unit, inability of the City to produce sufficient documentation for material adjustments, as well as the City's software conversion, which resulted in information not being transferred correctly, we were unable to obtain sufficient appropriate audit evidence for cash balances and the changes to fund balance and net position for the City's Governmental Activities, Business-Type Activities, Major Governmental Funds, Airport Fund, Joint Utility Fund, Sanitation Fund and the Aggregate Remaining Fund Information as of and for the year ended June 30, 2017.

#### **Disclaimer of Opinions**

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion on the Governmental Activities, Business-Type Activities, Major Governmental Funds, Airport Fund, Joint Utility Fund, Sanitation Fund and the Aggregate Remaining Funds" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Governmental Activities, Business-Type Activities, Major Governmental Funds, Airport Fund, Joint Utility Fund, Sanitation Fund and the Aggregate Remaining Funds of the City of Tucumcari. Accordingly, we do not express an opinion on these financial statements.

#### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tucumcari Housing Authority as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# **Other Matters**

#### Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that Schedules I and II and the Notes to the Required Supplementary Information on pages 80 through 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements, and the budgetary comparison of the General Fund. The introductory section, combining nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) Supporting Schedules III through IV required by Section 2.2.2 NMAC, and Schedule V Financial Data Schedule as required by the U.S. Department of Housing and Urban Development are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through IV required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the schedule of expenditures of federal awards.

Supporting Schedule V required by the U.S. Department of Housing and Urban Development 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 the auditing standards generally accepted in the United States of America. In our opinion, Schedule V required by the U.S. Department of Housing and Urban Development is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

# Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Carr, Riggs & Ingram, LLC Albuquerque, New Mexico

Can Rigge & Ingram, L.L.C.

May 2, 2018

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# BASIC FINANCIAL STATEMENTS

City of Tucumcari Statement of Net Position June 30, 2017

	Primary Government			
	Governmenta	l Business-type		
	Activities	Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 653,680	0 \$ 4,918,307	\$ 5,571,987	
Investments	424,95	1 430,099	855,050	
Receivables:	1,354,10	6 656,854	2,010,960	
Internal balances	543,28	4 (543,284)	-	
Inventory		- 91,913	91,913	
Prepaid expenses	79,69	19,446	99,140	
Total current assets	3,055,71	5,573,335	8,629,050	
Noncurrent assets				
Restricted cash and cash equivalents	1,309,33	0 335,304	1,644,634	
Capital assets	29,548,22		83,603,159	
Less: accumulated depreciation	(15,493,883		(37,452,793)	
Total noncurrent assets	15,363,66	7 32,431,333	47,795,000	
Total assets	18,419,38	2 38,004,668	56,424,050	
Deferred outflows of resources				
Employer contributions subsequent to the				
measurement date	273,38	1 78,856	352,237	
Change in assumptions	341,81	7 119,205	461,022	
Change in proportion	180,30	8 62,415	242,723	
Net difference between projected and				
actual investment earnings	1,043,54	4 275,699	1,319,243	
Difference between expected and actual				
experience	338,89	8 135,898	474,796	
Total deferred outflows of resources	2,177,94	8 672,073	2,850,021	
Total assets and deferred outflows of resources	\$ 20,597,33	0 \$ 38,676,741	\$ 59,274,071	

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 320,881	\$ 3,308,766	\$ 3,629,647
Accrued payroll	126,553	39,493	166,046
Accrued compensated absences	76,109	16,976	93,085
Customer/tentant deposits	2,841	203,732	206,573
Accrued interest	4,797	61,661	66,458
Unearned revenue	-	72,775	72,775
Current portion of long-term debt	177,824	190,499	368,323
Total current liabilities	709,005	3,893,902	4,602,907
Noncurrent liabilities			
Accrued compensated absences	18,060	32,480	50,540
Accrued landfill closure costs	-	4,038,237	4,038,237
Long-term debt	986,499	6,390,419	7,376,918
Net pension liability	5,557,520	1,768,399	7,325,919
Total noncurrent liabilities	6,562,079	12,229,535	18,791,614
Total liabilities	7,271,084	16,123,437	23,394,521
Deferred inflows of resources			
Change in assumptions	51,736	-	51,736
Net difference between projected and			
actual investment earnings	-	3,490	3,490
Change in proportion	88,994	4,388	93,382
Difference between expected and actual			
experience	127,009	7,365	134,374
Total deferred inflows of resources	267,739	15,243	282,982
Net position			
Net investment in capital assets	12,890,014	25,515,111	38,405,125
Restricted for:			
Section 8 housing	-	13,879	13,879
Replacement reserve	-	67,821	67,821
Debt service	435,815	, -	435,815
Capital projects	484,146	_	484,146
Special revenue	1,625,075	_	1,625,075
Unrestricted	(2,376,543)	(3,058,750)	(5,435,293)
Total net position	13,058,507	22,538,061	35,596,568
Total liabilities, deferred inflows of resources, and			
net position	\$ 20,597,330	\$ 38,676,741	\$ 59,274,071

City of Tucumcari Statement of Activities For the Year Ended June 30, 2017

		Program Revenues					
Functions/Programs	 Expenses		harges for Services	Operating Grants and Contributions			pital Grants and ntributions
Governmental Activities							
General government	\$ 1,606,069	\$	1,490,181	\$	177,449	\$	-
Public safety	2,822,610		764,205		393,409		91,957
Public works	1,686,029		-		-		1,901,799
Culture and recreation	1,789,726		111,896		56,273		-
Health and welfare	443,373		-		303,474		313,025
Interest on long-term debt	 38,042		-		-		-
Total governmental activities	 8,385,849		2,366,282		930,605		2,306,781
Business-type Activities:							
Airport	574,134		253,585		-		-
Joint Utility	4,878,303		3,079,012		-		-
Sanitation	600,515		1,087,894		-		170,000
Tucumcari Housing Authority	 1,196,366		210,367		856,190		105,994
Total business-type activities	 7,249,318		4,630,858		856,190		275,994
Total primary government	\$ 15,635,167	\$	6,997,140	\$	1,786,795	\$	2,582,775

# General revenues and transfers:

Taxes

Property taxes

Gross receipts taxes

Gasoline and motor vehicle taxes

Other taxes

Investment income

Miscellaneous revenue

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning, as originally stated

Net position, restatement (note 14)

Net position, beginning as restated

Net position, ending

Primary Government				
Governmental Activities	Business-type Activities	Total		
\$ 61,561 (1,573,039) 215,770 (1,621,557) 173,126 (38,042) (2,782,181)	\$ - - - - -	\$ 61,561 (1,573,039) 215,770 (1,621,557) 173,126 (38,042) (2,782,181)		
- - -	(320,549) (1,799,291) 657,379 (23,815)	(320,549) (1,799,291) 657,379 (23,815)		
(2,782,181)	(1,486,276)	(4,268,457)		
497,596 3,026,626 344,942 836,652 22,743 85,474 (1,593,622)	389,360 - - 12,596 39,353 1,593,622	497,596 3,415,986 344,942 836,652 35,339 124,827		
3,220,411	2,034,931	5,255,342		
438,230	548,655	986,885		
12,862,261 (241,984)	22,787,081 (797,675)	35,649,342 (1,039,659)		
12,620,277	21,989,406	34,609,683		
\$ 13,058,507	\$ 22,538,061	\$ 35,596,568		

City of Tucumcari Balance Sheet Governmental Funds June 30, 2017

	Ge	neral Fund	EMS Fund - Special Revenue Fund				Projects Fund	
Assets Cash and cash equivalents Investments	\$	653,680	\$	-	\$	630		
Receivables Prepaid expenses Due from other funds		641,328 79,694 942,501		207,923		147,483 - -		
Total assets	\$	2,317,203	\$	207,923	\$	148,113		
Liabilities, deferred inflows of resources, and fund balances								
Liabilities Accounts payable Accrued payroll Deposits payable Due to other funds	\$	69,991 85,846 - -	\$	2,098 12,003 - 184	\$	199,609 - - 135,706		
Total liabilities		155,837		14,285		335,315		
Deferred inflows of resources Unavailable revenues - property taxes		81,442				<u>-</u>		
Total deferred inflows of resources		81,442						
Fund balances  Nonspendable  Prepaid expenses  Spendable  Restricted for:		79,694		-		-		
Public safety Public works Culture and recreation Health and welfare		- - -		193,638		- - -		
Capital projects Debt service Committed to:		- -		-		-		
Subsequent year's expenditures Unassigned		545,514 1,454,716		- -		- (187,202)		
Total fund balances		2,079,924		193,638		(187,202)		
Total liabilities, deferred inflows of resources, and fund balances	\$	2,317,203	\$	207,923	\$	148,113		

Other (	Governmental Funds	Total Governmental Funds		
\$	1,308,700	\$	1,963,010	
Ф	424,951	Ф	424,951	
	357,372		1,354,106	
	-		79,694	
	70,000		1,012,501	
\$	2,161,023	\$	4,834,262	
	46,683		318,381	
	23,038		120,887	
	2,841		2,841	
	333,327		469,217	
	405,889		911,326	
	-		81,442	
			81,442	
	-		79,694	
	269,239		462,877	
	285,203		285,203	
	611,945		611,945	
	38,036		38,036	
	365,507		365,507	
	236,415		236,415	
	-		545,514	
	(51,211)		1,216,303	
	1,755,134		3,841,494	
\$	2,161,023	\$	4,834,262	

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Exhibit B-1 Page 2 of 2

# City of Tucumcari

# **Governmental Funds**

# Reconciliation of the Balance Sheet to the Statement of Net Position June $30,\,2017$

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances - total governmental funds	\$ 3,841,494
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	14,065,626
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in governmental activities in the Statement of Net Position	(19,455)
Delinquent property taxes and grants not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	81,442
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds	
Deferred outflows of resources related to employer contributions subsequent to the measurement date  Deferred outflows of resources related to changes in assumption  Deferred outflows of resources related to net difference between expected and actual experience  Deferred outflows of resources related to net difference between projected and actual investment earnings  Deferred inflows of resources related to changes in assumption  Deferred inflows of resources related to change in proportion  Deferred inflows of resources related to change in experience  Certain liabilities, including bonds payable, net pension liability, and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:	273,381 341,817 180,308 338,898 1,043,544 (51,736) (88,994) (127,009)
Accrued interest Current portion of accrued compensated absences Long-term portion of accrued compensated absences Current portion of long-term debt payable Long-term debt payable Net pension liability  Net position of governmental activities	\$ (4,797) (76,109) (18,060) (177,824) (986,499) (5,557,520) 13,058,507

City of Tucumcari

# Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2017

	(	General Fund	EMS Fund - Special Revenue Fund	Capital Projects Fund	
Revenues					
Taxes:					
Property	\$	416,154	\$ -	\$ -	
Gross receipts		2,888,186	-	-	
Gasoline and motor vehicle		-	-	-	
Other		201,088	-	-	
Intergovernmental:		4.004			
Federal operating grants		1,391	-	=	
State operating grants		261,975	16,066	-	
Federal capital grants		-	-	657,635	
State capital grants		1 000 076	722.042	791,921	
Charges for services		1,008,976	723,842	-	
Investment income		917	-	-	
Miscellaneous		36,663	5,065		
Total revenues		4,815,350	744,973	1,449,556	
Expenditures					
Current:		0.4.0.0.4.6			
General government		919,846	-	-	
Public safety		1,233,580	813,419	-	
Public works		574,514	-	198,466	
Culture and recreation		849,271	-	-	
Health and welfare		-	-	-	
Capital outlay		290,565	6,293	128,899	
Debt service:					
Principal		-	-	-	
Interest		<u> </u>			
Total expenditures		3,867,776	819,712	327,365	
Excess (deficiency) of revenues over					
expenditures		947,574	(74,739)	1,122,191	
Other financing sources (uses)					
Transfers in		8,819	221,212	254,279	
Transfers (out)		(914,773)	(35,730)	(1,155,863)	
Total other financing sources (uses)		(905,954)	185,482	(901,584)	
Net change in fund balances		41,620	110,743	220,607	
Fund balances - beginning of year, as originally stated		2,276,438	82,895	(407,809)	
Fund balances - restatement (note 14)		(238,134)		<u> </u>	
Fund balances - beginning of year,					
as restated		2,038,304	82,895	(407,809)	
		2,300,001	02,070	(107,007)	
Fund balances - end of year	\$	2,079,924	\$ 193,638	\$ (187,202)	

Other Governmental Funds	Total Governmental Funds		
\$ -	\$ 416,154		
138,440	3,026,626		
344,942	344,942		
635,564	836,652		
54,932	56,323		
596,241	874,282		
495,105	1,152,740		
362,120	1,154,041		
109,229	1,842,047		
21,826	22,743		
43,746	85,474		
2,802,145	9,812,024		
-	919,846		
270,218	2,317,217		
493,915	1,266,895		
692,582	1,541,853		
384,616	384,616		
491,066	916,823		
174,855	174,855		
38,120	38,120		
2,545,372	7,560,225		
256,773	2,251,799		
1,387,762	1,872,072		
(1,359,328)	(3,465,694)		
28,434	(1,593,622)		
285,207	658,177		
1,473,777	3,425,301		
(3,850)	(241,984)		
	_		
1,469,927	3,183,317		
\$ 1,755,134	\$ 3,841,494		

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City of Tucumcari

**Governmental Funds** 

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2017

Exhibit B-2 Page 2 of 2

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

Topoteca ioi governmental acuivines m une statement or recuivines are american because.	
Net change in fund balances - total governmental funds	\$ 658,177
The activity of the internal service fund is reported with the governmental activities in the statement of activities	(51,541)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital expenditures Loss on disposition of capital assets Depreciation expense	916,823 (62,342) (960,418)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Change in unavailable revenue related to property taxes receivable	81,442
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:	
City pension contributions Pension expense	273,381 (586,053)
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:	
Increase in accrued compensated absences Principal payments on debt payable	 (6,094) 174,855
Change in net position of governmental activities	\$ 438,230

City of Tucumcari General Fund

# Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual For the Year Ended June 30, 2017

Variances Favorable

	Budgeted Amounts			Favorable (Unfavorable)	
	Original	Final	Actual	Final to Actual	
	Original		netuai	I mai to Actual	
Revenues					
Taxes	\$ 3,246,620	\$ 3,503,825	\$ 3,503,832	\$ 7	
Intergovernmental:					
Federal operating grant	6,600	1,638	1,638	-	
State operating grant	255,800	255,257	255,260	3	
Licenses and fees and charges for services	901,000 640	901,961 917	901,956 917	(5)	
Investment income Miscellaneous	31,800	34,240	34,462	222	
Total revenues	4,442,460	4,697,838	4,698,065	227	
	1,112,100	1,077,030	1,070,003		
Expenditures					
Current:	1 240 024	022 072	021.060	2.005	
General government Public safety	1,340,824 1,275,950	933,973 1,232,688	931,968 1,231,547	2,005 1,141	
Public works	603,386	1,232,666 589,751	1,231,347 589,392	359	
Culture and recreation	829,003	777,901	776,495	1,406	
Health and welfare	-	-	-	1,100	
Capital outlay	177,964	292,241	292,025	216	
Total expenditures	4,227,127	3,826,554	3,821,427	5,127	
Excess (deficiency) of revenues over					
expenditures	215,333	871,284	876,638	5,354	
•	213,333	071,201	070,030	5,551	
Other financing sources (uses)	04000			(11 ( <del>11</del> )	
Designated cash (budgeted cash increase)	810,207	44,657	(04.4.550)	(44,657)	
Transfers (out)	(1,025,540)	(915,941) (871,284)	(914,773)	1,168	
Total other financing sources (uses)	(215,333)	(0/1,204)	(914,773)	(43,489)	
Net change in fund balances	-	-	(38,135)	(38,135)	
Fund balances - beginning of year, as					
originally stated	_	_	1,772,263	1,772,263	
Fund balances - restatement (note 14)			(137,947)	(137,947)	
Fund balances - as restated	-	-	1,634,316	1,634,316	
Fund balances - end of year, as restated	\$ -	\$ -	\$ 1,596,181	\$ 1,596,181	
	Ф	ψ -	<del>\$ 1,570,101</del>		
Net change in fund balance (non-GAAP budge				\$ (38,135)	
Adjustments to revenues for taxes, grant reve	_	or services		126,104	
Adjustments to expenditures for salaries and	other expenses.			(46,349)	
Net change in fund balance (GAAP)				\$ 41,620	

**Variances** 

#### **STATE OF NEW MEXICO**

City of Tucumcari

# EMS Special Revenue Fund

# Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual For the Year Ended June 30, 2017

**Favorable** (Unfavorable) **Budgeted Amounts** Original Final Actual Final to Actual Revenues Intergovernmental: 15,000.00 16,066.00 State operating grant 16,066.00 30 Licenses and fees and charges for services 600,000 620,304 620,334 Miscellaneous 5,065 5,065 615.000 Total revenues 641,435 641,465 30 **Expenditures Current:** Public safety 1,009,653 826,413 826,529 (116)Capital outlay 1,000 563 418 145 Total expenditures 1,010,653 826,976 826,947 29 Excess (deficiency) of revenues over expenditures 59 (395,653)(185,541)(185.482)Other financing sources (uses) Designated cash (budgeted cash increase) 10,000 Transfers in 221,271 221,212 421,027 (59)Transfers (out) (35,374)(35,730)(35,730)Total other financing sources (uses) 395,653 185,541 185,482 (59)*Net change in fund balances* Fund balances - beginning of year (184)(184)Fund balances - end of year \$ (184)\$ (184)\$ Net change in fund balance (non-GAAP budgetary basis) Adjustments to revenues for taxes, grant revenues and charges for services 966,185 Adjustments to expenditures for salaries and other expenses. (855,442)*Net change in fund balance (GAAP)* \$ 110,743

City of Tucumcari Statement of Net Position Proprietary Funds June 30, 2017

**Business-Type Activities - Enterprise Funds** 

	Airport	Joint Utility	Sanitation	Tucumcari Housing Authority
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 4,103,657	\$ 200	\$ 814,450
Investments	-	152,856	277,243	
Receivables	4,976	408,206	240,022	3,650
Due from other funds	-	10,590	-	
Inventory	29,882	55,397	-	6,634
Prepaid expenses		14,376		5,070
Total current assets	34,858	4,745,082	517,465	829,804
Noncurrent assets				
Restricted cash and cash equivalents	-	190,847	49,340	95,117
Capital assets	7,834,454	36,160,674	4,345,225	5,714,586
Less: accumulated depreciation	(4,213,819)	(12,810,390)	(1,715,752)	(3,218,949)
Total noncurrent assets	3,620,635	23,541,131	2,678,813	2,590,754
Total assets	3,655,493	28,286,213	3,196,278	3,420,558
Deferred outflows of resources Employer contributions subsequent to the				
measurement date	4,509	44,334	16,120	13,893
Change in assumptions	7,488	68,398	26,528	16,791
Change in proportion	4,079	38,193	14,932	5,211
Net difference between projected and actual				
results on pension investments	19,161	174,276	82,262	-
Difference between expected and actual experience	10,039	92,869	20,767	12,223
Total deferred outflows of resources	45,276	418,070	160,609	48,118
Total assets and deferred outflows of resources	\$ 3,700,769	\$ 28,704,283	\$ 3,356,887	\$ 3,468,676

			Governmental Activities			
Total Business- Type Activities		Inter	rnal Service Fund			
\$	4,918,307	\$	-			
	430,099		-			
	656,854		-			
	10,590		-			
	91,913		-			
	19,446					
	6,127,209					
	335,304		-			
	54,054,939		263,242			
	(21,958,910)		(239,018)			
	32,431,333		24,224			
	38,558,542		24,224			
	78,856		28,885			
	119,205		39,522			
	62,415		23,081			
	275,699		122,641			
	135,898		32,071			
	672,073		246,200			
\$	39,230,615	\$	270,424			

City of Tucumcari Statement of Net Position Proprietary Funds June 30, 2017

**Business-Type Activities - Enterprise Funds** Tucumcari Housing **Joint Utility** Authority Airport Sanitation Liabilities Current liabilities \$ 1,481 3,293,448 \$ 6,984 \$ 6,853 Accounts payable 7,768 Accrued payroll 24.553 7.172 Accrued compensated absences 141 5,619 4,765 6,451 Customer/tentant deposits 190,847 12,885 Accrued interest 61,142 519 Unearned revenue 72,586 189 44,665 Due to other funds 509,209 Current portion of long-term debt 172,899 17,600 Total current liabilities 46,287 3,821,094 528,726 51,669 Noncurrent liabilities Accrued compensated absences 3,765 25,886 2,829 Accrued landfill closure costs 4,038,237 Long-term debt 5,781,816 608,603 Net pension liability 100,019 289,948 991,764 386,668 Total noncurrent liabilities 103,784 6,799,466 4,427,734 898,551 Total liabilities 150,071 10,620,560 4,956,460 950,220 Deferred inflows of resources Net difference between projected and actual results on pension investments 3,490 Change in proportion 4,388 Difference between expected and actual experience 7,365 Total deferred inflows of resources 15,243 Net Position Net investment in capital assets 3,620,635 17,395,569 2,629,473 1,869,434 Restricted for: Section 8 housing 13,879 Replacement reserve 67,821 Unrestricted (deficit) (69,937)688,154 (4,229,046)552,079 Total net position 3,550,698 18,083,723 (1.599.573)2,503,213 Total liabilities, deferred inflows of resources, and net position \$ 28,704,283 3,356,887 3,468,676

		vernmental Activities
tal Business- pe Activities	Inte	rnal Service Fund
\$ 3,308,766 39,493	\$	2,500 5,666
16,976 203,732 61,661		-
72,775 553,874		- -
190,499		-
 4,447,776		8,166
32,480		-
4,038,237 6,390,419		-
 1,768,399		594,308
 12,229,535		594,308
 16,677,311		602,474
3,490 4,388		- -
7,365		-
15,243	-	
25,515,111		24,224
13,879		-
67,821		(25/25/2
 (3,058,750)		(356,274)
 22,538,061		(332,050)
\$ 39.230.615	\$	270.424

City of Tucumcari

# Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds

For the Year Ended June 30, 2017

Business-Type Activities - Enterprise Funds	5
---------------------------------------------	---

	Airport	Joint Utility	Sanitation	Tucumcari Housing Authority
Operating revenues Charges for service Other revenue Subsidy grants	\$ 253,585 - -	\$ 3,079,012 - -	\$ 1,087,894 - -	\$ 198,849 11,518 856,190
Total operating revenues	253,585	3,079,012	1,087,894	1,066,557
Operating expenses General and administrative Personnel expenses Contractual services Supplies and purchased power Repairs and maintenance Utilities Housing assistance payments Depreciation expense Miscellaneous expense	40,614 92,706 996 166,096 3,934 5,182 - 264,606	1,864,695 990,602 7,361 128,939 153,599 9,593 - 1,546,289	120,269 128,016 105,367 30,709 31,970 1,986 - 173,702	39,474 250,445 40,814 35,483 36,294 91,854 379,764 202,258 64,532
Total operating expenses	574,134	4,701,078	592,019	1,140,918
Operating income (loss)	(320,549)	(1,622,066)	495,875	(74,361)
Non-operating revenues (expenses) Taxes Investment income Interest expense Miscellaneous income	11,023	320,515 10,448 (177,225)	68,845 2,010 (8,496) 28,109	138 (55,448) 221
Total non-operating revenues (expenses)	11,023	153,738	90,468	(55,089)
Income (loss) before contributions and transfers	(309,526)	(1,468,328)	586,343	(129,450)
Capital grants Transfers in Transfers (out)	280,869 (74,629)	1,536,559 (149,177)	170,000	105,994 - 
Change in net position	(103,286)	(80,946)	756,343	(23,456)
Net position - beginning, as originally stated	3,653,984	18,960,421	(2,353,993)	2,526,669
Net position, restatement (note 14)		(795,752)	(1,923)	
Net position - beginning, as restated	3,653,984	18,164,669	(2,355,916)	2,526,669
Net position - end of year	\$ 3,550,698	\$ 18,083,723	\$ (1,599,573)	\$ 2,503,213

	Governmental Activities
Total Business- Type Activities	Internal Service Fund
\$ 4,619,340 11,518 856,190	-
5,487,048	_
2,065,052 1,461,769 154,538 361,227 225,797 108,615	501,159
379,764 2,186,855 64,532	11,289
7,008,149	575,776
(1,521,101	(51,541)
389,360 12,596 (241,169 39,353	; )) -
200,140	
(1,320,961	(51,541)
275,994 1,817,428 (223,806	-
548,655	5 (51,541)
22,787,081	(280,509)
(797,675	<u>-</u>
21,989,406	(280,509)

22,538,061

(332,050)

City of Tucumcari Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2017

**Business-Type Activities - Enterprise Funds** 

	business-Type Activities - Enter prise runus			unus
Cook flows from an austing activities	Airport	Joint Utility	Sanitation	Tucumcari Housing Authority
Cash flows from operating activities Cash received from customers Cash received from subsidy grants	\$ 248,609	\$ 3,350,597 -	\$ 975,644 -	\$ 212,877 856,190
Cash payments to employees for services Cash payments to suppliers for goods and	(84,084)	(892,591)	(93,494)	(227,506)
services	(210,407)	(2,142,468)	(767,811)	(676,315)
Net cash provided (used) by operating activities	(45,882)	315,538	114,339	165,246
Cash flows from noncapital financing activities Transfers and interfund balance settlement Gross receipt taxes	201,305	1,322,087 316,351	509,209 89,145	- -
Miscellaneous income	11,023		28,109	221
Net cash provided (used) by noncapital financing activities	212,328	1,638,438	626,463	221
Cash flows from investing activities Reclassification of cash to investments Interest on investments	- -	(152,856) 10,448	(277,243) 2,010	138
Net cash provided (used) by investing activities	<u>-</u>	(142,408)	(275,233)	138
Cash flows from capital and related financing activities				
Acquisition of capital assets	(166,446)	(1,802,226)	(829,594)	(131,774)
Principal payments on bonds and loans payable Capital grants	е	(165,913)	- 170,000	(16,111) 105,994
Interest paid	- -	(169,717)	(8,496)	(55,569)
•		(===,:=:)	(3,213)	(55,551)
Net cash provided (used) by capital and related financing activities	(166,446)	(2,137,856)	(668,090)	(97,460)
Net (decrease) increase in cash and cash equivalents	-	(326,288)	(202,521)	68,145
Cash and cash equivalents - beginning of year	<u>-</u>	4,620,792	252,061	841,422
Cash and cash equivalents - end of year	\$ -	\$ 4,294,504	\$ 49,540	\$ 909,567

	Governmental Activities
tal Business- pe Activities	Internal Service Fund
\$ 4,787,727	\$ 524,235
856,190 (1,297,675)	(461,652)
(3,797,001)	(62,583)
 549,241	
2,032,601	<del>-</del>
405,496	-
 39,353	
2,477,450	
(430,099)	-
12,596	
 (417,503)	
(2,930,040)	-
(182,024)	-
275,994	-
 (233,782)	-
(3,069,852)	
(460,664)	-
5,714,275	
\$ 5,253,611	\$ -

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

City of Tucumcari Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2017

**Business-Type Activities - Enterprise Funds** 

	Airport	Joi	int Utility	Sa	nnitation	ŀ	icumcari Iousing uthority
Reconciliation of operating income (loss) to							
net cash provided (used) by operating activities:							
Operating income (loss)	\$ (320,549)	(	(1,622,066)	\$	495,875	\$	(74,361)
Adjustments to reconcile operating income							
(loss) to net cash provided (used) by							
operating activities:							
Depreciation	264,606		1,546,289		173,702		202,258
Bad debt expense	-		-		-		9,801
Net pension expense	12,938		121,082		45,512		20,300
Changes in assets, liabilities, and							
deferred outflows:							
Receivables	(4,976)		257,128		(112,250)		3,773
Inventory	5,473		(18,025)		-		(613)
Prepaid expenses	-		108		-		(98)
Accounts payable	942		41,305		(437,274)		2,810
Accrued payroll expenses	(1,586)		8,574		2,317		2,233
Other accrued expenses	-		(1,669)		-		-
Accrued compensated absences	1,779		12,689		2,813		4,340
Unearned revenue	-		-		-		9
Landfill liability	-		-		(40,236)		-
Customer deposits	-		14,457		-		(1,272)
Employer contributions subsequent							
to the measurement date	(4,509)		(44,334)		(16,120)		(3,934)
Net cash provided (used) by operating							
activities	\$ (45,882)	\$	315,538	\$	114,339	\$	165,246

		rernmental activities				
tal Business- pe Activities	Internal Service Fund					
\$ (1,521,101)	\$	(51,541)				
2 107 055		11 200				
2,186,855 9,801		11,289				
199,832		72,904				
143,675		_				
(13,165)		-				
10		<u>-</u>				
(392,217)		745				
11,538 (1,669)		(3,902)				
21,621		(610)				
9		-				
(40,236)		-				
13,185		-				
 (68,897)		(28,885)				
\$ 549,241	\$					

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City of Tucumcari
Notes to the Financial Statements
June 30, 2017

#### NOTE 1. Summary of Significant Accounting Policies

City of Tucumcari (the "City") was incorporated in 1908 under provisions of Chapter 3, Article 1 of NMSA, 1978 as amended and regulated by the constitution of the State of New Mexico. The City operates under a commission- manager form of government and provides the following services as authorized by its charter: public safety (police, fire, emergency medical, etc.), roads, water and sewer services, refuse collection, recreation, fixed base airport, low rent housing assistance, public improvements, planning and zoning, economic development, and general administrative services.

The City of Tucumcari is a body politic and corporate under the name and form of government selected by its qualified electors. The City may:

- 1. Sue or be sued;
- 2. Enter into contracts and leases;
- 3. Acquire and hold property, both real and personal;
- 4. Have common seal, which may be altered at pleasure;
- 5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
- 6. Protect generally the property of its municipality and its inhabitants;
- 7. Preserve peace and order within the municipality; and
- 8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the City is presented to assist in the understanding of City's financial statements. The financial statements and notes are the representation of City's management who is responsible for their integrity and objectivity.

During the year ended June 30, 2017, the City adopted GASB Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (partial), No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, No. 77, Tax Abatement Disclosures, No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14 and No. 82, Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73. These six Statements are required to be implemented as of June 30, 2017, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the City, as its pension plan is within the scope of Statement 68.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

## NOTE 1. Summary of Significant Accounting Policies (continued)

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the City's financial statements directly; however, the effects on the City's OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have changed after time – by including information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax
  abatements are provided, eligibility criteria, the mechanism by which taxes are abated,
  provisions for recapturing abated taxes, and the types of commitments made by tax abatement
  recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

The City was not affected by any tax abatements. Implementation of this standard is June 30, 2017.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

#### NOTE 1. Summary of Significant Accounting Policies (continued)

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The City's pension plan does not meet the criteria for exclusion.

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended.* 

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

GASB Statement No. 82 clarified and adjusted several items from GASB Statement Nos. 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

## A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations 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.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

#### NOTE 1. Summary of Significant Accounting Policies (continued)

#### A. Financial Reporting Entity (continued)

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City has no component units, and is not a component unit of another governmental agency.

## B. Government-wide 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund 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 to 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.

In the government-wide Statement of Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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*.

Separate 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 governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

#### NOTE 1. Summary of Significant Accounting Policies (continued)

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,* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, net of estimated refunds, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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 taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include costs associated with the daily operation of the City except for items included in other funds.

The *EMS Fund* special revenue fund is used to account for the operations of the City's Emergency Medical Services Unit. The source of funding is the State of New Mexico Mental Health and Environment Department, Emergency Medical Services Bureau and charges for services. Expenditures are subject to approval of the state agency and the City Commission. This fund is authorized by NMSA 1978 24-10A-1.

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

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

#### **NOTE 1.** Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The City reports the following proprietary funds as major funds:

The *Airport Fund* accounts for all activities necessary to provide air services.

The *Joint Utility Fund* accounts for all activities necessary to provide water and sewer services for the residents of the City.

The *Solid Waste Fund* accounts for all activities necessary to provide solid waste refuse collection services provided by the City.

The *Housing Authority Fund* accounts for the revenues and expenditures for the housing department's operations that include U.S. Department of Housing and Urban Development (HUD) programs as well as rural projects through the U.S. Department of Agriculture. Included in this fund are the following individual programs:

Low Rent Public Housing Program

**Capital Fund Programs** 

Section 8 Housing Choice Voucher Program

USDA FmHA Rural Housing Program

*Internal Service Fund* accounts for administrative services in connection with billing, collecting and administering enterprise accounts receivable. Services are provided on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

#### **NOTE 1.** Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services 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 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 restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

**Deposits and Investments**: 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.

**Fair Value Measurements:** The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2017, there are no items are required to be valued using valuation techniques.

**Receivables and Payables**: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund 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 cost 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.

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 in the event they are not received within 60 days of year end.

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. Property taxes are considered to be 100% collectible.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

#### **NOTE 1.** Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November  $10^{th}$  and April  $10^{th}$  are considered delinquent and the City may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by San Miguel City and remitted monthly to the City.

The City estimates the allowance for uncollectible accounts based off the days delinquent. The City has estimated all accounts that are greater than 120 days to be uncollectible.

**Restricted Assets:** Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used.

**Inventory:** Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. The City's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer recognition of the expenditures until the period in which the inventories actually are consumed. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased.

**Prepaid Expenses:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide, governmental and proprietary fund financial statements.

**Capital Assets**: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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 (amount not rounded) 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 included as part of the governmental capital assets reported in the government wide statements. 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). Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized by the City during the current fiscal year. No interest was included as part of the cost of capital assets under construction.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

## NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5- 50
Infrastructure	20
Machinery & Equipment	6
Vehicles	5-20

**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 four types of items that qualify for reporting in this category in both the governmental and business-type activities. Accordingly, the first item - employer contributions subsequent to measurement date has been reported as a deferred outflow of resources in the amount of \$352,237. This amount is reported in the Statement of Net Position. This amount will directly reduce the net pension liability in the next fiscal year. Other deferred outflows relates to changes in assumption of \$461,022, differences between expected and actual experience of \$474,796, changes in proportion of \$242,723 and net difference between projected and actual investment earnings on pension plan investments of \$1,319,243 at June 30, 2017. These amounts are amortized into pension expense over the average remaining service life of employees.

**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 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 (measureable 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. The City has one item which arises under the modified accrual basis of accounting which qualifies for reporting in this category. Accordingly, the item, unavailable revenue - property taxes, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City has recorded \$81,442 related to property taxes considered "unavailable". In addition, the City has four types of items presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability. Accordingly, the items, change in assumptions of \$51,736, changes in proportion of \$93,382 net difference between projected and actual investment earnings of \$3,490 and differences between expected and actual experience of \$134,374, are reported on the Statement of Net Position. These amounts are deferred and amortized into pension expense in future periods.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

## NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

**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 Public Employees Retirement Association (P.E.R.A) and additions to/deductions from P.E.R.A's fiduciary net position have been determined on the same basis as they are reported by P.E.R.A, 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.

Compensated Absences: The City's policy regarding compensatory time permits nonexempt employees to accumulate hours worked beyond forty (40) hours of actual work in lieu of overtime payment. Nonexempt police officers, fire fighters and emergency medical personnel may accrue a maximum balance of 240 hours of compensatory time (160 hours of overtime worked) and all other nonexempt employees may accrue a maximum of 120 compensatory time (80 hours of overtime worked). Classified and unclassified full0time and part-time city employees accrue annual leave based upon a graduated scale based upon their date of hire. Employees are permitted to carryover a maximum of 80 hours annual leave from one calendar year to another. Annual leave accrued as of April 12, 1990, is not subject to the accumulated maximum of 80 hours. Sick leave is not paid to employees upon termination except for those employed on or before April 12, 1990, who are paid one-half of their accumulated sick leave. Employees with sick leave in excess of 360 hours may sell back to the City a maximum of 120 hours per year at one-half their hourly rate of pay at the end of the calendar year.

**Long-term Obligations**: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**Fund Balance Classification Policies and Procedures:** In the governmental fund financial statements, fund balance is reported in five classifications:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; for example, inventories, prepaid amounts, long term amount of loans and note receivable or (b) legally or contractually required to be maintained intact; for example, debt service reserves. The City has \$79,694 in nonspendable fund balance at June 30, 2017.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

## NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

**Restricted** – This classification includes amounts that are restricted to a specific purpose. Fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as debt covenants) grantors, contributors, or laws or regulations of other governments; (b) enabling legislation, as the term is used authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The City has \$1,999,983 in restricted fund balances at June 30, 2017.

**Committed** – This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the City Commission, the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Commission removes or changes the specific use by taking the same type of action (for example, resolution or ordinance) it employed to previously commit those amounts. At a minimum, the budget shall ensure that the City holds cash reserves for budgeted expenditures in excess of revenues of \$545,514.

**Assigned** – This classification includes amounts that are constrained by the City's *intent* to be used for specific purposes, but are neither restricted nor committed and should be reported as assigned fund balance. The City Commission has delegated the authority to assign amounts to be used for specific purposes to the City Manager and the Finance Director. The City has no assigned fund balances at June 30, 2017.

**Unassigned** – This classification is the residual classification for the general fund. 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. The general fund should be the only fund that reports a positive unassigned fund balance amount. The City has \$1,216,303 in unassigned fund balances at June 30, 2017.

**Minimum Fund Balance Policy:** The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. Per DFA – LGD at a minimum, the budget shall ensure that the City holds cash reserves of 1/12th the General Fund expenditures. The City had minimum fund balance of \$318,452 at June 30, 2017.

When expenditures are incurred for purposes for which amounts in any of the spendable fund balance classifications could be used, it is the City's policy to use committed amounts first, followed by assigned amounts and then unassigned amounts.

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.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

## NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

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

- a. Net Investment in Capital Assets: Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position: Consist of net position with 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. Descriptions for the related restrictions for net position restricted for "special revenue, debt service, and capital projects" are described on pages 45 through 46 and 87 through 89.
- c. Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "Net Investment in Capital Assets."

**Interfund 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 interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund 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 in the City's financial statements include the allowance for uncollectible accounts in the enterprise funds, depreciation on capital assets, net pension liability calculations, the current portion of accrued compensated absences, and the estimate for landfill closure and postclosure costs.

**Pension:** For the purposes of measuring the net pension liability, deferred outflow 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 of 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.

City of Tucumcari Notes to the Financial Statements June 30, 2017

#### NOTE 2. Stewardship, Compliance and Accountability

**Budgetary Information** 

Annual budgets of the City are prepared prior to June 1 and must be approved by resolution of the City Commissioners, 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 Commission Members 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 by fund.

Enterprise and internal service fund budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year end and carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Governmental fund budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of 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 properly amended by City Commissioners in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures					
	Original Final					
		Budget		Budget		
Budgeted Funds:						
General Fund	\$	215,333	\$	871,284		
EMS Fund - Special Revenue Fund	\$	(395,653)	\$	(185,541)		
Capital Projects Fund	\$	415,666	\$	272,733		
Other Governmental Funds	\$	293,511	\$	70,904		
		Change in n	et pos	ition		
Budgeted Funds:						
Airport Fund	\$	<u> </u>	\$	_		
Joint Utility Fund	\$	187,420	\$	187,420		
Sanitation Fund	\$	-	\$	- ]		
Internal Service Fund	\$	2,250	\$	-		

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual and Statements of Revenues, Expenses and Changes in Net Position – 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 accounting principles generally accepted in the United States of America (GAAP), a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

City of Tucumcari Notes to the Financial Statements June 30, 2017

#### NOTE 3. Deposits

Section 22-8-40, NMSA 1978 authorizes the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, the state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized by the financial institution as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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 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.

The City's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, is insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$7,451,339 of the City's bank balance of \$8,776,946 was subject to custodial credit risk. \$3,784,423 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name and \$3,666,916 of the City's deposits was uninsured and uncollateralized at June 30, 2017.

	Citizens Bank		eryone's	Fir	st National Bank	New Mexico Bank and Trust	
Amount of deposits FDIC Coverage Total uninsured public funds	\$	1,609,513 (310,000) 1,299,513	\$ 50,000 (50,000)	\$	570,350 (300,461) 269,889	\$	163,876 (163,876)
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name		762,845			190,561		
Uninsured and uncollateralized	\$	536,668	\$ -	\$	79,328	\$	-
Collateral requirement (50% of uninsured funds) Pledged Collateral	\$	268,334 762,845	\$ - -	\$	39,664 190,561	\$	- -
Over (Under) collateralized	\$	494,511	\$ -	\$	150,897	\$	-

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 3. Deposits (continued)

	Tucumcari Federal Savings & Loan		/ells Fargo Bank, N.A.	Total		
Amount of deposits FDIC Coverage	\$	61,649 (61,649)	\$ 6,321,558 (439,621)	\$	8,776,946 (1,325,607)	
Total uninsured public funds		-	5,881,937		7,451,339	
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name Uninsured and uncollateralized	\$	<u>-</u>	\$ 2,831,017 3,050,920	\$	3,784,423 3,666,916	
Collateral requirement (50% of uninsured funds) Pledged Collateral	\$	- -	\$ 1,525,460 2,831,017	\$	2,478,866 3,784,423	
Over (Under) collateralized	\$	-	\$ 1,305,557	\$	1,950,965	

The collateral pledged is listed on Schedule IV in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, City or political subdivision of the State of New Mexico.

## Reconciliation to the Statement of Net Position

The carrying amount of deposits shown above are included in the City's Statement of Net Position as follows:

## **Primary Government**

Reconciliation to the Statement of Net Position:

\$ 5,571,987
855,050
1,644,634
8,071,671
332,904
635,330
(154)
(259,649)
(3,156)
\$ 8,776,946

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 3. Deposits (continued)

#### **Investments**

The City's investments at June 30, 2017 are \$855,050 of certificates of deposits with initial maturities that are greater than 90 days and therefore are considered investments in the Statement of Net Position.

## NOTE 4. Receivables

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

	General		EMS Fund Special Revenue Fund		Capital Projects Fund		Other Governmental Funds		Total	
Property taxes	\$	85,831	\$	-	\$	-	\$	_	\$	85,831
Gross receipts taxes		479,855		-		-		22,821		502,676
Gasoline and oil taxes		-		-		-		49,398		49,398
Other Taxes		45,537		-		-		73,860		119,397
Intergovernmental-grants:										
State		7,387		-		134,080		197,724		339,191
Federal		-		-		13,403		4,821		18,224
Charges for services		-		207,923		-		8,748		216,671
Miscellaneous		22,718		-		-		-		22,718
Totals	\$	641,328	\$	207,923	\$	147,483	\$	357,372	\$	1,354,106

All of the above receivables are deemed to be fully collectible.

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Unavailable revenue related to property taxes receivable was \$81,442 for the City for the year ended June 30, 2017.

Proprietary fund receivables as of June 30, 2017, are as follows:

	A	irport	Joint Utility	Sá	nitation	Н	cumcari ousing ithority	Total
Utility/tenant receivables Less: allowances Other receivables:	\$	- -	\$ 760,911 (410,418)	\$	211,626	\$	12,754 (9,104)	\$ 985,291 (419,522)
GRT Miscellaneous		- 4,976	45,643 12,070		133 28,263		<u>-</u>	45,776 45,309
Totals	\$	4,976	\$ 408,206	\$	240,022	\$	3,650	\$ 656,854

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 5. Transfers and Interfund Receivables

Net operating transfers, made to close out funds and to supplement other funding sources, were as follows:

Transfers In	Transfers Out	Amount
General Fund	Joint Utility Fund	\$ 8,819
Promotional Lodgers' Tax	Lodgers' Tax Executive Fund	345,516
EMS Fund	General Fund	221,212
Corrections	General Fund	43,947
Recreation	General Fund	259,732
Gas Tax	General Fund	17,008
Airport	General Fund	114,423
Dispatch	General Fund	29,967
Convention Center Operations and Maintenance	Lodgers' Tax Promotional Fund	172,957
Capital Projects	Airport	74,629
Capital Projects	General Fund	23,864
Mainstreet & Downtown Capital Improvements	General Fund	113,420
Capital Projects	Joint Utility Fund	87,983
CDBG Grant	Joint Utility Fund	20,302
Capital Projects	EMS Fund	35,730
Capital Projects	Joint Utility Fund	32,073
Convention Center - Capital Improvements	Lodgers' Tax Executive Fund	37,921
Golf Course Capital Improvements	Lodgers' Tax Executive Fund	100,000
Airport	Capital Projects	166,446
Joint Utility Fund	Capital Projects	928,175
Joint Utility Fund	CDBG Grant	515,264
Joint Utility Fund	1/8 Economic Development Tax Fund	31,878
Joint Utility Fund	Capital Projects	61,242
Lodgers' Tax GRT Series 2002	Lodgers' Tax Executive Fund	155,792
GRT Police Building	General Fund	43,608
Seniors Citizens' Center	General Fund	47,592
		\$ 3,689,500

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 5. Transfers and Interfund Receivables (continued)

The City records temporary interfund receivables and payables to enable the funds to operate until monies are received. The composition of interfund balances during the year ended June 30, 2017 is as follows:

<b>Due from</b>	Due To	Amount
EMS Fund - Special Revenue Fund	General Fund	\$ 184
1/8 % Economic Development Tax	Joint Utility Fund	10,590
Capital Projects Fund	General Fund	135,706
Airport	General Fund	44,665
Seniors Citizens' Center Fund	General Fund	108,305
Mainstreet & Downtown Capital Improvements	Lodgers' Tax Executive	70,000
Co-Op (formerly Lodgers' Tax Acquistion		
Project)	General Fund	11,091
Golf Course Capital Improvements	General Fund	36,536
1/8 % Economic Development Tax	General Fund	96,805
Sanitation	General Fund	509,209
		\$ 1,023,091

All interfund receivables and payables are required to be paid with one year.

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land and construction in progress are not subject to depreciation.

## **Governmental Activities:**

	Balance			Balance
	June 30, 2016	Additions	Deletions	June 30, 2017
Capital assets not being depreciated:				
Land	\$ 2,006,600	\$ 29,238	\$ -	\$ 2,035,838
Art	42,296	-	-	42,296
Construction in progress	122,305	199,788	122,305	199,788
Total capital assets not being				
depreciated	2,171,201	229,026	122,305	2,277,922
Capital assets being depreciated:				
Buildings and improvements	10,684,360	194,501	-	10,878,861
Infrastructure	10,048,766	129,967	23,433	10,155,300
Machinery and equipment	2,554,845	202,262	102,854	2,654,253
Vehicles	3,298,512	283,372		3,581,884
Total capital assets being				
depreciated	26,586,483	810,102	126,287	27,270,298
Total capital assets	28,757,684	1,039,128	248,592	29,548,220
Accumulated depreciation:				
Buildings and improvements	(8,461,032)	(278,184)	-	(8,739,216)
Infrastructure	(2,056,968)	(351,770)	(23,433)	(2,385,305)
Machinery and equipment	(1,356,253)	(188,136)	(40,512)	(1,503,877)
Vehicles	(2,711,868)	(153,617)		(2,865,485)
Total accumulated depreciation	(14,586,121)	(971,707)	(63,945)	(15,493,883)
	_			
Net capital assets	\$ 14,171,563	\$ 67,421	\$ 184,647	\$ 14,054,337

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

General government	\$ 95,554
Public safety	249,950
Public works	367,302
Culture and recreation	217,079
Health and welfare	 41,822
Total	\$ 971,707

City of Tucumcari Notes to the Financial Statements June 30, 2017

# NOTE 6. Capital Assets (continued)

## **Business-Type Activities:**

	Balance June 30, 2016	Restatement	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 1,311,829	\$ -	\$ -	\$ -	\$ 1,311,829
Construction in progress	2,431,826	(46,446)	777,836	2,364,478	798,738
Total capital assets not being					
depreciated	3,743,655	(46,446)	777,836	2,364,478	2,110,567
Capital assets being depreciated:					
Buildings and improvements	17,267,547	(200,226)	126,010	-	17,193,331
Infrastructure	22,571,416	(443,938)	3,766,234	-	25,893,712
Machinery and equipment	7,115,510	112,621	227,086	-	7,455,217
Vehicles	1,243,225	(26,404)	185,291		1,402,112
Total capital assets being					
depreciated	48,197,698	(557,947)	4,304,621		51,944,372
Total capital assets	51,941,353	(604,393)	5,082,457	2,364,478	54,054,939
Accumulated depreciation:					
Buildings and improvements	(10,745,704)	67,536	(488,796)	-	(11,166,964)
Infrastructure	(3,714,126)	(76,548)	(1,111,231)	-	(4,901,905)
Machinery and equipment	(4,301,395)	263,566	(521,270)	-	(4,559,099)
Vehicles	(1,029,609)	(235,775)	(65,558)		(1,330,942)
Total accumulated depreciation	(19,790,834)	18,779	(2,186,855)	-	(21,958,910)
Net capital assets	\$ 32,150,519	\$ (585,614)	\$ 2,895,602	\$ 2,364,478	\$ 32,096,029

Depreciation expense for the year ended June 30, 2017 was charged to business-type activities as follows:

Airport	\$ 264,606
Joint Utility	1,546,289
Sanitation	173,702
Tucumcari Housing	202,258
Total	\$ 2,186,855

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 7. Long-term Debt

## **Governmental Activities**

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

	Balance 1e 30, 2016	Ac	lditions	<u>D</u>	eletions	Balance ne 30, 2017	 ne Within
Revenue bonds NMFA loans Compensated absences	\$ 717,000 622,178 88,075	\$	- - 82,203	\$	137,000 37,855 76,109	\$ 580,000 584,323 94,169	\$ 139,000 38,824 76,109
Total Long-term debt	\$ 1,427,253	\$	82,203	\$	250,964	\$ 1,258,492	\$ 253,933

## **Bonds**

The City has the following revenue bond outstanding as of June 30, 2017:

	Date of	Due	Interest	Amount	Ou	tstanding	Pledged	
Description	Issue	Date	Rate	of Issue	Jun	e 30, 2017	Revenues	
Series 2011 Revenue Bond	8/5/2011	6/1/2021	.470-3.160%	\$ 1,370,000	\$	580,000	Lodgers tax	

Annual debt service requirements to maturity for the revenue bond is as follows:

Fiscal Year					Te	otal Debt
Ending June 30,	Principal		Interest			Service
2018	\$	139,000	\$	16,166	\$	155,166
2019		143,000		12,810		155,810
2020		147,000		9,035		156,035
2021		151,000		4,772		155,772
		_				
	\$	580,000	\$	42,783	\$	622,783

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 7. Long-term Debt (continued)

#### **NMFA Loans**

NMFA Loans outstanding at June 30, 2017 are comprised of the following:

				(	Original				
	Date of	Due	Interest	1	Amount	Ou	tstanding	Pledged	
Description	Issue	Date	Rate		of Issue	Jun	e 30, 2017	Revenues	
NMFA Swimming Pool #15	11/22/2006	5/1/2026	3.420-4.200%	\$	265,470	\$	131,319	Gross receipts taxes	
NMFA Police Facility #5	2/21/2003	5/1/2031	1.390-4.960%		735,744		453,004	Gross receipts taxes	

The City entered into two loan agreements with the New Mexico Finance Authority, wherein the City pledged revenue derived from gross receipts taxes to cover debt service. This revenue is subject to intercept agreements.

Annual debt service requirements to maturity for the NMFA loans are as follows:

Fiscal Year					Te	otal Debt
Ending June 30,	Principal		Interest			Service
2018	\$	38,824	\$	18,481		57,305
2019		39,855		17,549		57,404
2020		40,954		16,552		57,506
2021		42,121		15,490		57,611
2022		43,361		7,640		51,001
2023-2027		223,330		52,316		275,646
2028-2032		155,878		16,042		171,920
						_
	\$	584,323	\$	144,070	\$	728,393

<u>Compensated Absences-</u> Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences increased by \$6,094 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 7. Long-term Debt (continued)

## **Business-Type Activities**

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2017:

		Balance						Balance	Du	e Within
	Jun	ne 30, 2016	Additions		Deletions		June 30, 2017		One Year	
Revenue bonds	\$	4,469,286	\$	-	\$	74,450	\$	4,394,836	\$	77,890
NMFA loans		1,558,284		-		84,108		1,474,176		87,581
NMED loans		93,060		-		7,357		85,703		7,428
USDA loan - FmHA		642,314		-		16,111		626,203		17,600
Compensated absences		27,835		38,597		16,976		49,456		16,976
		_						_		
Total Long-term debt	\$	6,790,779	\$	38,597	\$	199,002	\$	6,630,374	\$	207,475

# **Bonds**The City has the following revenue bonds outstanding as of June 30, 2017:

				Original		
Description	Date of Issue	Due Date	Interest Rate	Amount of Issue	Outstanding June 30, 2017	Pledged Revenues
USDA/RUS 2005	12/15/2009	12/15/2045	4.250%	\$ 615,200	\$ 554,200	Joint water and sanitary sewer system
USDA/RUS 2007A	12/12/2007	12/12/2047	4.250%	1,283,000	1,146,190	Joint water and sanitary sewer system
USDA/RUS 2007B	2/12/2007	12/12/2047	4.375%	250,000	223,990	Joint water and sanitary sewer system
USDA/RUS 2008A	12/17/2008	12/17/2048	4.500%	564,486	514,586	Joint water and sanitary sewer system
USDA/RUS 2010	4/2/2010	4/2/2050	2.750%	2,188,000	1,954,700	Joint water and sanitary sewer system

City of Tucumcari Notes to the Financial Statements June 30, 2017

# NOTE 7. Long-term Debt (continued)

Annual debt service requirements to maturity for the revenue bonds are as follows:

Fiscal Year			<b>Total Debt</b>
Ending June 30,	Principal	Interest	Service
2018	\$ 77,890	\$ 156,496	\$ 234,386
2019	80,280	153,744	234,024
2020	83,790	150,945	234,735
2021	86,260	147,870	234,130
2022	89,870	144,747	234,617
2023-2027	498,510	673,117	1,171,627
2028-2032	595,920	576,206	1,172,126
2033-2037	712,930	458,992	1,171,922
2038-2042	854,650	317,733	1,172,383
2043-2047	1,018,580	148,023	1,166,603
2048-2050	296,156	15,730	311,886
	\$ 4,394,836	\$ 2,943,603	\$ 7,338,439

## **NMFA Loans**

NMFA Loans outstanding at June 30, 2017 are comprised of the following:

				Original		
	Date of	Due	Interest	Amount	Outstanding	Pledged
Description	Issue	Date	Rate	of Issue	June 30, 2017	Revenues
NMFA Tucumcari #28	11/7/2014	6/1/2034	0.250%	\$ 222,427.00	\$ 193,862	Water and waste
						water utility system
NMFA Tucumcari #2	11/1/2001	4/1/2021	0.009%	483,617	100,579	Water and waste
						water utility system
NMFA Tucumcari #26	4/19/2013	6/1/2034	0.250%	394,750	357,559	Water and waste
						water utility system
NMFA Tucumcari #18	5/1/2009	6/1/2029	0.250%	350,000	212,098	Water and waste
						water utility system
NMFA Tucumcari #25	4/19/2013	6/1/2034	0.250%	225,643	217,244	Water and waste
						water utility system
NMFA Tucumcari #17	1/30/2009	2/1/2030	0.250%	50,480	28,931	Water and waste
						water utility system
NMFATucumcari #31	4/29/2016	5/1/2038	0.250%	363,472	363,472	Water and waste
						water utility system

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 7. Long-term Debt (continued)

Annual debt service requirements to maturity for the NMFA loans are as follows:

Fiscal Year			Total Debt
Ending June 30,	Principal	Interest	Service
2018	\$ 87,581	\$ 4,307	\$ 91,888
2019	105,782	3,914	109,696
2020	106,291	3,473	109,764
2021	102,120	3,023	105,143
2022	80,225	2,563	82,788
2023-2027	404,140	9,813	413,953
2028-2032	344,468	4,737	349,205
2033-2037	224,530	1,251	225,781
2038	19,039	46	19,085
	\$ 1,474,176	\$ 33,127	\$ 1,507,303

#### **NMED Loans:**

The NMED loans outstanding as of June 30, 2017 were comprised of the following:

## **NMED Loans**

Description	Date of Issue	Due Date	Interest Rate			tstanding e 30, 2017	Pledged Revenues
NMED Water Well	6/13/2002	12/20/2023	3.000%	\$	43,125	\$ 15,703	Water and waste
NMED ARRA 16 Phase III	1/30/2013	1/30/2033	0.000%		100,000	70,000	water utility system Water and waste
							water utility system

Annual debt service requirements to maturity for the NMED loans are as follows:

Fiscal Year					To	tal Debt
Ending June 30,	P	rincipal	In	terest	Service	
2018	\$	7,428	\$	471	\$	7,899
2019		7,500		398		7,898
2020		7,575		323		7,898
2021		7,653		246		7,899
2022		7,732		166		7,898
2023-2027		27,815		84		27,899
2028-2031		20,000		-		20,000
	\$	85,703	\$	1,688	\$	87,391

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

## NOTE 7. Long-term Debt (continued)

#### **USDA Loan**

The City had the following USDA loan outstanding as of June 30, 2017:

#### **USDA Loans**

					Originai		
	Date of Due Interest		Subsidy	Subsidy Amount Ou		ng	
Description	Issue	Date	Rate	Rate	of Issue	June 30, 20	17
USDA Loan FmHA	5/27/1999	5/27/2034	1.000%	8.875%	\$ 798,000	\$ 62	6.203

Annual debt service requirements to maturity for the USDA loan is as follows:

Fiscal Year					To	tal Debt
Ending June 30,	Pı	Principal		Interest		Service
2018	\$	17,600	\$	54,943	\$	72,543
2019		18,275		53,397		71,672
2020		19,965		51,707		71,672
2021		21,811		49,862		71,673
2022		23,827		47,845		71,672
2023-2027		156,543		201,818		358,361
2028-2031		243,580		114,780		358,360
2033-2034		124,602		11,476		136,078
	\$	626,203	\$	585,828	\$ 1	1,212,031

## NOTE 8. Risk Management

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The City participates in the New Mexico Self-Insurers' Fund risk pool operates as a common risk management and insurance program for workers compensation and property and casualty coverage.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City which exceeds the insurance coverage, the City would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim

At June 30, 2017, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance.

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

**A.** Deficit fund balance and net position of individual funds. The following fund reflected a deficit fund balance or net position as of June 30, 2017:

#### **Governmental Funds**

Major Fund Capital Projects Fund	\$ (187,202)
Nonmajor Funds Dispatch Fund Golf Course Capital Improvement Fund Co-Op Fund (Formerly Lodger's Tax Acquisition)	(229) (27,788) (23,194)
Total Governmental Funds	\$ (238,413)
Proprieatary Funds	
Sanitation Internal Service Fund	\$ (1,599,573) (320,761)
Total Proprietary Funds	\$ (1,920,334)

**B.** Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of control is at the fund level. Funds that exceeded approved budgetary authority for the year ended June 30, 2017 were as follows:

## **Nonmajor Funds**

Corrections Fund	\$ 538
Fire Districts Fund	80
Convention Center	
Operation and	
Maintenance Fund	 297
<b>Total Governmental Funds</b>	\$ 915
	•

**C.** Designated cash appropriations in excess of available balances: Funds that exceeded budgeted designated cash appropriations for the year ended June 30, 2017 were as follows:

	De	esignated Cash	Beginning Year Cash & AR Available		Exces	ppropriation in s of Available Balance
Capital Projects Fund	\$	272,733	\$	(407,809)	\$	680,542
Golf Course Capital						
Improvements Fund		12,833		(36,769)		49,602
Senior Citizens Fund		52,411		(126,477)		178,888

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

#### NOTE 10. Pension Plan - Public Employees Retirement Association -

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

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

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at: http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016 CAFR\_12.22.2016\_FINAL-with-corrections.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 FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY16 annual audit report at:

http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016 CAFR\_12.22.2016\_FINAL-with-corrections.pdf.

The PERA coverage options that apply to the City are Municipal General Division and Municipal Police Division. Statutorily required contributions to the pension plan from the City were \$363,743 and there were no employer paid member benefits that were "picked up" by the employer for the year ended June 30, 2017.

**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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978.

City of Tucumcari Notes to the Financial Statements June 30, 2017

#### NOTE 10. Pension Plan – Public Employees Retirement Association (continued)

Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were preformed 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, 2016 were included in the total contributions for a specific employer.

Regular and any adjustment contributions that applied to FY 2016 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.

**For PERA Fund Municipal General Division**, at June 30, 2017, the City reported a liability of \$5,468,802 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.3423 percent, which was an increase of 0.087 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Municipal General Division pension expense of \$648,537. At June 30, 2017, the City reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	0	Deferred utflows of desources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$	338,457	\$	134,374	
Changes in proportion and differences between the City's contributions and proportionate share of contributions		166,627		19,464	
Net difference between projected and actual earnings on pension plan investments		1,006,249		3,490	
Changes of assumption		338,017		18,243	
The City's contributions subsequent to the measurement date		267,081		-	
Total	\$	2,116,431	\$	175,571	

For Municipal General, \$267,081 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (394,493)
2019	(394,493)
2020	(647,457)
2021	(237,336)
Thereafter	_

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

## NOTE 10. Pension Plan - Public Employees Retirement Association (continued)

**For PERA Fund Municipal Police Division**, at June 30, 2017, the City reported a liability of \$1,857,117 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.2517 percent, which was an increase of 0.0081 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Municipal Police Division pension expense of \$277,857. At June 30, 2017, the City reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	\$	136,339	\$	-
Net difference between projected and actual earnings on pension plan investments		312,994		-
Changes in proportion and differences between the City's contributions and proportionate share of contributions		76,096		73,918
Changes of assumption		123,005		33,493
The City's contributions subsequent to the measurement date		85,156		-
Total	\$	733,590	\$	107,411

\$85,156 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (115,499)
2019	(115,499)
2020	(213,386)
2021	(96,639)
Thereafter	_

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

## NOTE 10. Pension Plan - Public Employees Retirement Association (continued)

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.48% annual rate, net of investement experience
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% all other years
Projected salary increases	2.75% to 14.25% annual rate
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
Mortality assumption Experience study dates	RP-2000 Mortality Tables (Combined table for July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

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

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

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

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

## NOTE 10. Pension Plan - Public Employees Retirement Association (continued)

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present The City's net pension liability in each PERA Fund Division that The City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
City of Tucumcari's proportionate share of the net pension liability	\$ 8,153,498	\$ 5,468,802	\$ 3,241,981
PERA Fund Municipal Police Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
City of Tucumcari's proportionate share of the net pension liability	\$ 2,732,281	\$ 1,857,117	\$ 1,141,337

**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 http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016CA FR\_12.22.2016\_FINAL-with-corrections.pdf.

**Payables to the pension plan.** At June 30, 2017 there were no contributions due and payable to PERA for the City.

City of Tucumcari
Notes to the Financial Statements
June 30, 2017

## NOTE 11. Post-Employment Benefits - State Retiree Health Care Plan

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

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

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

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

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

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 11. Post-Employment Benefits - State Retiree Health Care Plan (continued)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015, were \$69,483, \$71,118 and \$60,912, respectively, which equal the required contributions for each year.

## NOTE 12. Contingent Liabilities

The City is party to various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico Self Insurers Fund. The maximum exposure of the City is not estimable as of June 30, 2017 in the remaining cases.

## NOTE 13. Federal and State Grants

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

City of Tucumcari Notes to the Financial Statements June 30, 2017

#### **NOTE 14.** Restatements

The City recorded restatements of fund balance and net position during the fiscal year ended June 30, 2017. These restatements were as follows:

	Governmental Funds Golf Course Capital General Fund Improvements Total									
Restatement to remove receivable accruals from prior years that remained in the financial statements	\$	(238,134)		(3,850) \$	(241,984)					
	Joint	Utility Fund	San	itation Fund	Total					
Restatement of beginning capital assets	\$	(783,641)	\$	- \$	(783,641)					
Restatement to remove receivable accruals from prior years that remained in the										
financial statements	\$	(12,111)	\$	(1,923) \$	(14,034)					
Total	\$	(795,752)	\$	(1,923) \$	(797,675)					

## NOTE 15. Landfill Closure and Post Closure Care Costs

The liability for closure and post-closure care costs reflected in the Solid Waste Fund of \$4,038,237 is an estimate of the remaining liability as of June 30, 2017 for closure and post-closure cost of the landfill currently in operation. At June 30, 2011, it was estimated that the City had utilized 99% of the landfill's total usable capacity. The City opened its new landfill during the year ended June 30, 2012. The closure and post-closure costs of the new landfill are estimated to be \$2,866,600. The Total closure and post-closure costs for both landfills are estimated to be \$4,038,237.

As outlined in 20 NMAC 9.1 502.B, post closure maintenance activities will continue for a period of 30 years after original closure of the landfill. Inspection and maintenance reports will be compiled by the City of Tucumcari and submitted to the NMED in the annual monitoring reports. Periodically, the City will obtain an updated Closure and Post Closure Care plan in which the estimated liability has the potential to change due to inflation or deflation, technology, or applicable laws or regulations.

## NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is May 2, 2018, which is the date on which the financial statements were issued.

## NOTE 17. Restricted Net Position

The government-wide statement of net position reports \$2,626,736 of restricted net position, all of which is restricted by enabling legislation. See pages 45 through 46 and 87 through 89 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

City of Tucumcari Notes to the Financial Statements June 30, 2017

#### **NOTE 18.** Concentrations

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

## **NOTE 19.** Commitments

The City has various construction and purchase commitments as of June 30, 2017. The funding to cover the various commitments was grant funding, bond and/or note proceeds, including bonds, grants, and cash reserves.

## NOTE 20. Joint Powers Agreement

Agreement: Multi-Jurisdictional Task Force

Participants with City: City of Clovis, City of Texico, Village of Melrose, County of Quay, City of

Tucumcari, City of Logan, Village of San Jon, County of DeBaca, City of Ft. Sumner, County of Roosevelt, City of Portales, Eastern New Mexico University, Village of Elida, Guadalupe County, City of Santa

Rosa and Village of Vaughn, and New Mexico State Police

Party responsible for operation: City of Tucumcari and Quay County Government

Description: Establish a joint Multi-Jurisdictional Task Force for the prevention,

investigation, control and prosecution as unlawful drugs, narcotics

and controlled substances within the region.

Period: February 3, 2006 until termination

Cost to City: Indeterminate
City contributions: Indeterminate

Audit responsibility: None

Agreement: Emergency Communications Center

Participants with City: City of Tucumcari and Quay County Government

Party responsible for operation: All Agencies

Description: Establish the Tucumcari/Quay 911 Regional Emergency

**Communications Center** 

Period: Until terminated
Cost to City: Indeterminate
City contributions: Indeterminate

Audit responsibility: None

Agreement: Water Commission

Participants with City: Cities of Clovis, Tucumcari, Portales, San Jon, Logan, Texico,

Melrose, Elida, and Grady; Counties of Curry, Roosevelt, and Quay

Party responsible for operation: All Agencies

Description: Ute Reservoir Water Commission

Period: June 30, 1989 and July 1, 1992 until terminated

Cost to City: Indeterminate
City contributions: Indeterminate

Audit responsibility: None

City of Tucumcari Notes to the Financial Statements June 30, 2017

## **NOTE 20. Joint Powers Agreement (Continued)**

Agreement: TQCRWA

Participants with City: City of Tucumcari, San Jon, and Logan; and County of Quay

Party responsible for operation: All Agencies

Description: Tucumcari Quay County Regional Water Authority

Period: December 19, 2011 until terminated

Cost to City: Indeterminate City contributions: Indeterminate

Audit responsibility: None

Agreement: City Prisoner Housing

Participants with City: Quay County and City of Tucumcari

Party responsible for operation: All Agencies

Description: Housing of City Prisoners by Quay County Detention

Period: January 1, 2014 until January 1, 2018

Cost to City: Indeterminate
City contributions: Indeterminate

Audit responsibility: None

Agreement: Quay County Gaming Authority

Participants with City: City of Logan, Village of San Jon, City of Tucumcari, and Quay County

Party responsible for operation: All Agencies

Description: Establish the Quay County Gaming Authority in order to pursue the

acquisition of license and ownership of a race track and casino to spur

economic development in Quay County

Period: April 17, 2007 until terminated

Cost to City: Indeterminate City contributions: Indeterminate

Audit responsibility: None

Agreement: DuraPatcher road equipment
Participants with City: City of Tucumcari and Quay County

Party responsible for operation: All Agencies

Description: Jointly purchase, operate, and maintain DuraPatcher road equipment.

Period: December 1, 2005 until terminated

Cost to City: Indeterminate
City contributions: Indeterminate

Audit responsibility: None

## **NOTE 21.** Subsequent Pronouncements

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The City expects this pronouncement to have a material effect on the financial statements.

In December 2015, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

City of Tucumcari Notes to the Financial Statements June 30, 2017

## NOTE 21. Subsequent Pronouncements (Continued)

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City does not expect the pronouncement to have a material effect on the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The City is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, Certain Debt Extinguishment Issues was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to insubstance defeasance of debt using only existing resources. The City does not expect the pronouncement to have a material effect on the financial statements.

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB Statement No. 88 Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The City is still evaluating how this pronouncement will affect the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tucumcari

# Schedule of the City's Proportionate Share of the Net Pension Liability of PERA Fund Municipal General Division Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years\*

	2017 Measurement Date As of and for the Year Ended June 30, 2016			2016 asurement Date f and for the ear Ended ne 30, 2015	2015 Measurement Date As of and for the Year Ended June 30, 2014	
City of Tucumcari's proportion of the net pension liability		0.3423%		0.3336%		0.3199%
City of Tucumcari's proportionate share of the net pension liability	\$	5,468,802	\$	3,401,341	\$	2,495,563
City of Tucumcari's covered-employee payroll	\$	2,897,089	\$	2,239,005	\$	3,148,428
City of Tucumcari's proportionate share of the net pension liability as a percentage of its covered-employee payroll		189%		151.91%		79.26%
Plan fiduciary net position as a percentage of the total pension liability		69.18%		76.99%		81.29%

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

City of Tucumcari

# Schedule of the City's Proportionate Share of the Net Pension Liability of PERA Fund Municipal Police Division Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years\*

	As o	2017 asurement Date f and for the ear Ended te 30, 2016	As o	2016 asurement Date f and for the ear Ended ne 30, 2015	2015 Measurement Date As of and for the Year Ended June 30, 2014	
City of Tucumcari's proportion of the net pension liability		0.2517%		0.2598%		0.2598%
City of Tucumcari's proportionate share of the net pension liability	\$	1,857,117	\$	1,106,931	\$	846,920
City of Tucumcari's covered-employee payroll	\$	512,397	\$	723,317	\$	545,296
City of Tucumcari's proportionate share of the net pension liability as a percentage of its covered-employee payroll		362%		153.04%		155.31%
Plan fiduciary net position as a percentage of the total pension liability		69.18%		76.99%		81.29%

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

Schedule II Page 1 of 2

## **STATE OF NEW MEXICO**

City of Tucumcari Schedule of Employer Contributions Public Employees Retirement Association (PERA) Plan PERA Municipal General Division Last 10 Fiscal Years\*

	As of and for the Year Ended June 30, 2017			f and for the r Ended June 30, 2016	As of and for the Year Ended June 30, 2015	
Contractually required contributions	\$	265,622	\$	276,672	\$	213,825
Contributions in relation to the contractually required contribution		(265,622)		(276,672)		(213,825)
Contribution deficiency (excess)	\$	<u>-</u>	\$	<u>-</u>	\$	
City of Tucumcari's covered-employee payroll	\$	2,781,385	\$	2,897,089	\$	2,239,005
Contributions as a percentage of covered-employee payroll		9.55%		9.55%		9.55%

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

City of Tucumcari Schedule of Employer Contributions Public Employees Retirement Association (PERA) Plan PERA Municipal Police Division Last 10 Fiscal Years\*

	Year	and for the Ended June 30, 2017	Year	and for the Ended June 0, 2016	As of and for the Year Ended June 30, 2015	
Contractually required contributions	\$	85,167	\$	96,843	\$	136,707
Contributions in relation to the contractually required contribution		(85,167)		(96,843)		(136,707)
Contribution deficiency (excess)	\$	-	\$	-	\$	
City of Tucumcari's covered-employee payroll		\$450,564	\$	512,397	\$	723,317
Contributions as a percentage of covered-employee payroll		18.90%		18.90%		18.9%

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

City of Tucumcari Notes to Required Supplementary Information For the Year Ended June 30, 2017

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at: http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\_Public\_Employees\_Retirement\_Association\_2015.pdf.

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at <a href="http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR 12.22.2016 FINAL-with-corrections.pdf">http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR 12.22.2016 FINAL-with-corrections.pdf</a>

**Changes of assumptions.** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <a href="http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf">http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf</a> See the notes to the financial statements on the CAFR pages 74-76 which summarizes actuarial assumptions and methods effective with the June 30, 2016 valuation.

See independent auditors' report.
See notes to required supplementary information.

# SUPPLEMENTARY INFORMATION

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City of Tucumcari Nonmajor Governmental and Proprietary Fund Descriptions June 30, 2017

## **Special Revenue Funds**

**The Fire Districts (02045)** – To account for the operation and capital expenditures of the fire department with revenues received from the State Fire Marshal. Capital expenditures must be approved in advance by the State Fire Marshal. This fund was created under the authority provided by 59A-53-2 NMSA 1978.

**The 1/8% Economic Development Tax (02054)** – To account for funds used for Infrastructure Improvements, i.e., Debt, Economic Development Plans and Projects. This fund was created under the authority of 7-19D-11 NMSA 1978 the Gross Receipts and Compensation Tax Act.

**Lodgers' Tax Executive Fund (02040)** – To account for monies received through a specific tax levy on area motels and hotels. Expenditures, including transfers to its promotion fund, are strictly subject to state statue requirements and are further subject to bond ordinance requirements. This fund is authorized by 3-38-15 NMSA 1978.

**Lodgers' Tax Promotional Fund (02000-041)** – To account for the operation of promotional activities for the City of Tucumcari, mostly through payment to the Tucumcari Chamber of Commerce and other promotion oriented agencies. Financing is provided primarily by a specific tax levy on area motels and hotels. This fund is authorized by NMSA 3-38-15.

**Fire/Emergency Management Fund (02000-042)** –To account for funds provided by an Emergency Management Performance Grant and the County. The Program is for a comprehensive emergency preparedness system for all hazards via: planning, training, and exercises for emergency response. Authorized by FY2012 EMPG Program, Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.)

**Senior Citizens' Center Fund (20000)** – To account for the operations of the City's Senior Center. The sales of ceramics, fees and dues are accounted for in this fund and a portion of the operating expenses. Authority for this fund was granted from the City Commission and budget approval.

**Corrections (0200-044)** – To account for the collection of fees and fines. Funds are expended on the incarceration of prisoners. This fund is authorized by 33-3-25 and 35-14-11 NMSA1978.

**Recreation Fund (02046)** – To account for the operations of the City Recreation Department. Revenues are derived from a portion of the cigarette tax collected by the state and fees charged for recreational activities sponsored by the City. Expenditures are subject to City Commission approval. This fund is authorized by 7-12-15 NMSA 1978.

**Gas Tax Fund (02047)** – To account for funds used to maintain roads for which the City is responsible. Financing sources include gasoline taxes imposed by Chapter 7, Article 13 NMSA 1978 and distributed to the City pursuant to 7-1-6.9 NMSA 1978 and New Mexico State Highway Department Cooperative Agreement Funds as provided for in 67-3-28 NMSA 1978. Expenditures are restricted for the purpose of construction, reconstruction, resurfacing or other improvement of public roads, streets, alleys or bridges, including right-of-way and materials acquisition.

**Law Enforcement Grant Fund (02000-048)** – To account for the partial maintenance and development of the City's police force. Financing is provided by a grant from the State of New Mexico. Such revenue provided for the purchase and repairs of equipment as well as training of police personnel and may be used only for these purposes. This fund is authorized by 29-13-3 through 29-13-9 Chapter 289 Laws of 1983.

**Enhanced 911 Grant Fund (02000-049)** – To account for funds used to preserve the historic Route 66 which runs through the City of Tucumcari. This is a 3 year program funded by the State of New Mexico. This program funds comprehensive history training, research, and preservation of the historic Route 66. Authority for this fund was granted from the City Commission and budget approval.

City of Tucumcari Nonmajor Governmental and Proprietary Fund Descriptions June 30, 2017

## **Special Revenue Funds (Continued)**

**Traffic Safety Education and Enforcement Fund (02000-051)** – To account for monies received from an allocation of traffic fines. Funds are to be used by the local law enforcement agencies to purchase equipment and support services as are necessary to establish and promote a traffic safety program. This fund is authorized by NMSA 66-7-512.

**Convention Center Operations and Maintenance Fund (02053)** – To account for monies received and expended for the operations and maintenance of the Convention Center. Additional funding comes from the Lodgers' Tax Fund. This fund is authorized by NMSA 3-38-15.

**John D. Hoffman Endowment (18079)** - To account for monies received from the John D. Endowment to aid in research of materials science and engineering. Authority for this fund was granted from the City Commission and budget approval. Police Narcotics Fund. To account for monies collected as a result of police raids and other gatherings of evidence. Authority for this fund was granted from the City Commission and budget approval.

**Police Narcotics Fund (1900) -** This fund is a contingency fund for drug enforcement used to purchase equipment and confidential enforcement. Generally funded by drug enforcement recovery. Authority for the fund is the "Forfeiture Act", 31-27-1 to 31-27-8 NMSA 1978.

**Dispatch Fund (02000-052)** – To account for the operations of the City's Dispatch Services. The source of funding is the charges for dispatch services. Expenditures are subject to approval of the City Commission. This fund is authorized by NMSA 1978.

#### **Capital Projects Funds**

**Golf Course (03000-037)** – To account for improvement of the City's municipal golf course. Funding is primarily from rentals of golf cart sheds. Authority for this fund was granted from the City Commission and budget approval.

**CO-OP (03000-035) (formerly Lodgers' Tax Acquisition Project) –** To account for the expenditures of the proceeds of the Municipal Gross Receipts and Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 2002 pursuant to Sections 3-31-1C and 3-31-4A, NMSA 1978.

**Convention Center (03000-036)** – Required by the Lodgers' Tax Improvement Bonds Ordinance. The City is required to transfer 5% of annual pledged Lodgers' Tax Revenues to this fund until \$200,000 is accumulated. This fund may only be used for improving or bettering the convention center facility. Authority for this fund was granted from the City Commission and budget approval.

**MAPPING (03000-032)** – To account for Municipal Arterial Program Fund from NMDOT, to construct or rehabilitate major arterial roads. This program is authorized under NMSA 1978, Sections 67-3-28 and 67-3-28.2 and the State Transportation Commission Policy No. 44-12, and approved by commission by resolution and agreement. This is normally a bi-annual program depending on available funding.

**CDBG (03000-034)-** To account for a Community Development Block Grant from the State of New Mexico and the Department of Housing and Urban Development to develop viable urban communities by providing decent housing and suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. This program is authorized under Title I of the Housing and Community Development Act of 1974, Public Law 93-383, as amended; 42 U.S.C.-5301 et seq.

Mainstreet & Downtown Capital Improvements (03000-038) (Formerly NMRDRC Fund) – To account for funds used to develop a city industrial park. Funding is primarily from an anticipated federal grant. Authority to create this fund was granted from the City Council and budget approval.

City of Tucumcari Nonmajor Governmental and Proprietary Fund Descriptions June 30, 2017

#### **Debt Service Funds**

**Lodgers' Tax GRT Series 2002 Fund (14000) –** To account for the expenditure of the proceeds of the Municipal Gross Receipts and Lodgers; Tax Refunding and Improvement Revenue Bonds, Series 2002 pursuant to Sections 3-31-4A, NMSA 1978.

**GRT Police Building Fund (14095)** - To accumulate the intercepted Gross Receipts Tax (GRT) used to service the issue and to account for the retirement of the principal and interest of the issue as well as account for the required debt service reserve in the amount of \$35,744. The proceeds from this issue are being used for the construction of a new Tucumcari Police Department Building. The intercepted GRT funds are from the distribution of the revenues of the third one-sixteenth of one percent increment of Municipal Infrastructure Gross Receipts Tax, enacted pursuant to Section 7-19D-11 and City of Tucumcari Ordinance No. 843, adopted by the City of Tucumcari on March 30, 1992, as amended by Ordinance No. 970, adopted by the City on October 24, 2002, which distributions are made monthly by the New Mexico Taxation and Revenue Department.

City of Tucumcari Nonmajor Governmental Funds Combining Balance Sheet June 30, 2017

# **Special Revenue**

	Fir	e Districts Fund	Dev	1/8th conomic relopment ax Fund	dgers' Tax cutive Fund	Lodgers' Tax Promotional Fund		
Assets Cash and cash equivalents Investments Receivables Due from other funds	\$	145,111 103,552 - -	\$	321,399 22,821 -	\$ 246,126 - 73,860 70,000	\$	144,905 - - -	
Total assets	\$	248,663	\$	344,220	\$ 389,986	\$	144,905	
Liabilities, deferred inflows of resources, and fund balances								
Liabilities Accounts payable Accrued payroll Deposits payable Due to other funds	\$	1,775 - - -	\$	4,583 - - 107,395	\$ 332 - - -	\$	- - - -	
Total liabilities		1,775		111,978	332		-	
Fund balances Restricted for: Public safety Public works Culture and recreation Health and welfare Capital projects Debt service Unassigned		246,888 - - - - - -		- 232,242 - - - - - -	 - 389,654 - - - -		- - 144,905 - - - -	
Total fund balances		246,888		232,242	389,654		144,905	
Total liabilities, deferred inflows of resources, and fund balances	\$	248,663	\$	344,220	\$ 389,986	\$	144,905	

# **Special Revenue**

Eme Mana	ire/ ergency agement und		or Citizen's nter Fund		rections Fund		creation Fund	Gas Tax Fund		Law Enforcement Grant Fund		
\$	916	\$	51	\$	2,603	\$	54,967	\$	14,624	\$	4,839	
·	- -	·	- 153,450 -	·	- -	·	- -	·	49,398 -	·	- -	
\$	916	\$	153,501	\$	2,603	\$	54,967	\$	64,022	\$	4,839	
\$	- - -	\$	2,182 4,978	\$	741 - -	\$	3,938 11,905	\$	7,090 3,971	\$	-	
			108,305									
	<u>-</u>		115,465		741		15,843		11,061		-	
	916 - - -		- - - 38,036		1,862 - - -		- - 39,124 -		- 52,961 - -		4,839 - - -	
	-		-		<del>-</del> -		-		- -		-	
			-		-		-		-		-	
	916		38,036		1,862		39,124		52,961		4,839	
\$	916	\$	153,501	\$	2,603	\$	54,967	\$	64,022	\$	4,839	

City of Tucumcari Nonmajor Governmental Funds Combining Balance Sheet June 30, 2017

# **Special Revenue**

	Enhanced 911 Fund		Traffic Safety Education and Enfocement Fund		Opei Mai	nvention Center ration and ntenance Fund	John D. Hoffman Fund	
Assets Cash and cash equivalents Investments Receivables: Due from other funds	\$	1,095 - - -	\$	1,186 - - -	\$	48,293 - - -	\$	1,058 - - -
Total assets	\$	1,095	\$	1,186	\$	48,293	\$	1,058
Liabilities, deferred inflows of resources, and fund balances								
Liabilities Accounts payable Accrued payroll Deposits payable Due to other funds	\$	- - - -	\$	- - -	\$	6,064 2,184 2,841	\$	- - - -
Total liabilities		-				11,089		
Fund balances Restricted for: Public safety Public works Culture and recreation Health and welfare Capital projects Debt service Unassigned		1,095 - - - - - -		1,186 - - - - - -		- - 37,204 - - -		- - 1,058 - - - -
Total fund balances		1,095		1,186		37,204		1,058
Total liabilities, deferred inflows of resources, and fund balances	\$	1,095	\$	1,186	\$	48,293	\$	1,058

 Special	Revenu	<u>e</u>	Capital Projects										
Police Narcotics Fund		Dispatch Fund		Golf Course Capital Improvement Fund		Co-Op Fund (Formerly Lodgers' Tax Acquisition)		er Capital	Mapping				
\$ 12,453	\$	-	\$	-	\$	-	\$	7,918	\$	30,067			
- - -		- - -		8,748 -		- - -		- - -		- - -			
\$ 12,453	\$		\$	8,748	\$		\$	7,918	\$	30,067			
\$ -	\$	229	\$	-	\$	12,103	\$	- -	\$	-			
- -		- -		- 36,536		11,091		<u>-</u>		-			
 <del>-</del>		229		36,536		23,194				<u>-</u>			
12,453				-		-		-		-			
- -		- - -		- -		- -		- - -		- -			
-		-		_		_		7,918		30,067			
 <u> </u>		(229)		(27,788)		(23,194)		<u>-</u>		-			
12,453		(229)		(27,788)		(23,194)		7,918		30,067			
\$ 12,453	\$	-	\$	8,748	\$	-	\$	7,918	\$	30,067			

City of Tucumcari Nonmajor Governmental Funds Combining Balance Sheet June 30, 2017

		Capital	Projec	ts		Debt Service				
	CDBG Grant Fund			instreet & Dwntown Capital rovements Ormerly RDRC Grant Fund)	GI	dgers' Tax RT Series 002 Fund	GRT Police Building			
Assets Cash and cash equivalents	\$	167,598	\$	188,475	\$	181,077	\$	55,338		
Cash and cash equivalents Investments	Ф	107,390	Ф	100,475	Ф	101,077	Ф	55,550 -		
Receivables:		-		49,095		-		_		
Due from other funds				<u>-</u>						
Total assets	\$	167,598	\$	237,570	\$	181,077	\$	55,338		
Liabilities, deferred inflows of resources, and fund balances										
Liabilities										
Accounts payable	\$	-	\$	7,646	\$	-	\$	-		
Accrued payroll		-		-		-		-		
Deposits payable		-		-		-		-		
Due to other funds				70,000				-		
Total liabilities				77,646						
Fund balances										
Restricted for:										
Public safety Public works		-		-		-		-		
Culture and recreation		_		_		<u>-</u>		_		
Health and welfare		-		-		-		-		
Capital projects		167,598		159,924		-		-		
Debt service		-		-		181,077		55,338		
Unassigned		-		-		-		-		
Total fund balances		167,598		159,924		181,077		55,338		
Total liabilities, deferred inflows of										
resources, and fund balances	\$	167,598	\$	237,570	\$	181,077	\$	55,338		

Gov	vernmental Funds
\$	1,308,700 424,951 357,372 70,000
\$	2,161,023
\$	46,683
	23,038
	2,841
	333,327
	405,889
	269,239
	285,203
	611,945
	38,036
	365,507 236,415
	(51,211)
	(01,-11)
	1,755,134
\$	2,161,023

**Total Nonmajor** 

City of Tucumcari

# Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances For the Year Ended June 30, 2017

# **Special Revenue**

	Fire Districts Fund	1/8th Economic Development Tax Fund	Lodgers' Tax Executive Fund	Lodgers' Tax Promotional Fund
Revenues				
Taxes:				
Gross receipts	\$ -	\$ 138,440	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	635,564	-
Intergovernmental:				
Federal operating grants	-	-	-	-
State operating grants	319,899	-	-	-
Federal capital grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	21,788	-	-
Miscellaneous	532			
Total revenues	320,431	160,228	635,564	
Expenditures				
Current:				
Public safety	161,206	-	-	-
Public works	-	179,467	-	-
Culture and recreation	-	-	58,244	109,601
Health and welfare	-	-	-	-
Capital outlay	65,473	-	34,180	-
Debt service:				
Principal	-	-	-	-
Interest				
Total expenditures	226,679	179,467	92,424	109,601
Excess (deficiency) of revenues over				
expenditures	93,752	(19,239)	543,140	(109,601)
Other financing sources (uses)				
Transfers in	_	_	_	345,516
Transfers (out)	_	(31,878)	(639,229)	(172,957)
Total other financing sources (uses)		(31,878)	(639,229)	172,559
	02.752		-	
Net change in fund balances	93,752	(51,117)	(96,089)	62,958
Fund balances - beginning of year, as				
originally stated	153,136	283,359	485,743	81,947
Fund balances - restatement (note 14)				
Fund balances - beginning of year,				
as restated	153,136	283,359	485,743	81,947
Fund balances - end of year	\$ 246,888	\$ 232,242	\$ 389,654	\$ 144,905

# **Special Revenue**

Fire/ Emergency Management Fund		Senior Citizens' Center Fund		Corrections Fund		Recreation Fund		Gas Tax Fund		Law Enforcement Grant Fund	
\$	-	\$	-	\$	-	\$	-	\$	<u>-</u>	\$	-
	-		-		-		-		344,942		-
	-		-		-		-		-		-
	-		54,932		-		-		-		-
	-		248,542		-		-		-		27,800
	-		-		-		-		-		-
	-		313,025		10,053		- 21,717		<u>-</u>		_
	-		-		10,033		-		_		_
			32,169		<u>-</u> _		1,000		3,423		-
	-		648,668		10,053		22,717		348,365		27,800
	_		_		54,361		_		_		_
	-		-		-		-		294,699		-
	-		-		-		268,464		-		-
	-		384,616		-		-		-		-
	-		137,459		-		6,775		-		22,961
	-		-		-		13,575		_		_
	-								-		-
	<u>-</u>		522,075		54,361		288,814		294,699		22,961
	_		126,593		(44,308)		(266,097)		53,666		4,839
	_		47,592		43,947		259,732		17,008		_
									-		-
			47,592		43,947		259,732		17,008		-
			174,185		(361)		(6,365)		70,674		4,839
	916	(	[136,149]		2,223		45,489		(17,713)		-
											-
	64.5	_	4064.0		0.000		4		(4.5.5.5.5.5.5.5.5.5.5.5.5.5.5.5.5.5.5.5		
	916		[136,149]		2,223		45,489		(17,713)		-
\$	916	\$	38,036	\$	1,862	\$	39,124	\$	52,961	\$	4,839

City of Tucumcari

# Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances For the Year Ended June 30, 2017

# **Special Revenue**

	Enhanced 911 Fund		Traffic Safety and Education and Enfocement Fund		Convention Center Operation and Maintenance Fund		John D. Hoffman Fund	
Revenues								
Taxes:								
Gross receipts	\$	-	\$	-	\$	-	\$	-
Gasoline and motor vehicle		-		-		-		-
Other		-		-		-		-
Intergovernmental: Federal operating grants								
State operating grants		_		_		_		_
Federal capital grants		_		_		_		_
State capital grants		_		_		-		_
Charges for services		_		_		53,251		_
Investment income		_		_		-		_
Miscellaneous		-		-		-		-
Total revenues		-		-		53,251		-
Expenditures								
Current:								
Public safety		-		-		-		-
Public works		-		-		-		-
Culture and recreation		-		-		231,133		-
Health and welfare		-		-		-		-
Capital outlay		-		-		-		-
Debt service:								
Principal		-		-		-		-
Interest						- 004 400		
Total expenditures						231,133		
Excess (deficiency) of revenues over								
expenditures						(177,882)		
Other financing sources (uses)								
Transfers in		-		-		172,957		-
Transfers (out)		-		-		-		-
Total other financing sources (uses)						172,957		
Net change in fund balances						(4,925)		-
Fund balances - beginning of year, as								
originally stated		1,095		1,186		42,129		1,058
Fund balances - restatement (note 14)				_				
Fund balances - beginning of year,								
as restated		1,095		1,186		42,129		1,058
Fund balances - end of year	\$	1,095	\$	1,186	\$	37,204	\$	1,058
, ,								

Special Revenue			Capital Flojects						
Police Narcotics Fund		Dispatch Fund	Golf Course Capital Improvement Dispatch Fund Fund		Convention Center Capital Improvements	Mapping			
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -			
	-	-	-	-	-	-			
	-	-	-	-	-	-			
	-	-	-	-	-	-			
	-	-	-	-	-	-			
	-	-	-	-	-	-			
	- 38	13,360	10,848	-	-	-			
	6,622		<u>-</u>						
-	6,660	13,360	10,848	-	-	-			
	9,654	44,997	-	-	-	-			
	-	-	- 21,680	12,103	- 3,460	-			
	-	-	-	-	-	-			
	-	-	76,337	-	34,461	-			
	-	-	-	-	-	-			
	9,654	44,997	98,017	12,103	37,921				
-				,	,				
-	(2,994)	(31,637)	(87,169)	(12,103)	(37,921)	-			
	_	29,967	100,000	_	37,921	-			
		-	-		-				
	- (2.00.4)	29,967	100,000	- (12.102)	37,921				
	(2,994)	(1,670)	12,831	(12,103)	<del>-</del>				
	15,447	1,441	(36,769)	(11,091)	7,918	30,067			
			(3,850)			_			
	15,447	1,441	(40,619)	(11,091)	7,918	30,067			
\$	12,453	\$ (229)	\$ (27,788)	\$ (23,194)	\$ 7,918	\$ 30,067			
Ψ	14,733	Ψ (229)	Ψ (27,700)	ψ (Δ3,174)	Ψ /,710	ψ 50,007			

**Capital Projects** 

**Special Revenue** 

City of Tucumcari

# Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances For the Year Ended June 30, 2017

	Capital Projects				Debt Service			
	CDBG Grant Fund		Mainstreet & Downtown Capital Improvements (formerly NMRDRC Grant Fund)		Lodger's Tax GRT Series 2002 Fund		GRT Police Building	
Revenues								
Taxes:	ф		ф		ф		d.	
Gross receipts Gasoline and motor vehicle	\$	-	\$	-	\$	-	\$	-
Other		-		-		-		-
		-		-		-		-
Intergovernmental:								
Federal operating grants State operating grants		-		-		-		-
Federal capital grants		495,105		-		-		-
State capital grants		493,103		49,095	-		-	
Charges for services		_		<del>4</del> 7,073		_	-	
Investment income		_		_		_		_
Miscellaneous		_		_		_		_
Total revenues		495,105	-	49,095				
Expenditures		,		<u> </u>				
Current:								
Public safety		-		_		-		-
Public works		-		7,646		-		-
Culture and recreation		-		, -		-		-
Health and welfare		-		-		-		-
Capital outlay		-		113,420		-		-
Debt service:								
Principal		-		-		137,000		24,280
Interest		-				18,792		19,328
Total expenditures		-		121,066		155,792		43,608
Excess (deficiency) of revenues over								
expenditures		495,105		(71,971)		(155,792)		(43,608)
Other financing sources (uses)				_				_
Transfers in		20,302		113,420		155,792		43,608
Transfers (out)		(515,264)		-		-		-
Total other financing sources (uses)		(494,962)		113,420		155,792		43,608
Net change in fund balances		143		41,449				-
Fund balances - beginning of year, as								
originally stated		167,455		118,475		181,077		55,338
		107,100		110,170		101,077		55,550
Fund balances - restatement (note 14)								
Fund balances - beginning of year,		167 455		110 475		101 077		EE 220
as restated		167,455		118,475		181,077		55,338
Fund balances - end of year	\$	167,598	\$	159,924	\$	181,077	\$	55,338

Total Nonmajor Governmental							
<u>Funds</u>							
\$	138,440						
Ψ	344,942						
	635,564						
	54,932						
	596,241						
	495,105						
	362,120						
	109,229						
	21,826						
	43,746						
	2,802,145						
	270,218						
	493,915						
	692,582						
	384,616						
	491,066						
	171,000						
	174,855						
	38,120						
	2,545,372						
	256,773						
	1,387,762						
	(1,359,328)						
	28,434						
	285,207						
	203,207						
	1,473,777						
	(3,850)						
	(2,223)						
	1,469,927						
\$	1,755,134						
Ψ	1,7 00,104						

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# **SUPPORTING SCHEDULES**

City of Tucumcari Schedule of Deposit Accounts June 30, 2017

		Bank	Deposits	Outstanding	
Bank Name/ Account Type	Account Type	Balance	in Transit	Checks	Totals
Citizens Bank					
Bank Two	Demand Account	\$ 1,279,400	\$ -	\$ -	\$ 1,279,400
Sanitation Capital Improvements	Demand Account	270,113	-	-	270,113
Certificate of Deposit	Time Deposit	60,000			60,000
Total Southwest Capital Bank		1,609,513			1,609,513
Everyone's Credit Union					
Certificate of Deposit	Time Deposit	50,000	-	-	50,000
Total Everyone's Credit Union		50,000			50,000
First National Bank					
Sanitation Department Account	Demand Account	37,577	-	-	37,577
Princess Theatre Account	Demand Account	4,561	-	-	4,561
Certificate of Deposit	Time Deposit	156,097	-	-	156,097
Certificate of Deposit	Time Deposit	156,364	-	-	156,364
Certificate of Deposit	Time Deposit	104,064	-	-	104,064
Certificate of Deposit	Time Deposit	103,364	-	-	103,364
Housing-Security Deposit Account	Demand Account	8,323	100	109	8,314
Total First National Bank		570,350	100	109	570,341
New Mexico Bank & Trust					
Operational Account	Checking	90,952	_	_	90,952
Reserve Account	Checking	67,821	_	_	67,821
Security Deposits Account	Checking	5,103	_	_	5,103
Total New Mexico Bank & Trust	Gliecking	163,876		<u> </u>	163,876
Total New Mexico Dulk & Trust		103,070			103,070

City of Tucumcari Schedule of Deposit Accounts June 30, 2017

Bank Name/ Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Totals		
NMFA	necount Type	Bulance	III TTUIISIC	direction	Totals		
2011 Series Debt Reserve	NMFA Cash	\$ 989	\$ -	\$ -	\$ 989		
PD Debt Service	NMFA Cash	23,532	-	-	23,532		
PD Debt Service Reserve	NMFA Cash	36,128	-	-	36,128		
Pool Debt Service	NMFA Cash	5,363	-	-	5,363		
Pool Debt Service Reserve	NMFA Cash	14,951	_	_	14,951		
Lodgers Tax Service and Program	NMFA Cash	21,258	_	_	21,258		
Lodgers Tax Debt Service Reserve	NMFA Cash	138,604	_	_	138,604		
Water Tank	NMFA Cash	3,520	_	-	3,520		
Water Conversion Reuse Project		,			,		
(NMFA #2)	NMFA Cash	13,324	_	-	13,324		
Drinking Water (NMFA#25)	NMFA Cash	1,980	_	-	1,980		
Total NMFA		259,649	-	-	259,649		
Tucumcari Federal Savings & Loan							
Certificate of Deposit	Time Deposit	61,649			61,649		
Total Tucumcari Federal Savings & L	oan	61,649			61,649		
Wells Fargo Bank							
General Operting Account	Demand Account	5,241,217	-	320,824	4,920,393		
EMS Account	Demand Account	44,116	-	-	44,116		
1/8% Economic Development	Demand Account	78,695	-	-	78,695		
CDBG Account	Demand Account	1	-	-	1		
John D Hoffman Endowment Account	Demand Account	1,009	-	-	1,009		
Seizure Account	Demand Account	32,148	-	-	32,148		
Savings Account	Demand Account	2,546	-	-	2,546		
Certificate of Deposit	Time Deposit	166,568	-	-	166,568		
TPD Narcotics Fund	Demand Account	6,165	-	-	6,165		
Housing-General Operating Fund	Demand Account	576,302	-	3,587	572,715		
Housing-CIAP Operating Account	<b>Demand Account</b>	382	-	-	382		
Housing-Section 8 Account	<b>Demand Account</b>	149,356	-	8,384	140,972		
Housing-Certificate of Deposit	Time Deposit	23,053	54	-	23,107		
Total Wells Fargo Bank	-	6,321,558	54	332,795	5,988,817		
Total Deposits		\$ 9,036,595	\$ 154	\$ 332,904	8,703,845		
Add: Petty cash Less: Restricted cash and cash equivalents per Exhibit A-1 Less: Investments per Exhibit A-1 Less: Other reconciling items							
Total cash and cash equivalents per Exhibit A-1							

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City of Tucumcari Schedule of Collateral Pledged by Depository For Public Funds June 30, 2017

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value June 30, 2017	Location of Safekeeper			
Citizens Bank	FNMA	1/1/2027	3138EHR61	\$ 762,845	Amarillo National Bank, TX			
	Total Citizens Bank			762,845				
First National B								
	FHLMC Pool #J12635	7/1/2025	3128PR4U0	190,561	Federal Home Loan Bank			
	Total First National Bank			190,561				
Wells Fargo (General Operating Checking Account Collateral)								
	FMAX FGPC 2.500%	5/1/2030	31418ACR7	443,189	Bank of New York Mellon, New York NY Bank of New York Mellon,			
	FNMA FNMS 3.000%	6/1/2033	3138WTXU5	2,387,828	New York NY			
	Total Wells Fargo			2,831,017				
	Total Pledged Collateral			\$ 3,784,423				

Tucumcari Housing Authority A Department of the City of Tucumcari Financial Data Schedule June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM0330000001 14.850	Capital Fund Program 14.872	Rural Rental Housing Loans 10.415
111 113 114	Cash - Unrestricted Cash - Other Restricted Cash - Tenant Security Deposits	\$ 573,097 8,314	-	\$ 91,152 67,821
100	Total Cash	581,411		5,103 164,076
125	Accounts Receivable - Miscellaneous		<u> </u>	-
126	Accounts Receivable - Tenants - Dwelling Rents	4,000	-	50
126.1 126.2	Allowance for Doubtful Accounts - Dwelling Rents Allowance for Doubtful Accounts - Other	(400		-
120	Total Receivables, Net of Allowance for Doubtful Accounts	3,600	) -	50
131	Investments - Unrestricted	23,107	7	
130	Total Investments	23,107	7 -	-
142 143 143.1	Prepaid Expenses and Other Assets Inventories Allowance for Obsolete Inventories	5,070 6,634		
150	Total Current Assets	619,822	2 -	164,126
161 162 163	Land Buildings Furniture, Equipment & Machinery -	68,890 2,524,044		27,120 976,221
164	Dwellings Furniture, Equipment & Machinery	292,458		54,344
165 166 167	Administration Leasehold Improvements Accumulated Depreciation Construction in progress	193,210 1,197,557 (2,768,871 371,427	7 - 1) -	(444,609) 
160	Total Capital Assets, Net of Accumulated Depreciation	1,878,715	5	613,076
180	Total Non-Current Assets	1,878,715	<u> </u>	613,076
190	Total Assets	2,498,537	7	777,202
200	Deferred Outflows of Resources	82,942	2 -	
290	Total Assets and Deferred Outflows of Resources	\$ 2,581,479	9 \$ -	\$ 777,202

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Housing Choice Vouchers Program 14.871	Total
\$ - - -	\$ 127,094 13,879	\$ 791,343 81,700 13,417
	140,973	886,460
-	8,704	8,704
-	-	4,050
-	-	(400)
	(8,704)	(8,704)
		3,650
		23,107
-	-	23,107
- -	- - -	5,070 6,634
	140,973	924,921
	- -	96,010 3,500,265
-	-	346,802
- - -	9,315 - (5,469) -	202,525 1,197,557 (3,218,949) 371,427
	3,846	2,495,637
-	3,846	2,495,637
-	144,819	3,420,558
-	14,144	97,086
\$ -	\$ 158,963	\$ 3,517,644

See independent auditors' report.

# Tucumcari Housing Authority A Department of the City of Tucumcari Financial Data Schedule June 30, 2017

Line Item Number	Description	<b>Pub</b>	ow Rent lic Housing Program 330000001 14.850	Capital Progi 14.8	ram	1	Rural Rental Housing Loans 10.415
312	Accounts Payable <= 90 Days	\$	5,556	\$	-	\$	1,297
321	Accrued Wage/Payroll Taxes						
	Payable		5,330		-		-
322	Accrued Compensated Absences -						
	Current Portion		6,451		-		-
325	Accrued Interest Payable		-		-		519
341	Tenant Security Deposits		8,302		-		4,583
342	Unearned Revenues Current Portion of Long-term Debt -		-		-		189
343	Capital Projects						17,600
345	Other Current Liabilities		<u>-</u>		_		1,842
343	Other Gurrent Liabilities			1			1,042
310	Total Current Liabilities		25,639				26,030
351	Long-term Debt, Net of Current -						
551	Capital Projects/Mortgage Revenue		_		_		608,603
357	Accrued Pension and OPEB		274,908		-		-
			,				
350	Total Non-Current Liabilities		274,908				608,603
300	Total Liabilities		300,547		-		634,633
				·			
400	Deferred Inflows of Resources		64,210				<u>-</u>
508.1	Net investment in capital assets		1,878,715		_		(13,127)
511	Restricted Net Position		, , , <u>-</u>		-		67,821
512.1	Unrestricted Net Position		338,007				87,875
513	Total Equity/Net Position		2,216,722				142,569
600	Total Liabilities, Deferred Inflows						
	of Resources, and Equity/Net						
	Position	\$	2,581,479	\$		\$	777,202

Rural Rental Assistance Payments 10.427		Housing Choice Vouchers Program 14.871		Total
\$	- \$	-	\$	6,853
	-	-		5,330
	- - -	- - -		6,451 519 12,885 189
	- 	- -		17,600 1,842
				51,669
	-	- 15,040		608,603 289,948
	-	15,040		898,551
	_	15,040		950,220
		1		64,211
	- - <u>-</u>	3,846 13,879 126,197		1,869,434 81,700 552,079
		143,922		2,503,213
\$	\$_	158,963	\$	3,517,644

# Tucumcari Housing Authority A Department of the City of Tucumcari Financial Data Schedule June 30, 2017

Line Item Number	Description	Pub I NM0	ow Rent lic Housing Program 330000001 14.850	P	oital Fund rogram 14.872	Rural Rental Housing Loans 10.415
70300	Net Tenant Rental Revenue	\$	146,893	\$	-	\$ 55,749
70400	Tenant Revenue - Other		9,101		<u>-</u>	 2,417
70500	Total Tenant Revenue		155,994			 58,166
70600	HUD PHA Operating Grants		275,099		11,000	-
70610	Capital Grants		-		95,994	-
70800	Other Governmental Grants		-		-	44,766
71100	Investment Income - Unrestricted		93		-	32
71500	Other Revenue		221			 -
70000	Total Revenue		431,407		106,994	 102,964
91100	Administrative Salaries		76,382		_	10,695
91200	Auditing Fees		6,658		_	5,359
91310	Book-keeping Fee		4,708		_	-
91400	Advertising and Marketing		, -		-	184
91500	Employee Benefit Contributions -					
	Administrative		34,538		-	7,831
91600	Office Expenses		19,394		-	5,984
91700	Legal Expense		270		-	117
91800	Travel		-		-	384
91900	Other Operating - Administrative		16,073			 14,091
91000	Total Operating - Administrative		158,023			44,645
93100	Water		48,267		-	1,971
93200	Electricity		5,917		-	1,537
93300	Gas		26,316		-	-
93600	Sewer		2,361		-	1,949
93800	Other Utilities Expense		-		-	3,536
93000	Total Utilities		82,861		<u>-</u>	8,993

Re Assi: Pay:	ural ental stance ments .427	Housing Choice Vouchers Program 14.871	Total		
\$	-	\$ -	\$	202,642	
	_	-	-	11,518	
				214,160	
		447.604		722 702	
	-	447,684		733,783 95,994	
	84,848	- -		129,614	
	-	13		138	
				221	
	84,848	447,697	•	1,173,910	
	0 1,0 10	111,001		2,27.0,720	
	-	21,810		108,887	
	-	3,000		15,017	
	-	2,300		7,008	
	-	-		184	
	_	5,624		47,993	
	-	4,389		29,767	
	-	-		387	
	-	540		924	
		 3,866		34,030	
		 41,529		244,197	
				E0 220	
	- -	-		50,238 7,454	
	- -	<u>-</u>		26,316	
	-	-		4,310	
	-			3,536	
	-	-		91,854	

Tucumcari Housing Authority
A Department of the City of Tucumcari
Financial Data Schedule
June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM0330000001 14.850	Capital Fund Program 14.872	Rural Rental Housing Loans 10.415
94100	Ordinary Maintenance & Operation -	ф <b>57.5</b> 20	d.	d 11 500
94200	Control of the Contro	\$ 57,529	\$ -	\$ 11,590
94300	Materials & Other Ordinary Maintenance & Operation	30,606	-	4,725
94500	Contracts Employee Benefit Contributions -	33,487	-	22,209
	Ordinary Maintenance	23,786	<del>-</del>	<del>-</del>
94000	Total Maintenance	145,408		38,524
96110	Property Insurance	17,063	-	-
96130	Workmen's Compensation	5,014		660
96100	Total Insurance Premiums	28,973		660
96200 96400	Other General Expenses Bad Debt - Tenant Rents	9,673		128
96000	Total Other General	9,673		128
96720	Interest on Notes Payable (Short and Long Term)			55,448
96700	Total Interest Expense and Amortization Cost		<u>-</u> _	55,448
96900	Total Operating Expenses	424,938		148,398
97000	Excess Operating Revenue Over Operating Expenses	6,469	106,994	(45,434)
97300 97400	Housing Assistance Payments Depreciation Expense	- 169,196	<u> </u>	31,199
90000	Total Expenses	\$ 594,134	\$ -	\$ 179,597
10010 10020	Operating Transfers In Operating Transfers Out	\$ 11,000 -	\$ - (11,000)	\$ 84,848 -
10100	Total Other Financing Sources (Uses)	11,000	(11,000)	84,848
		<del></del>		

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Housing Choice Vouchers Program 14.871	Total
\$ -	\$	- \$ 69,119
-		- 35,331
-		- 55,696
		_ 23,786
		- 183,932
-	700	•
		- 5,674
	700	0 30,333
-		0.001
		- 9,801
<del>-</del>		- 9,801
_		- 55,448
		- 55,448
	42,229	9 615,565
84,848	405,468	8 558,345
-	379,543	
<del>-</del>	1,863	3 202,258
\$ -	\$ 423,635	5 \$ 1,197,366
\$ - (84,848)	\$	- \$ 95,848 - (95,848)
(84,848)		<u> </u>

See independent auditors' report.

Tucumcari Housing Authority A Department of the City of Tucumcari Financial Data Schedule June 30, 2017

Line Item Number	Description	Pub	Low Rent blic Housing Program 0330000001 14.850	F	pital Fund Program 14.872	:	Rural Rental Housing Loans 10.415
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$	(151,727)	\$	95,994	\$	8,215
11030	Beginning Equity		2,272,455				134,354
11040-20	Equity Transfers		95,994		(95,994)		<u> </u>
	Ending Equity (deficit)	\$	2,216,722	\$		\$	142,569
11190	Unit Months Available		1,200		<u>-</u>		636
11210	Number of Unit Months Leased		1,151		-		593
11270	Excess Cash	\$	1,255,719	\$	<u>-</u>	\$	<u>-</u>
11620	Building Purchases		-		95,994		-

Rural Rental Assistance Payments 10.427	Housing Choice Vouchers Program 14.871	Total
\$ -	\$ 24,062	\$ (23,456)
 	 119,860	2,526,669
 <u>-</u> .	 <u>-</u>	 -
\$ <u>-</u>	\$ 143,922	\$ 2,503,213
 	2,040	 3,876
 	2,040	 3,784
\$ 	\$ <u>-</u>	\$ 1,255,719
-	-	95,994

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# **COMPLIANCE SECTION**



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

#### INDEPENDENT AUDITORS' REPORT

Wayne A. Johnson New Mexico State Auditor The Office of Management and Budget To the City Commission City of Tucumcari Tucumcari, New Mexico

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue fund with a legally adopted budget of the City of Tucumcari, New Mexico (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 2, 2018. Our report disclaims an opinion on such financial statements because of material unreconciled differences in cash that cannot be attributed to any specific opinion unit, inability of the City to produce sufficient documentation for material adjustments, as well as the City's software conversion, which resulted in information not being transferred correctly.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our 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 Questioned Costs, we identified certain deficiencies in internal control that are considered to be material weaknesses and 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as FS 2014-004, FS

2017-001, FS 2017-002, FS 2017-003, FS 2017-004, FS 2017-005, FS 2017-006 and FS 2017-007 to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as FS 2017-008 to be a significant deficiency.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and questioned costs as items NM 2017-001, NM 2017-002, NM 2017-003 and NM 2017-004.

#### The City's Responses to Findings

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

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

Carr, Riggs & Ingram, LLC Albuquerque, New Mexico

Caux Rigge & Ingram, L.L.C.

May 2, 2018

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# FEDERAL FINANCIAL ASSISTANCE



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# REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

#### INDEPENDENT AUDITORS' REPORT

Wayne A. Johnson New Mexico State Auditor The Office of Management and Budget To the City Commission City of Tucumcari Tucumcari, New Mexico

#### Report on Compliance for the Major Federal Programs

We have audited the City of Tucumcari, New Mexico's the ("City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

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

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

#### Opinion on the Major Federal Program

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

#### **Report on Internal Control over Compliance**

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

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

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

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

Carr, Riggs & Ingram, LLC Albuquerque, New Mexico

Can Rigge & Ingram, L.L.C.

May 2, 2018

City of Tucumcari Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Funding Source/Grant or Contact Name		CFDA Number
U.S. Department of Agriculture		
Direct Funding		
Waste & Water Disposal Systems for Rural Communities		
WaterWater PER		10.760
Siren Grant		10.760
Pass-Through Programs from U.S. Department of Agriculture		
Rural Rental Housing Loans - Loan Balance	*	10.415
Rural Rental housing Loans - Interest Subsidy	*	10.415
Rural Rental Assistance		10.427
Total U.S. Department of Agriculture		
U.S. Department of Housing and Urban Development		
Direct Funding  Direct Funding		14.050
Public and Indian Housing	(1)	14.850
Section 8 Housing Choice Vouchers  Pass-Through Programs from U.S. Department of Housing and Urban Development	(1)	14.871
Public Housing Capital Fund		14.872
Public Housing Capital Fund		14.872
Public Housing Capital Fund		14.872
Community Development Block Grants/State's program and Non-Entitlement		111072
Grants in Hawaii	*	14.228
Total U.S. Department of Housing and Urban Development		
U.S. Department of Transportation/Federal Aviation Administration (FAA)		
Pass-Through Programs from U.S. Department of Transportation/Federal Aviation Administration	(EAA)	
Airport Improvement Program	(ГАА)	20.106
Airport Improvement Program		20.106
Total U.S. Department of Transportation/Federal Aviation Administration (FAA)		20.100
U.S. Environmental Protection Agency		
Pass-Through Programs from U.S. Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Fund - Center Street Tank		66.468
Total U.S. Environmental Protection Agency		00.400
U.S. Department of Health		
Direct Funding		
Nutrition Services Incentives Program		90.053
Total U.S. Department of Health		
Total Federal Financial Assistance		

See independent auditors' report.
See accompanying notes to schedule of expenditures of federal awards.

(1) Denotes Cluster\* Denotes Major Program

Pass-Through Grant Number	Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
	\$ 30,000 1,212	\$ - -	\$ - -
	642,314 48,559 84,848 806,933	- - - -	- - - -
	275,099 447,684	- -	- -
CFP 2016 CFP 2015 CFP 2014	96,994 5,000 5,000	-	-
14-C-NR-I-03-G-08	494,962 1,324,739		
3-35-0043-017-2016 3-35-0043-018-2016	60,545 77,003 137,548	- - - - -	<u>-</u>
DW-3448	146,192 146,192	<u> </u>	<u>-</u>
	55,268 55,268	·	<u> </u>
	\$ 2,470,680	\$ -	\$ -

See independent auditors' report. See accompanying notes to schedule of expenditures of federal awards.

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Schedule VI Page 2 of 2

## City of Tucumcari Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

#### **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Tucumcari (The "City") and is presented on the full accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 

#### Federally Funded Loans

The City has no federally funded loans or loan guarantee programs as of June 30, 2017.

### 10% de minimis Indirect Cost Rate

The City did not elect to use the allowed 10% indirect cost rate.

#### Federally Funded Insurance

The City has no federally funded insurance.

# Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 2,470,680
Total expenditures funded by other sources	 13,164,487
Total expenditures	\$ 15,635,167

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\$750,000

No

#### **STATE OF NEW MEXICO**

City of Tucumcari Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

# **SECTION I - SUMMARY OF AUDITORS' RESULTS**

п.	. 1	0	
Hinan	$\alpha$	Statem	onte:
rmun	ciui	Juleni	ciio.

1.	Ту	Disclaimer				
2.	In	Internal control over financial reporting:				
	a.	a. Material weakness identified? Yes				
	b.	b. Significant deficiencies identified not considered to be material weaknesses? Yes				
	c.	c. Noncompliance material to the financial statements noted?				
Feder	al Au	vards:				
1.	In	ternal control over major programs:				
	a.	Material weaknesses identified?	None noted			
	b.	b. Significant deficiencies identified not considered to be material weaknesses? None noted				
2.	Type of auditors' report issued on compliance for major programs  Unmodified					
3.	3. Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?  None noted					
4.	Id	entification of major programs:				
		CFDA Number Federal Program  14.228 Community Development Block Grants/State F and Non-Entitlement 10.415 Rural Rental Housing Loans	Program			

5. Dollar threshold used to distinguish between type A and type B programs:

6. Auditee qualified as low-risk auditee?

City of Tucumcari Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

#### SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT - PRIMARY GOVERNMENT

#### FS 2014-004 - Accounts Receivable (Material Weakness) - Repeated/Modified

*Condition:* The City did not make progress in clearing this finding. Adjustments to the account receivable balances were proposed for the following purposes:

- The City's trial balance included a balance in accounts receivable which could not be substantiated as was a balance related to prior years. This resulted in a restatement of \$241,948.
- The City improperly accrued \$482,583 as accounts receivable for revenues related to fiscal year 2018, and improperly excluded \$376,615 of accounts receivable related to fiscal year 2017.
- The City did not accrue unbilled utility billings for services performed through June 30, 2017 totaling \$315,666.

*Criteria:* Generally Accepted Accounting Principles require that revenue and related receivables be recognized in the period in which it is earned.

*Effect:* Accounts receivable were materially misstated, prior to proposed adjustments.

Cause: The City does not maintain an accounts receivable listing throughout the year,

*Auditors' Recommendation:* We recommend that the City implement a process in which accounts receivables are accrued as part of the financial close procedures and keep on file an accounts receivable listing throughout the year.

*Agency's Response:* The Administrative Services Director will carefully review all accounts receivable transactions for revenues for current fiscal year and also make sure utilities are included as outstanding revenues. Once we understand the end of year procedures in the new software we can implement a process. This should be done by 6/30/19.

#### FS 2017-001 - Software Conversion Controls (Material Weakness)

*Condition:* As a result of the City's accounting software conversion, the trial balance as of June 30, 2017 was materially different from the general ledger as of June 30, 2017. Furthermore, material adjustments were made to the June 30, 2017 balances after the trial balance and the general ledger were provided to the auditors.

Additionally, as a result of the conversion, ending balances from the old accounting software were not properly inputted as beginning balances in the new accounting software.

*Criteria:* The trial balance is intended to be a summary of the general ledger, therefore both should agree to each other.

*Effect:* The City's records could be materially misstated and would not represent the accurate financial position at year-end.

*Cause:* During the City's conversion to the new accounting software, the software company made several adjustments to the balances, causing the trial balance and the general ledger to be materially different.

*Auditors' Recommendation*: We recommend that the City implement an internal control system where the Finance Department ensures that the trial balance and general ledger at year-end agree, are accurate and complete, and that all information is captured correctly.

*Agency's Response:* The Administrative Services Director is currently working with our new software support team to get all balances corrected by 6/30/18. The Administrative Services Director will ensure that the trial balance and general ledger agree at year end.

City of Tucumcari Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

#### SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT - PRIMARY GOVERNMENT (CONTINUED)

#### FS 2017-002 - Beginning Fund Balance and Net Position (Material Weakness)

Condition: As a result of the City's accounting software conversion, the City's revenues and expenses were not properly closed out to fund balance/net position at year-end, causing the fund balance/net position and cash to be materially misstated by \$17,565,346, across all funds.

*Criteria:* Generally Accepted Accounting Principles (GAAP) as applied to governmental entities state that revenue in the period when earned and expenditures/expenses in the period when incurred. At the end of the period, the activity should be transferred into fund balance/net position.

*Effect:* The City's equity and cash balances were materially misstated.

*Cause:* During the City's conversion to the new accounting software, the software company did not properly transfer the equity balances from the old to the new software. The balances transferred were the balances for the year ended June 30, 2015, and the activity for FY 2016 was transferred were adjusted to cash.

*Auditors' Recommendation*: We recommend that the City implement an internal control system where the Finance Department ensures that the all activity is adequately closed out to fund balance/net position at year-end.

*Agency's Response:* The Administrative Services Director will implement an internal control system once we fully understand the year end process to verify all activity is closed out to fund balance/net position. This should be completed by 6/30/19.

#### FS 2017-003 - Inadequate Accounting of Allocation of Cash Balances (Material Weakness)

Condition: The City is unable to determine the appropriate allocation of cash between governmental activities, business-type activities or each individual fund. Furthermore, the City has an unidentified variance in cash of \$635,330, which can't be identified or allocated by the City's Finance Department. Additionally, the City does not perform bank reconciliations to account for outstanding items.

*Criteria: AU Section 110* states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for <u>establishing and maintaining internal control</u> that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Effect: The allocation of the City's cash accounts amongst the individual funds were not properly classified.

Cause: Management reconciled cash accounts at an aggregate level and not at the individual fund or account level.

*Auditors' Recommendations:* The City should the balance and allocation of cash balances and perform bank reconciliations on a monthly basis to ensure that proper classification of cash is allocated to individual funds.

Agency's Response: The Administrative Services Director is currently working with our software support team to set up the cash balances for each fund and to utilize the bank reconciliation process in the software by 6/30/18. The Finance Department is responsible to reconcile the bank statements monthly and accurately. The Administrative Services Director will be looking into the previous two years of bank statements to see if we can determine where the \$363,000 came from and what fund it belongs to. The Administrative Services Director will also reconcile the NMFA bank statements to put that cash into the funds it belongs to.

City of Tucumcari Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

#### SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT - PRIMARY GOVERNMENT (CONTINUED)

#### FS 2017-004 - Failure to Produce Supporting Documentation (Material Weakness)

Condition: The City has instances where elements of the framework of COSO are deficient. The following deficiencies were noted.

- The City failed to maintain and produce underlying accounting documentation for one of City's outstanding checks in the amount of \$49,058.
- The City failed to locate any evidence for journal entry 15048 in the amount of \$593.
- The City did not have sufficient documentation for journal entry 00786 in the amount of \$470,884.

*Criteria:* The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring.

*Effect:* Not properly maintaining underlying supporting accounting information can lead to material misstatements and makes the City more susceptible to fraudulent activity.

*Cause:* The City could not locate the information or any supporting documentation related to expenditures and journal entries mentioned above.

*Auditors' Recommendations:* The City should design and implement a process to properly maintain and store underlying supporting documentation.

Agency's Response: The Deputy Finance Director and Accounts Payable Clerk has implemented a new sign out process and are now keeping all copies of checks in a locked cabinet. During the transition to the new software the Finance Department failed to run a report of all journal entries out of the prior system. The Deputy Finance Director is responsible to make sure all journal entries are accounted for. This should be completed by 6/30/18.

City of Tucumcari Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

#### SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT - PRIMARY GOVERNMENT (CONTINUED)

#### FS 2017-005 - Preparation of Accounts Payable (Material Weakness)

*Condition:* The City improperly excluded payables in two instances in the amount of \$19,703 and improperly accrued \$59,689 as a rolling balance as accounts payable.

*Criteria:* Generally Accepted Accounting Principles (GAAP) require expenditure recognition in the period in which the good or service is incurred.

*Effect:* Incorrect accounts payable cutoff monitoring led to misstating liabilities and the related expenditures in the proper periods.

*Cause:* The services provided by the vendor occurred near year-end and the invoices were received in September, which caused the responsible personnel to miss the accrual.

*Auditors' Recommendation:* We recommend the City scrutinize all transactions near year-end to ensure that the proper amounts are captured for liabilities and the related expenditure.

*Agency's Response:* The Deputy Finance Director will prepare the year end Accounts Payable accrual. The Administrative Services Director will review the prepared accrual for accuracy. This should be completed by 6/30/2019.

# FS 2017-006 - Internal Controls over Adjusting Journal Entries and Expenditures (Material Weakness)

Condition: The City did not have a policy in place to properly review and approve the following items:

- The City did not have a procedure in place to review journal entries.
- The City did not appropriately approve a check for \$15,008 of payables that were paid during the year ended 6/30/17.

*Criteria:* The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring.

*Effect:* Without proper authorization and review, the City is more susceptible to fraudulent purchases.

Cause: Purchase vouchers were not signed by the Administrative Services Director and City Manager.

*Auditors' Recommendation:* We recommend the City scrutinize all transactions to ensure that all expenditures go through the appropriate approval process.

Agency's Response: The Administrative Services Director will approve all journal entries made by the Deputy Finance Director before they are updated in the system. The Administrative Services Director and Deputy Finance Director can create a journal entry voucher (or documentation to prepare journal). The Deputy Finance Director is the only one that can input the journal entry. The Administrative Services Director will review the journal entry and will approve the journal entry register. The Deputy Finance Director will update the journal entry in the system after the approval. The City will have a policy in place by 6/30/18.

City of Tucumcari Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

#### SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT - PRIMARY GOVERNMENT (CONTINUED)

#### FS 2017-007 - Capital Asset Balances & Supporting Documentation (Material Weakness)

*Condition:* Beginning balances in capital assets for enterprise funds did not agree to the prior year audited financial statements. Upon investigation, it was noted that the prior year ending balance of capital assets and accumulated depreciation was misstated, resulting in a restatement of net position in the amount of \$599,648.

Additionally, the City was unable to provide an accurate listing of construction in progress for all of its ongoing projects during fiscal year 2017.

*Criteria:* Per NMAC 6.20.2.22, capital assets shall be acquired and accounted for through the development and implementation of a complete property control system.

*Effect:* Without proper accounting for and reconciling of the ending capital assets balance at prior year end with current year beginning balance, the financial statements of the City could be misstated. The users of the financial statement may not be provided with timely or accurate capital assets information.

*Cause:* The City transferred their capital asset information to their new software without fully reviewing the cost of the assets for accuracy.

*Auditors' Recommendation*: We recommend the City review the audited capital assets balance and reconcile those balances to the City's capital assets records and software at a minimum as part of their financial close process, and implement a policy to ensure that construction in progress is tracked throughout the duration of the project, in a concise manner.

*Agency's Response:* The Administrative Services Director will work closely with Community Development/Planning to make sure we are reviewing all construction in progress at end of year. The Administrative Services Director will agree the balances to the audited financial statements by 6/30/2018.

#### FS 2017-008 - Inadequate Review and Monitoring of Debt Covenants (Significant Deficiency)

Condition: The City does not have a process or policy in place to review and monitor debt covenants for compliance.

*Criteria:* The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring.

*Effect:* By not reviewing and monitoring applicable debt covenants, the City is at risk of being noncompliant and having debt callable on demand.

*Cause:* The City was unaware of debt covenant criteria and the requirements of the City's debt covenants as required by the City's debt agreements.

*Auditors' Recommendations:* The City should design and implement a formal process and policy for the review and monitoring of debt covenants.

*Agency's Response:* The Administrative Services Director will work on a process and a policy to review and monitor debt covenants by 6/30/19. Although there is not an internal control policy in place, the City is in compliance with existing debt covenants.

City of Tucumcari Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

#### SECTION III - FINDINGS - FEDERAL AWARDS

None noted.

#### SECTION IV - SECTION NMSA 12-6-5 1978 FINDINGS

# NM 2017-001 (FS 2016-001) - Late Audit Report (Other noncompliance) - Repeated/Modified

*Condition:* The City did not make progress to clear this finding. The City's audited financial statements were not submitted by the regulatory due date of December 15.

*Criteria:* NMAC 2.2.2.9 A requires that financial statement audits of state agencies are due to the Office of the State Auditor no later than December 15.

*Effect:* The City's audit was considered late by the Office of the State Auditor.

*Cause:* Due to the software conversion that occurred during the year, the June 30, 2017 trial balance was materially different from the general ledger in November. This caused the audit timeline to be rescheduled, while the City made efforts to correct those errors.

*Auditors' Recommendations:* We recommend that the City work with the software company to ensure that all balances and functions of the software are operating effectively.

*Agency's Response:* The Administrative Services Director is working with our software support team to get all balances corrected so that the trial balance will match with the general ledger. This will be done by 6/30/18.

#### NM 2017-002 — Budget Over-Expenditure (Other noncompliance)

*Condition:* The City exceeded budgeted expenditures for the following funds:

Corrections Fund	\$ 538
Fire Districts Fund	80
Convention Center Operation	
and Maintenance Fund	297
<b>Total Governmental Funds</b>	\$ 915

*Criteria:* All City funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation NMAC 6-6-6, 1978 Compilation.

*Effect:* Without the final budget entered correctly the City overexpended the budget, leading to violation of state statutes.

*Cause:* The City did not identify the over-expenditure as a result of their final budget adjustment process.

*Auditor's Recommendation:* We recommend the City monitor their budgets for over-expenditure and propose the necessary budget adjustments.

Agency Response: The Administrative Services Director will monitor budgets more carefully to avoid overspending in any funds. The City will have a policy in place by 6/30/18.

City of Tucumcari Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

#### SECTION IV - SECTION NMSA 12-6-5 1978 FINDINGS (CONTINUED)

#### NM 2017-003 — Cash Appropriations in Excess of Available Cash Balances (Other noncompliance)

Condition: The City maintained a deficit budget in excess of available cash balances in the following funds and funds:

	Designated Cash		Beginning Year Cash & AR Available		Cash Appropriation in Excess of Available Balance	
Capital Projects Fund Golf Course Capital	\$	272,733	\$	(407,809)	\$	680,542
Improvements Fund		12,833		(36,769)		49,602
Senior Citizens Fund		52,411		(126,477)		178,888

*Criteria:* Section 2.2.2.10(R)(1)(b), NMAC, states "If budgeted expenditures exceed budgeted revenue (after prior-year cash and any applicable federal receivables used to balance the budget), that fact shall be reported in a finding.

*Effect:* The City had to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Cause: The City did not monitor the budget versus available cash.

*Auditors' Recommendations:* Budget deficits for future years should be reviewed to insure all funds have adequate budget authority and sufficient cash balances for budgeted deficits. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates.

*Agency's Response*: The Administrative Services Director will monitor the ending year and beginning year cash balances when preparing the annual budget. The City will have a policy in place by 6/30/18.

#### NM 2017-004 Stale Dated Checks (Other noncompliance)

*Condition:* The City had 21 stale dated checks totaling \$1,280 at June 30, 2017.

*Criteria:* Per Section 6-10-57, NMSA 1978 whenever any warrant issued by the state, City, municipality, school district or special district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it.

*Effect:* Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

*Cause:* The City did not perform the compliance requirements that come with stale dated checks. The City is aware of the issue and will continue its effort to clean up long outstanding items.

*Auditors' Recommendations:* We recommend that the stale checks and deposits be researched to determine if they have been paid or received, need to be voided and reissued as soon as possible. Also, a procedure should be implemented to track stale dated checks. Additionally, the City should follow the State of New Mexico Escheatment Laws.

*Agency's Response:* The Deputy Finance Director will ensure that all stale dated checks will be voided by the end of the every fiscal year. All checks dated one year prior to 6/30 of every year will be voided. The City will have a policy in place by 6/30/18.

City of Tucumcari Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

#### **SECTION V - PRIOR YEAR AUDIT FINDINGS**

FS 2014-001 - Personnel Files (Compliance and Other Matter) - Resolved

FS 2014-004 - Accounts Receivable (Significant Deficiency) - Repeated/Modified

FS 2016-001 - Late Audit Report (Compliance and Other Matters) - Repeated/Modified

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City of Tucumcari Other Disclosures June 30, 2017

#### **Exit Conference**

An exit conference was held on April 30, 2018 in a closed executive session in compliance with the Open Meetings Act. In attendance were the following:

# Representing the City of Tucumcari:

Ruth Ann Litchfield Mayor

Ralph Moya City Commissioner
Amy Gutierrez City Commissioner
Robert Lumpkin Mayor Pro-Tem
Todd Duplantis City Commissioner

Rachelle Arias Administrative Services Director

Angelica Gray City Clerk

#### Representing Carr, Riggs & Ingram, LLC:

Alan D. Bowers, Jr., CPA Partner Benjamin Martinez, CPA Manager

Luis A. Gómez Cabrera Senior Accountant

#### **Auditor Prepared Financial Statements**

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of the City of Tucumcari from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.