

Annual Financial Report

2020



City of Aztec
Year Ended June 30, 2020

State of New Mexico
City of Aztec

**Financial Statements and
Supplementary Information**

For the Year Ended June 30, 2020



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Introductory Section

State of New Mexico
City of Aztec
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**State of New Mexico
City of Aztec
Official Roster
June 30, 2020**

<u>Name</u>	<u>City Commission</u>	<u>Title</u>
Victor C. Snover		Mayor
Rosalyn A. Fry		Mayor ProTem
Mark E. Lewis		Commissioner
Austin R. Randall		Commissioner
Michael A. Padilla, Sr.		Commissioner
Carlton P. Gray		Municipal Judge
<u>Administration</u>		
Steve Mueller		City Manager
Karla H. Saylor		City Clerk & Personnel Administrator
Kathy Lamb		Finance Director

Financial Section

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INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq.
New Mexico State Auditor
The City Commission
City of Aztec
Aztec, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Aztec, New Mexico (the "City"), as of and for the year ended June 30, 2020, 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 auditors' 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City, as of June 30, 2020, 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's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the GASB required pension schedules on pages 76 through 79, the GASB required other post-employment benefit schedules on pages 80 through 83, and the notes to the required supplementary information on page 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements, the supporting schedules, as listed in the table of contents, and other disclosures are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the supporting schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the supporting schedules, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and other disclosures have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, 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 to solely 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, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
December 14, 2020

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Basic Financial Statements

**State of New Mexico
City of Aztec
Statement of Net Position**

June 30, 2020	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,261,215	\$ 930,381	\$ 3,191,596
Investments	5,011,941	13,678,930	18,690,871
Receivables			
Taxes	1,535,432	12,205	1,547,637
Utility receivables, net	-	1,199,180	1,199,180
Intergovernmental	211,899	-	211,899
Interest	-	23,437	23,437
Other	190,957	15,941	206,898
Inventory	-	1,712,073	1,712,073
Prepaid expenses	20,661	914,937	935,598
Internal balances	(135,000)	135,000	-
Total current assets	9,097,105	18,622,084	27,719,189
Noncurrent assets			
Investment	-	75,549	75,549
Restricted cash and cash equivalents	281,013	964,064	1,245,077
Restricted investments	253,355	442,000	695,355
Capital assets, not being depreciated	1,078,708	1,055,015	2,133,723
Capital assets, being depreciated	43,675,809	53,922,125	97,597,934
Less accumulated depreciation	(23,006,671)	(26,621,607)	(49,628,278)
Total noncurrent assets	22,282,214	29,837,146	52,119,360
Total assets	31,379,319	48,459,230	79,838,549
Deferred outflows of resources			
Deferred outflows related to net pension liability	1,204,743	366,893	1,571,636
Deferred outflows related to net OPEB liability	126,700	50,834	177,534
Total deferred outflows of resources	1,331,443	417,727	1,749,170
Total assets and deferred outflows of resources	\$ 32,710,762	\$ 48,876,957	\$ 81,587,719

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

June 30, 2020	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 194,837	\$ 441,628	\$ 636,465
Accrued payroll	192,177	97,220	289,397
Other accrued liabilities	14	46,730	46,744
Customer deposits payable	3,010	467,908	470,918
Unearned revenue	5,562	-	5,562
Accrued interest	-	18,129	18,129
Long-term liabilities, current	602,461	509,760	1,112,221
Total current liabilities	998,061	1,581,375	2,579,436
Noncurrent liabilities			
Long-term liabilities, net of current portion	2,695,672	5,249,051	7,944,723
Net pension liability	5,876,182	2,612,259	8,488,441
Net other post-employment benefit liability	2,279,418	809,605	3,089,023
Total noncurrent liabilities	10,851,272	8,670,915	19,522,187
Total liabilities	11,849,333	10,252,290	22,101,623
Deferred inflows of resources			
Deferred inflows related to net pension liability	391,199	139,850	531,049
Deferred inflows related to net OPEB liability	1,340,064	530,292	1,870,356
Total deferred inflows of resources	1,731,263	670,142	2,401,405
Net position			
Net investment in capital assets	19,025,740	22,764,296	41,790,036
Restricted for			
Debt service	317,616	496,156	813,772
Capital projects	1,033,510	-	1,033,510
Special revenue	2,678,959	-	2,678,959
Repair and replacement	-	442,000	442,000
Unrestricted (deficit)	(3,925,659)	14,252,073	10,326,414
Total net position	19,130,166	37,954,525	57,084,691
Total liabilities, deferred inflows of resources and net position	\$ 32,710,762	\$ 48,876,957	\$ 81,587,719

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

**State of New Mexico
City of Aztec
Statement of Activities**

For the Year Ended June 30, 2020

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,488,067	\$ 961,717	\$ 498,796	\$ 58,440
Public safety	2,538,259	483,975	258,600	-
Public works	1,308,639	66,403	55,492	102,811
Culture and recreation	1,624,141	9,978	41,670	-
Health and welfare	1,094,702	430,767	-	-
Interest on long-term debt	129,474	-	-	-
Total governmental activities	9,183,282	1,952,840	854,558	161,251
Business-type Activities				
Joint Utility-Water	2,167,730	2,028,612	-	-
Joint Utility-Wastewater	2,096,229	1,644,750	-	-
Joint Utility-Electricity	4,717,783	5,387,152	-	-
Solid Waste	997,876	1,040,190	-	-
Irrigation Assessment	7,491	-	-	-
Total business-type activities	9,987,109	10,100,704	-	-
Total primary government	\$ 19,170,391	\$ 12,053,544	\$ 854,558	\$ 161,251

General revenues, transfers and special item

Taxes

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Other taxes

Payment in lieu of tax

Investment income

Miscellaneous

Gain on disposition of assets

Special item - loan forgiveness (Note 7)

Internal balance transfers

Total general revenues, transfers and special item

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (969,114)	\$ -	\$ (969,114)
(1,795,684)	-	(1,795,684)
(1,083,933)	-	(1,083,933)
(1,572,493)	-	(1,572,493)
(663,935)	-	(663,935)
(129,474)	-	(129,474)
(6,214,633)	-	(6,214,633)
-	(139,118)	(139,118)
-	(451,479)	(451,479)
-	669,369	669,369
-	42,314	42,314
-	(7,491)	(7,491)
-	113,595	113,595
(6,214,633)	113,595	(6,101,038)
703,349	-	703,349
4,054,219	76,307	4,130,526
223,652	-	223,652
127,187	-	127,187
443,960	-	443,960
97,529	220,647	318,176
189,595	77,284	266,879
18,588	-	18,588
73,503	-	73,503
(58,646)	58,646	-
5,872,936	432,884	6,305,820
(341,697)	546,479	204,782
19,471,863	37,408,046	56,879,909
\$ 19,130,166	\$ 37,954,525	\$ 57,084,691

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

**State of New Mexico
City of Aztec
Balance Sheet
Governmental Funds**

June 30, 2020	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,313,167	\$ 1,229,061	\$ 2,542,228
Investments	2,795,579	2,469,717	5,265,296
Receivables			
Taxes	1,386,320	149,112	1,535,432
Intergovernmental	8,842	203,057	211,899
Other	190,788	169	190,957
Prepaid expenses	13,250	7,411	20,661
Due from other funds	-	418	418
Total assets	\$ 5,707,946	\$ 4,058,945	\$ 9,766,891
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 111,860	\$ 82,977	\$ 194,837
Accrued payroll	192,177	-	192,177
Other accrued liabilities	14	-	14
Customer deposits	3,010	-	3,010
Unearned revenue	90	5,472	5,562
Due to other funds	135,418	-	135,418
Total liabilities	442,569	88,449	531,018
Deferred inflows of resources			
Unavailable revenue - property taxes	779,880	-	779,880
Total deferred inflows of resources	779,880	-	779,880
Fund balances			
Nonspendable	13,250	7,411	20,661
Spendable			
Restricted	-	3,842,895	3,842,895
Committed	2,178,970	120,190	2,299,160
Unassigned (deficit)	2,293,277	-	2,293,277
Total fund balances	4,485,497	3,970,496	8,455,993
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,707,946	\$ 4,058,945	\$ 9,766,891

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

State of New Mexico
City of Aztec
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position

June 30, 2020

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

Fund balances - total governmental funds	\$	8,455,993
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		21,747,846
Delinquent property taxes not collected within sixty days after year end are considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the statement of activities		779,880
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds:		
Deferred outflows of resources - related to net pension liability		1,204,743
Deferred outflows of resources - related to net OPEB liability		126,700
Deferred inflows of resources - related to net pension liability		(391,199)
Deferred inflows of resources - related to net OPEB liability		(1,340,064)
Some liabilities, including notes payable, accrued compensated absences, net pension liability and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(576,027)
Notes payable		(2,722,106)
Net pension liability		(5,876,182)
Net OPEB liability		(2,279,418)

Total net position of governmental activities	\$	19,130,166
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The accompanying notes are an integral part of these financial statements.

State of New Mexico
City of Aztec
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2020	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property	\$ 686,233	\$ -	\$ 686,233
Gross receipts	3,443,678	610,541	4,054,219
Gasoline and motor vehicle	34,684	188,968	223,652
Other	90,827	36,360	127,187
Payment in lieu of tax	443,960	-	443,960
Intergovernmental			
Federal operating grants	-	18,957	18,957
Federal capital grants	-	101,650	101,650
State operating grants	488,221	347,380	835,601
State capital grants	-	59,601	59,601
Charges for services	986,628	62,888	1,049,516
Licences and fees	851,121	52,203	903,324
Investment income	47,947	49,582	97,529
Miscellaneous	189,307	288	189,595
Total revenues	7,262,606	1,528,418	8,791,024
Expenditures			
Current			
General government	2,252,249	11,488	2,263,737
Public safety	1,911,277	187,015	2,098,292
Public works	467,748	95,442	563,190
Culture and recreation	815,690	103,766	919,456
Health and welfare	1,020,241	-	1,020,241
Capital outlay	213,721	226,268	439,989
Debt service			
Principal	14,559	59,589	74,148
Interest	2,802	126,672	129,474
Total expenditures	6,698,287	810,240	7,508,527
Excess (deficiency) of revenues over expenditures	564,319	718,178	1,282,497
Other financing sources (uses)			
Proceeds from sale of capital assets	18,587	-	18,587
Transfers in	-	49,800	49,800
Transfers (out)	(40,700)	(9,100)	(49,800)
Total other financing sources (uses)	(22,113)	40,700	18,587
Net change in fund balance	542,206	758,878	1,301,084
Fund balance - beginning of year	3,943,291	3,211,618	7,154,909
Fund balance - end of year	\$ 4,485,497	\$ 3,970,496	\$ 8,455,993

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

State of New Mexico
City of Aztec
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, 2020

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

Net change in fund balances - total governmental funds	\$	1,301,084
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay		439,989
Depreciation expense		(1,716,956)

Governmental funds do not report losses on dispositions. However, in the statement of activities, these items are reported as revenues and expenses, respectively:

Loss of disposition of capital assets		(2,644)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Increase in unavailable revenue related to property taxes receivable		17,116
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Governmental funds report City pension and OPEB contributions as expenditures. However in the statement of activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense:

City pension contributions		334,643
Pension expense		(703,438)
City OPEB contributions		63,896
OPEB expense		(226,572)

The forgiveness of loans and expenses reported in the statement of activities that do not involve the receipt and use of current financial resources and; therefore, are not reported as other financing sources or expenditures in the governmental funds:

Decreases in accrued compensated absences		5,534
Principal payments on capital lease payable		12,559
Special item - loan forgiveness		73,503
Principal payments on loans payable		59,589

Change in net position of governmental activities	\$	(341,697)
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The accompanying notes are an integral part of these financial statements.

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State of New Mexico
City of Aztec
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Budgetary Basis) and Actual - General Fund

For the Year Ended June 30, 2020	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes				
Property	\$ 666,020	\$ 666,020	\$ 686,233	\$ 20,213
Gross receipts	3,109,351	3,243,428	3,443,678	200,250
Gasoline and motor vehicle	30,000	30,000	34,684	4,684
Other	59,300	59,300	90,827	31,527
Payment in lieu of tax	441,375	441,375	443,960	2,585
Intergovernmental income				
State operating grants	111,400	111,400	488,221	376,821
Charges for services	981,909	981,909	986,628	4,719
Licenses and fees	844,755	844,755	851,121	6,366
Investment income	35,000	35,000	47,947	12,947
Miscellaneous	74,100	154,546	189,307	34,761
Total revenues	6,353,210	6,567,733	7,262,606	694,873
Expenditures				
Current				
General government	3,106,531	3,143,911	2,252,249	891,662
Public safety	2,088,880	2,130,400	1,911,277	219,123
Public works	735,510	819,291	467,748	351,543
Culture and recreation	1,023,628	1,029,361	815,690	213,671
Health and welfare	1,039,965	1,088,381	1,020,241	68,140
Capital outlay	40,000	271,849	213,721	58,128
Debt Service				
Principal	22,319	15,993	14,559	1,434
Interest	4,300	2,804	2,802	2
Total expenditures	8,061,133	8,501,990	6,698,287	1,803,703
Excess (deficiency) of revenues over expenditures	(1,707,923)	(1,934,257)	564,319	2,498,576
Other financing sources (uses)				
Required fund balance (budgeted increase)	1,707,923	1,934,257	-	(1,934,257)
Proceeds from sale of capital assets	-	-	18,587	18,587
Transfers (out)	-	-	(40,700)	(40,700)
Total other financing sources (uses)	1,707,923	1,934,257	(22,113)	(1,956,370)
Net change in fund balance	-	-	542,206	542,206
Fund balance - beginning of year	-	-	3,943,291	3,943,291
Fund balance - end of year	\$ -	\$ -	\$ 4,485,497	\$ 4,485,497

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

State of New Mexico
City of Aztec
Statement of Net Position
Proprietary Funds

June 30, 2020	Enterprise Funds			
	Joint Utility	Solid Waste	Nonmajor Enterprise Fund (Irrigation Assessment)	Total Enterprise Funds
Assets				
Current assets				
Cash and cash equivalents	\$ 866,543	\$ 32,836	\$ 31,002	\$ 930,381
Investments	13,540,701	71,098	67,131	13,678,930
Receivables				
Taxes	12,205	-	-	12,205
Utility receivables, net	1,113,884	85,296	-	1,199,180
Interest	23,437	-	-	23,437
Other	15,941	-	-	15,941
Inventory	1,712,073	-	-	1,712,073
Prepaid expenses	914,937	-	-	914,937
Due from other funds	135,000	-	-	135,000
Total current assets	18,334,721	189,230	98,133	18,622,084
Noncurrent assets				
Investments	75,549	-	-	75,549
Restricted cash and cash equivalents	964,064	-	-	964,064
Restricted investments	442,000	-	-	442,000
Capital assets, not being depreciated	1,055,015	-	-	1,055,015
Capital assets, being depreciated	53,667,693	50,407	204,025	53,922,125
Less accumulated depreciation	(26,450,261)	(50,407)	(120,939)	(26,621,607)
Total noncurrent assets	29,754,060	-	83,086	29,837,146
Total assets	48,088,781	189,230	181,219	48,459,230
Deferred outflows of resources				
Deferred outflow related to net pension liability	366,893	-	-	366,893
Deferred outflow related to net OPEB liability	50,834	-	-	50,834
Total deferred outflows of resources	417,727	-	-	417,727
Total assets and deferred outflows of resources	\$ 48,506,508	\$ 189,230	\$ 181,219	\$ 48,876,957

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

June 30, 2020	Enterprise Funds			
	Joint Utility	Solid Waste	Nonmajor Enterprise Fund (Irrigation Assessment)	Total Enterprise Funds
Liabilities				
Current liabilities				
Accounts payable	\$ 357,574	\$ 84,054	\$ -	\$ 441,628
Accrued payroll	97,220	-	-	97,220
Other accrued liabilities	42,168	4,562	-	46,730
Customer deposits payable	467,897	11	-	467,908
Accrued interest	18,129	-	-	18,129
Long-term liabilities, current	509,760	-	-	509,760
Total current liabilities	1,492,748	88,627	-	1,581,375
Noncurrent liabilities				
Long-term liabilities, net of current portion	5,249,051	-	-	5,249,051
Net pension liability	2,612,259	-	-	2,612,259
Net OPEB liability	809,605	-	-	809,605
Total noncurrent liabilities	8,670,915	-	-	8,670,915
Total liabilities	10,163,663	88,627	-	10,252,290
Deferred inflows of resources				
Deferred inflows related to net pension liability	139,850	-	-	139,850
Deferred inflows related to net OPEB liability	530,292	-	-	530,292
Total deferred inflows of resources	670,142	-	-	670,142
Net position				
Net investment in capital assets	22,681,210	-	83,086	22,764,296
Restricted				
Debt service	496,156	-	-	496,156
Repair and replacement	442,000	-	-	442,000
Unrestricted	14,053,337	100,603	98,133	14,252,073
Total net position	37,672,703	100,603	181,219	37,954,525
Total liabilities, deferred inflows of resources, and net position	\$ 48,506,508	\$ 189,230	\$ 181,219	\$ 48,876,957

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

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State of New Mexico
City of Aztec
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

For the Year Ended June 30, 2020	Enterprise Funds			
	Joint Utility	Solid Waste	Nonmajor Enterprise Fund (Irrigation Assessment)	Total Enterprise Funds
Operating revenues				
Charges for services	\$ 9,060,514	\$ 1,040,190	\$ -	\$ 10,100,704
Total operating revenues	9,060,514	1,040,190	-	10,100,704
Operating expenses				
Personnel services	1,925,000	-	-	1,925,000
Utilities	378,973	-	-	378,973
Contractual Services	192,071	971,233	-	1,163,304
Supplies and purchased power	2,333,143	-	221	2,333,364
Other costs	1,861,787	26,136	-	1,887,923
Miscellaneous	286,010	-	-	286,010
Depreciation expense	1,888,821	-	7,270	1,896,091
Insurance expense	45,046	507	-	45,553
Total operating expenses	8,910,851	997,876	7,491	9,916,218
Operating income (loss)	149,663	42,314	(7,491)	184,486
Non-operating revenues (expenses)				
Gross receipts taxes	76,307	-	-	76,307
Interest expense	(70,891)	-	-	(70,891)
Investment income	218,014	1,253	1,380	220,647
Miscellaneous income	76,672	612	-	77,284
Total non-operating revenues (expenses)	300,102	1,865	1,380	303,347
Income (loss) before contributions and transfers	449,765	44,179	(6,111)	487,833
Transfers in	-	58,646	-	58,646
Change in net position	449,765	102,825	(6,111)	546,479
Net position, beginning	37,222,938	(2,222)	187,330	37,408,046
Net position, ending	\$ 37,672,703	\$ 100,603	\$ 181,219	\$ 37,954,525

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

**State of New Mexico
City of Aztec
Statement of Cash Flows
Proprietary Funds**

For the Year Ended June 30, 2020	Enterprise Funds			
	Joint Utility	Solid Waste	Nonmajor Enterprise Fund (Irrigation Assessment)	Total Enterprise Funds
Cash flows from operating activities				
Cash received from user charges and others	\$ 8,927,260	\$ 1,016,928	\$ -	\$ 9,944,188
Cash payments to employees for services	(1,759,476)	(62,176)	-	(1,821,652)
Cash payments to suppliers for goods and services	(4,945,131)	(979,233)	(221)	(5,924,585)
Net cash provided (used) by operating activities	2,222,653	(24,481)	(221)	2,197,951
Cash flows from noncapital financing activities				
Gross receipts taxes	76,307	-	-	76,307
Miscellaneous income	106,376	612	-	106,988
Transfers and interfund activity	-	58,013	-	58,013
Net cash provided by noncapital financing activities	182,683	58,625	-	241,308
Cash flows from investing activities				
(Purchase) sale of investments	(1,271,839)	(24,297)	(911)	(1,297,047)
Investment income	218,014	1,253	1,380	220,647
Net cash provided (used) by investing activities	(1,053,825)	(23,044)	469	(1,076,400)
Cash flows from capital and related financing activities				
Acquisition of capital assets	(814,150)	-	-	(814,150)
Interest paid	(71,322)	-	-	(71,322)
Principal payments on bonds, loans, and notes payable	(352,263)	-	-	(352,263)
Net cash (used) by capital and related financing activities	(1,237,735)	-	-	(1,237,735)
Net increase in cash and cash equivalents	113,776	11,100	248	125,124
Cash and cash equivalents - beginning of year	1,716,831	21,736	30,754	1,769,321
Cash and cash equivalents - end of year	\$ 1,830,607	\$ 32,836	\$ 31,002	\$ 1,894,445

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

For the Year Ended June 30, 2020	Enterprise Funds			
	Joint Utility	Solid Waste	Nonmajor Enterprise Fund (Irrigation Assessment)	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 149,663	\$ 42,314	\$ (7,491)	\$ 184,486
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,888,821	-	7,270	1,896,091
Noncash pension expense (benefit)	248,172	(35,192)	-	212,980
Noncash OPEB expense (benefit)	(95,590)	(23,454)	-	(119,044)
Changes in assets, liabilities and deferred outflows of resources:				
Utilities receivables, net	(141,177)	(23,262)	-	(164,439)
Inventory	(35,685)	-	-	(35,685)
Prepaid expenses	401,517	-	-	401,517
Deferred outflows - subsequent contributions - pension	(4,774)	-	-	(4,774)
Deferred outflows - subsequent contributions - OPEB	(1,018)	-	-	(1,018)
Accounts payable	(121,797)	18,051	-	(103,746)
Accrued payroll	15,905	(1,038)	-	14,867
Accrued compensated absences	2,829	(2,492)	-	337
Other accrued liabilities	(92,136)	592	-	(91,544)
Meter deposits payable	7,923	-	-	7,923
Net cash provided by operating activities	\$ 2,222,653	\$ (24,481)	\$ (221)	\$ 2,197,951

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

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State of New Mexico
City of Aztec
Statement of Fiduciary Assets and Liabilities
Agency Fund

June 30, 2020	Primary Government
Assets	
Cash and cash equivalents	\$ 7,593
Total assets	\$ 7,593
Liabilities	
Deposits held for others	\$ 7,593
Total liabilities	\$ 7,593

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

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Aztec (the “City”), which was incorporated in 1905, operates under a Commission/Manager form of government. Five commissioners are elected at large and one of the commissioners serves as Mayor. This reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City’s financial statements to be misleading or incomplete.

The City of Aztec 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. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government entities.

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

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.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

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.

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 required to be reported under GASB Statements No. 14, No. 39, No. 61, or No. 80.

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.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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.

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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. Gross receipts, taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and are subject to the availability criterion. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. The business-type activities column incorporates data from proprietary funds. 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.

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 various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and major proprietary funds, each displayed in a separate column on their respective financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds in their respective financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Under the requirements of GASB Statement No. 34, the City is required to present certain of its governmental and proprietary funds as major based upon certain criteria.

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.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following proprietary fund as major funds:

The *Joint Utility Fund* accounts for activities of the City's water, wastewater, and electric utility.

The *Solid Waste Fund* accounts for the activities of the City's solid waste services.

The City reports the following non-major proprietary fund:

The *Irrigation Assessment Fund* accounts for the activities of the City's irrigation assessment activities.

Additionally, the government reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

Debt service funds are used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Capital projects funds account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

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

The fiduciary fund is the *Employee Association Trust Fund* accounts for employee contributions to an agency fund used for special occasions, such as sending flowers, etc.

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 Local Government Investment Pool (LGIP).

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

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

Receivables and Payables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible (allowance for doubtful accounts). In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Accounts receivable in excess of 120 days are subject to being considered as uncollectible. Property taxes are considered to be 100% collectible.

An amount for unbilled revenue is recorded in the Joint Utility fund for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage before year end.

Property taxes are levied on January 1 based on the assessed value of property as assessed on the same date and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th 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 Juan County and remitted monthly to the City.

Interfund Activities and Transactions

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.

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.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Inventory

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

The City has entered into a contract to purchase power at an established rate over the period covering fiscal years 2017 through fiscal year 2023. The amount amortized each year of the contract is the net savings by month, which is based upon the kilowatt hours purchased.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Customer deposit accounts – Deposited in non-interest bearing accounts and refunded upon termination of service with the City and satisfaction of all obligations due.

Loan debt service accounts – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds or capital lease obligations.

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.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 acquisition 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. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

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.

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	10-45
Buildings and Systems	10-45
Improvements	10-50
Machinery and Equipment	5-30
Infrastructure	5-50

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 several types of items that qualify for reporting in this category in both the governmental and business-type activities. These items include five which arise from GASB Statement No. 68 and two that arise from GASB Statement No. 75, \$1,571,636 and \$177,534, respectively. See details of these items at Note 10 and Note 11. Accordingly, the items are reported on the statement of net position. These amounts will be deferred and recognized as outflows of resources the appropriate subsequent periods.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 \$779,880 related to property taxes considered “unavailable”.

These items include three which arise from GASB Statement No. 68 and four that arise from GASB Statement No. 75, \$531,049 and \$1,870,356, respectively. See details of these items at Note 10 and Note 11. Accordingly, the items are reported on the statement of net position. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Accrued Expenses

Accrued payroll is comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2020, along with applicable FICA, Medicare, PERA, retiree health care, and other benefit expenses.

Other accrued liabilities are comprised of the gross receipts taxes payable to the State of New Mexico at June 30, 2020.

Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. After 15 years of service, 1/3 of sick leave is paid upon termination. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for those amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirement. A compensated absence is expensed in the related fund of the employee that earned the compensated absences.

Unearned Revenues

Unearned revenues are comprised of payments made in advance by customers for various services (i.e., prepaid utilities, etc.) provided by the City as of June 30, 2020.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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 (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance Classification Policies and Procedures

Fund Balances

In the governmental fund financial statements, fund balance is reported in five classifications:

Nonspendable – At June 30, 2020, the City had nonspendable fund balance categorized in the governmental funds balance sheet in the amount of \$20,661 as detailed on in Note 16.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Restricted and Committed Fund Balance – At June 30, 2020 the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$3,842,895 for various City operations as restricted by enabling legislation. The City has also presented committed fund balance on the governmental funds balance sheet in the amount of \$2,299,160 of which \$2,178,970 is for the City's self-imposed reserve related to subsequent expenditures. The details of these fund balance items are located on the governmental funds balance sheet as detailed in Note 16.

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. At a minimum, the budget shall ensure that the City holds cash reserves (as approved in the subsequent year's preliminary budget) of 1/12th the General Fund budgetary basis expenditures of \$558,191 for the year ended June 30, 2020. As this amount is an accumulation of resources and not a true restriction or commitment of expenditures, they are reflected within the unassigned fund balance of the general fund.

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 has not established a policy regarding the assignment of funds. The City has no assigned fund balances at June 30, 2020.

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 \$2,293,277 in unassigned fund balances at June 30, 2020.

Net Position

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

Net investment in capital asset – 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.

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 35, 36 and 87.

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

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Revenues and Expenditures/Expenses

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.

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.

Use of 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 fair value of investments, allowance for uncollectible accounts in the enterprise funds, expected useful lives of capital assets, net pension liability and associated deferred outflows and deferred inflows, net OPEB liability and associated deferred outflows and deferred inflows, and the current portion of accrued compensated absences.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the general fund and the special revenue funds. Encumbrances not recorded as vouchers payable at year end lapse.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 14, 2020 and determined there were no events that occurred that required disclosure.

Recently Issued and Implemented Accounting Pronouncements

The City has implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which became effective immediately upon issuance by GASB in May 2020. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of Statements No. 84, 89, 90, 91, 92, and 93 by twelve months and Statement No. 87 by eighteen months.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In January 2017, GASB Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal year beginning after December 15, 2019. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. (This new effective date reflects the immediate implementation of GASB Statement No. 95.) The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In January 2020, GASB Statement No. 92, *Omnibus 2020*, was issued. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this statement are effective periods beginning after June 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.) Earlier application is encouraged and is permitted by topic.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 14, 2022. Earlier application is encouraged.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32. The requirements of this Statement will exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged.

The City is evaluating the requirements of the above statements and the impact on reporting.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted for all funds. All budgets are consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year-end. Carryover funds must be appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires beginning cash balances to be appropriated in the budget of the subsequent year, such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended by the City Commission resolution with approval by the Department of Finance and Administration. City department heads may make transfers or appropriations within a fund. The legal level of budgetary control is the fund level. Increases or decreases of appropriations between funds require the approval of the governing Commission.

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June, the City Manager submits to the City Commission a proposed operating budget for preliminary approval for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. The budget is prepared by fund, department and function.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

2. In late July, after there has been an opportunity for public comment, the City Commission adopts the budget as finalized.
3. Prior to September 1, the budget is legally enacted through passage of a resolution and the Local Government Division of the Department of Finance and Administration approves the final budget.
4. After the budget is adopted any supplemental appropriations must be approved by the City Commission.

The budgetary basis and GAAP basis are the same for all fund types of the City.

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

NOTE 3: DEPOSITS AND INVESTMENTS

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, 2020.

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.

All of the City's accounts are at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposits out-of-state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in-state.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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, 2020, \$9,690,087 of the City’s bank balance of \$10,748,662 was subject to custodial credit risk. \$9,364,017 was uninsured but collateralized by collateral held by the pledging bank’s trust department, but not in the City’s name, and \$326,070 of the City’s deposits was uninsured and uncollateralized at June 30, 2020.

	Citizens Bank	Four Corners Community Bank	High Desert Credit Union
Amount of deposits	\$ 6,167,109	\$ 3,500,000	\$ 75,569
FDIC coverage	(483,006)	(250,000)	(75,569)
Total uninsured public funds	5,684,103	3,250,000	-

Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	5,577,999	3,030,034	-
Uninsured and uncollateralized	\$ 106,104	\$ 219,966	\$ -

Collateral requirement (50%)	\$ 2,842,052	\$ 1,625,000	\$ -
Pledged securities	5,577,999	3,030,034	-
Over (under) collateralized	\$ 2,735,947	\$ 1,405,034	\$ -

	Vectra Bank	Total
Amount of deposits	\$ 1,005,984	\$ 10,748,662
FDIC coverage	(250,000)	(1,058,575)
Total uninsured public funds	755,984	9,690,087

Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	755,984	9,364,017
Uninsured and uncollateralized	\$ -	\$ 326,070

Collateral requirement (50%)	\$ 377,992	\$ 4,845,044
Pledged securities	1,033,240	9,641,273
Over (under) collateralized	\$ 655,248	\$ 4,796,229

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

The collateral pledged is listed on schedule of collateral pledged by depository for public funds of this report. The types of collateral allowed are limited to direct obligations of the United States Government, all bonds issued by any agency, District or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the State of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

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:

Cash and cash equivalents, statement of net position	\$ 3,191,596
Investments, statement of net position	18,766,420
Restricted cash and cash equivalents, statement of net position	1,245,077
Restricted investments, statement of net position	695,355
Agency funds cash and cash equivalents, statement of fiduciary assets and liabilities	7,593
<hr/>	
Total cash and cash equivalents and investments	23,906,041
Plus: outstanding checks	261,509
Less: outstanding deposits	(30,513)
Less: cash and investments with NMFA	(509,388)
Less: New MexiGROW LGIP	(12,876,867)
Less: petty cash	(2,120)
<hr/>	
Bank balance of deposits	\$ 10,748,662
<hr/>	

Investments

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at amortized cost. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

In addition, the City has investments, which are considered restricted held in U.S. Treasury Notes at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) loans.

The City's investments at June 30, 2020 were as follows:

Investment Type	Weighted Average Maturities	Fair Value	Rating**
	35 day WAM (R)		
New MexiGROW LGIP	77 day WAM (F)	\$ 12,876,867	AAAm
U.S. Treasury Money Market Funds	>365	253,355	AA+
		\$ 13,130,222	

** Based on Standard & Poor's rating

In addition, to the investments noted above, there are \$6,256,004 of certificates of deposits that are greater than 90 days and therefore are considered investments in the statement of net position. Further, the City has a certificate of deposit that matures in more than a year in the amount of \$75,549.

Credit Risk-Investments. With respect to credit risk, the LGIP is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

Concentration Risk-Investments. GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as LGIP, are excluded from the requirement of disclosing concentration of credit risk.

Foreign Currency Risk-Investments. GASB Statement No. 40 defines foreign currency risk as the potential that changes in exchange rates may adversely affect the fair value of an investment or deposit. The LGIP does not have foreign currency risk as all investments are denominated in US dollars.

Interest Rate Risk-Investments. GASB Statement No. 40 defines interest rate risk as the potential that interest rate changes may adversely affect the fair value of an investment.

Fair Value Measurement

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). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

U.S. Treasury Money Market Mutual Funds are valued at the daily closing price as reported by the fund. These investments held by the City are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the City are deemed to be actively traded.

The City's investment of \$12,876,867 with the *New MexiGROW LGIP* is valued at amortized cost.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City maintained a balance of \$253,355 in investments at June 30, 2020, which required fair value disclosure. The following table sets forth by level within the fair value hierarchy, the City's assets at fair value as of June 30, 2020:

	Total	Fair Value Measurement Inputs		
		Level 1	Level 2	Level 3
U.S. Treasury Money Market Mutual Funds	\$ 253,355	\$ 253,355	\$ -	\$ -
Total investments	\$ 253,355	\$ 253,355	\$ -	\$ -

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 4: RECEIVABLES

Governmental receivables as of June 30, 2020, are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Taxes			
Property	\$ 800,884	\$ -	\$ 800,884
Gross receipts	554,120	138,649	692,769
Franchise and lodgers	31,316	10,463	41,779
Intergovernmental			
State	8,540	79,602	88,142
Federal	302	123,455	123,757
Other			
Miscellaneous	28,890	169	29,059
Charges for services	161,898	-	161,898
Totals	\$ 1,585,950	\$ 352,338	\$ 1,938,288

The above receivables are expected to be 100% collectable.

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 \$779,880, for the City for the year ended June 30, 2020.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 4: RECEIVABLES (Continued)

Proprietary fund receivables as of June 30, 2020, are as follows:

	Joint Utility Fund	Solid Waste Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
Utility receivables				
Charges for services	\$ 1,354,863	\$ 113,182	\$ 6,626	\$ 1,474,671
Less Allowances	(240,979)	(27,886)	(6,626)	(275,491)
Taxes				
Gross receipts	12,205	-	-	12,205
Interest				
Investment income	23,437	-	-	23,437
Other				
Miscellaneous income	15,941	-	-	15,941
Totals	\$ 1,165,467	\$ 85,296	\$ -	\$ 1,250,763

NOTE 5: TRANSFERS AND INTERFUND RECEIVABLES

Operating transfers were made to supplement other funding sources, as follows:

Transfers In	Transfers Out	
Local Government Correction Fund	General Fund	\$ 40,700
Capital Projects Fund	Impact Fees Fund	9,100
Solid Waste Fund	Governmental Activities	58,646
		\$ 108,446

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, 2020 is as follows:

Due From	Due To	
Intergovernmental Grants Fund	General Fund	\$ 418
Joint Utility Fund	General Fund	135,000
		\$ 135,418

The City purchased land and a building with money that was borrowed from the Joint Utility Fund. The City is still in the process of determining when repayment will occur.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 6: CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2020 follows. Land and construction in progress are not subject to depreciation.

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 831,338	\$ -	\$ -	\$ 831,338
Construction in progress	124,397	122,973	-	247,370
Total capital assets not being depreciated	955,735	122,973	-	1,078,708
Capital assets being depreciated:				
Buildings	9,467,672	110,551	-	9,578,223
Improvements	4,073,773	14,604	-	4,088,377
Machinery and equipment	6,361,206	191,861	(261,770)	6,291,297
Infrastructure	23,717,912	-	-	23,717,912
Total capital assets being depreciated	43,620,563	317,016	(261,770)	43,675,809
Total capital assets	44,576,298	439,989	(261,770)	44,754,517
Accumulated depreciation:				
Buildings	(4,327,369)	(346,294)	-	(4,673,663)
Improvements	(2,516,734)	(256,486)	-	(2,773,220)
Machinery and equipment	(4,554,490)	(316,723)	259,126	(4,612,087)
Infrastructure	(10,150,248)	(797,453)	-	(10,947,701)
Total accumulated depreciation	(21,548,841)	(1,716,956)	259,126	(23,006,671)
Net capital assets	\$ 23,027,457	\$ (1,276,967)	\$ (2,644)	\$ 21,747,846

Depreciation expense for the year ended June 30, 2020 was charged to governmental activities as follows:

General government	\$ 100,187
Public safety	187,306
Public works	728,726
Public health and welfare	31,329
Culture and recreation	669,408
Total	\$ 1,716,956

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 6: CAPITAL ASSETS (Continued)

Business-Type Activities:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land & Water Rights	\$ 866,444	\$ -	\$ -	\$ 866,444
Construction in progress	113,520	103,660	28,609	188,571
Total capital assets not being depreciated	979,964	103,660	28,609	1,055,015
Capital assets being depreciated:				
Building and systems	48,134,892	181,954	-	48,316,846
Machinery and equipment	5,059,273	557,145	11,139	5,605,279
Total capital assets being depreciated	53,194,165	739,099	11,139	53,922,125
Total capital assets	54,174,129	842,759	39,748	54,977,140
Accumulated depreciation:				
Building and systems	(21,259,105)	(1,643,745)	-	(22,902,850)
Machinery and equipment	(3,477,550)	(252,346)	11,139	(3,718,757)
Total accumulated depreciation	(24,736,655)	(1,896,091)	11,139	(26,621,607)
Net capital assets	\$ 29,437,474	\$ (1,053,332)	\$ 50,887	\$ 28,355,533

Depreciation expense for the year ended June 30, 2020 was charged to business-type activities as follows:

Joint Utility	\$ 1,888,821
Irrigation assessment	7,270
Total	\$ 1,896,091

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 7: LONG-TERM LIABILITIES

Governmental Activities

During the year ended June 30, 2020, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Long-term liabilities					
NMFA Capital					
Improvements	\$ 2,781,695	\$ -	\$ 59,589	\$ 2,722,106	\$ 185,099
Capital Leases	86,062	-	86,062	-	-
Compensated Absences	581,561	411,828	417,362	576,027	417,362
Total Long-term liabilities	\$ 3,449,318	\$ 411,828	\$ 563,013	\$ 3,298,133	\$ 602,461

Notes outstanding for governmental activities at June 30, 2020 consisted of the following loans.

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2020	Pledged Revenues
NMFA - PP 2192 Loan	10/24/08	05/01/31	2.03% - 4.89%	\$ 3,367,380	\$ 2,722,106	Gross receipts taxes

The annual requirements to amortize the notes payable for governmental activities as of June 30, 2020, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2021	\$ 185,099	\$ 128,021	\$ 313,120
2022	198,956	119,932	318,888
2023	207,162	111,058	318,220
2024	215,213	101,674	316,887
2025	230,999	91,796	322,795
2026-2030	1,368,325	283,105	1,651,430
2031	316,352	15,470	331,822
Total	\$ 2,722,106	\$ 851,056	\$ 3,573,162

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 7: LONG-TERM LIABILITIES (Continued)

Capital Leases

The City has entered into arrangements for golf course equipment in which the related assets will become the property of the City when all terms of the lease are met. Such arrangements are reported in the City's liabilities on the statement of net position. The following represents the City's capital leases:

Description	Date of Issue	Maturity Date	Interest Rate	Amount of Issue	Balance June 30, 2020
Yamaha M15031618	03/28/15	02/28/20	4.60%	\$ 104,650	\$ -
Yamaha M15061775	04/28/15	03/28/20	4.60%	56,350	-

At the end of the lease term, the City did not retain the assets and provided them back to the lessor. This resulted in loan forgiveness of debt in the amount of \$73,503.

Compensated Absences

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, 2020, compensated absences decreased by \$5,534 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

Business-Type Activities

During the year ended June 30, 2020, the following changes occurred in the liabilities reported in the proprietary funds' statement of net position:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Notes payable					
NMED CWSRF 009R	\$ 2,711,427	\$ -	\$ 258,422	\$ 2,453,005	\$ 261,523
NMED CWSRF 021	3,232,073	-	93,841	3,138,232	94,968
Total Notes payable	5,943,500	-	352,263	5,591,237	356,491
Compensated Absences	167,237	156,098	155,761	167,574	153,269
Total Long-term liabilities	\$ 6,110,737	\$ 156,098	\$ 508,024	\$ 5,758,811	\$ 509,760

The City entered into a refinance long-term agreement with the New Mexico Environment Department (CWSRF009R) in the original amount of \$3,233,765 dated March 23, 2018. The loan is payable in annual payments of \$290,959, including interest at 1.2 percent, through June 2029. The Joint Utility Fund reports the outstanding principal.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 7: LONG-TERM LIABILITIES (Continued)

The City finalized the long-term agreement with the New Mexico Environment Department (CWSRF021) in the amount of \$3,324,802 on February 27, 2018. The loan is payable in annual payments of \$132,626, including interest at 1.2 percent, through January 2048. The Joint Utility Fund reports the outstanding principal.

Notes outstanding for business-type activities at June 30, 2020 consisted of the following loans:

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2020	Pledged Revenues
CWSRF 009R Loan	02/03/10	06/30/29	1.200%	\$ 3,233,765	\$ 2,453,005	Net Joint Utility Fund Revenues
CWSRF 021 Loan	2/27/2018	01/28/48	1.200%	3,324,802	3,138,232	Net Joint Utility Fund Revenues

The annual requirements to amortize the notes payable for business-type activities as of June 30, 2020, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2021	\$ 356,491	\$ 55,860	\$ 412,351
2022	360,769	52,780	413,549
2023	365,098	49,663	414,761
2024	369,479	46,508	415,987
2025	373,913	152,991	526,904
2026-2030	1,646,794	152,991	1,799,785
2031-2035	547,991	121,639	669,630
2036-2040	581,670	88,360	670,030
2041-2045	617,417	53,036	670,453
2046-2048	371,614	15,541	387,155
Total	\$ 5,591,236	\$ 789,369	\$ 6,380,605

Compensated Absences

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, 2020, compensated absences increased by \$337 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

State of New Mexico
City of Aztec
Notes to the Financial Statements

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. The New Mexico Self-Insurer's 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, 2020, 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.

NOTE 9: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A. Deficit fund balance of individual funds. There were no funds with deficit fund balance as June 30, 2020.
- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of control is at the fund level. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2020.
- C. Designated cash appropriations in excess of available balances: There were no funds that exceeded budgeted designated cash appropriations for the year ended June 30, 2020.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 10: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

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

Benefits provided.

TIER I. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for postretirement survivors' annuities are also available.

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

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 10: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Contributions. See PERA’s Comprehensive Annual Financial Report for contribution descriptions at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>. The PERA coverage options that apply to the County are the Municipal General Division, Municipal Police Division, and Municipal Fire Division.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2019. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

For PERA Fund Municipal General Division, at June 30, 2020, the City reported a liability of \$5,858,041 for its proportionate share of the net pension liability. At June 30, 2019, the City’s proportion was 0.3384 percent, which was an increase of 0.0243 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized PERA Fund Municipal General Division pension expense of \$331,323. At June 30, 2020, the City reported PERA Fund Municipal General 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
Changes in proportion	\$ 113,993	\$ 306,379
Differences between expected and actual experience	175,635	63,370
Net difference between projected and actual earnings on pension plan investments	197,400	-
Changes of assumption	261,207	14,428
Contributions subsequent to the measurement date	334,989	-
Total	\$ 1,083,224	\$ 384,177

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 10: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

For Municipal General, \$334,989 was reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 213,014
2021	101,244
2022	17,321
2023	32,479
Thereafter	-
Total	\$ 364,058

For PERA Fund Municipal Police Division, at June 30, 2020, the City reported a liability of \$2,630,400 for its proportionate share of the net pension liability. At June 30, 2019, the City’s proportion was 0.3561 percent, which was a decrease of 0.0023 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized PERA Fund Municipal Police Division pension expense of \$150,129. At June 30, 2020, 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
Changes in proportion	\$ 716	\$ 28,130
Differences between expected and actual experience	109,890	112,050
Net difference between projected and actual earnings on pension plan investments	82,140	-
Changes of assumption	149,203	6,692
Contributions subsequent to the measurement date	146,463	-
Total	\$ 488,412	\$ 146,872

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 10: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

\$146,463 was reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 65,863
2021	78,363
2022	37,370
2023	13,481
Thereafter	-
<u>Total</u>	<u>\$ 195,077</u>

Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement date.

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization period	Level Percentage of Pay
Asset valuation method	Solved for based on statutory rates
Actuarial Assumptions:	
Investment rate of return, net of investment expense	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50% annual rate first 9 years, 2.75% all other years
Mortality assumptions	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2017 (economic)

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 10: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019. These assumptions were adopted by the PERA Board for use in the June 30, 2018 actuarial valuation.

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	42.33%	7.48%
Risk Reduction & Mitigation	21.37	2.37
Credit Oriented Fixed Income	15.00	5.47
Real Assets to include Real Estate Eq	20.00	6.48
Multi-Risk Allocation	1.30	
Total	100.00%	

Discount Rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated at discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point- higher (8.25 percent) than the current rate.

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 10: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

PERA Fund Municipal General Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City of Aztec's proportionate share of the net pension liability	\$ 8,859,933	\$ 5,858,041	\$ 3,374,377
<hr/>			
PERA Fund Municipal Police Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City of Aztec's proportionate share of the net pension liability	\$ 3,980,631	\$ 2,630,400	\$ 1,528,866

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <http://www.nmpera.org/for-employers/gasb-information>.

Payables to the pension plan. At June 30, 2020 there were no contributions due and payable to PERA for the City. Contractually required contributions are remitted to PERA monthly.

NOTE 11: POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN

General Information about the OPEB

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

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

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 11: POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (Continued)

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

Employees covered by benefit terms. At June 30, 2020, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	52,179
Inactive and eligible for deferred benefit	10,916
Current active members	91,082
	154,177
Active Membership	
State general	17,097
State police and corrections	1,830
Municipal general	17,538
Municipal police	3,159
Municipal FTRE	1,966
Educational Retirement Board	49,492
	91,082

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the City were \$87,954 for the year ended June 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the City reported a liability of \$3,089,023 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2019, the City’s proportion was 0.09527 percent.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 11: POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (Continued)

For the year ended June 30, 2020, the City recognized OPEB benefit of \$235,230. At June 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 996,987
Net difference between projected and actual earnings on OPEB plan investments	-	28,720
Changes in proportion and differences between contributions and proportionate share of contributions	89,584	67,293
City's contributions subsequent to the measurement date	87,950	-
Differences between expected and actual experience	-	777,356
Total	\$ 177,534	\$ 1,870,356

Deferred outflows of resources totaling \$87,950 represent City's contributions to the Fund made subsequent to the measurement date of June 30, 2019 and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (487,050)
2021	(487,050)
2022	(425,111)
2023	(254,496)
2024	(127,065)
Total	\$ (1,780,772)

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 11: POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (Continued)

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

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.25% to 13.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for NonMedicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 11: POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (Continued)

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 4.16% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2039. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2039. Beyond 2039, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.16% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate:

1% Decrease (3.16%)	Current Discount Rate (4.16%)	1% Increase (5.16%)
\$ 3,778,621	\$ 3,089,023	\$ 2,546,936

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 11: POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (Continued)

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

1% Decrease	Current Trend Rates	1% Increase
\$ 2,571,811	\$ 3,089,023	\$ 3,503,126

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2019.

Payable Changes in the Net OPEB Liability. At June 30, 2020, the City reported no outstanding contributions payable to NMRHCA for the year ended June 30, 2020.

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. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the City.

NOTE 13: COMMITMENTS

The City has various construction and purchase commitments as of June 30, 2020. The funding to cover the various commitments was grant funding, bond and/or note proceeds, including bonds, grants, and cash reserves.

The City’s outstanding commitments for the governmental activities at June 30, 2020 were:

Description	Total Contract	Remaining Commitment
City Attorney Services	\$ 84,000	\$ 28,000
Comprehensive Plan Update	50,000	31,204
Airport Action Plan Update	98,663	53,680
Runway 8-26 Pavement Maintenance Design	37,203	4,655
Runway 8-26 Pavement Maintenance	138,000	138,000
N Main Corridor Design	188,385	122,675
Total	\$ 596,251	\$ 378,214

**State of New Mexico
City of Aztec
Notes to the Financial Statements**

NOTE 13: COMMITMENTS (Continued)

The City's outstanding commitments for the business-type activities at June 30, 2020 were:

Description	Total Contract	Remaining Commitment
Voltage Regulators	\$ 86,183	\$ 86,183
Llano Lift Station Improvements	107,811	43,124
East Aztec Pump Station Construction	303,499	303,499
Total	\$ 497,493	\$ 432,806

Operating Lease Commitments. The City leases certain equipment under numerous operating leases. Rental expense for the year ended June 30, 2020, was \$24,729.

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable terms in excess of one year as of June 30, 2020.

Fiscal Year Ending June 30,	Principal
2021	\$ 17,521
2022	13,940
2023	12,054
2024	2,742
Total	\$ 46,257

NOTE 14: 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.

NOTE 15: RESTRICTED NET POSITION

The government-wide statement of net position reports \$4,968,241 of restricted net position, all of which is restricted by enabling legislation or debt reserves. See pages 35, 36 and 87 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

State of New Mexico
City of Aztec
Notes to the Financial Statements

NOTE 16: FUND BALANCES

Fund balances on the modified accrual basis was classified as follows at June 30, 2020:

	Nonspendable	Restricted	Committed	Unassigned
General Fund				
Prepaid expenses	\$ 13,250	\$ -	\$ -	\$ -
Minimum fund balance policy	-	-	-	558,191
Subsequent year's expenditures	-	-	2,178,970	-
Unassigned	-	-	-	1,735,086
Total General Fund	13,250	-	2,178,970	2,293,277
Nonmajor Funds				
Prepaid expenses	7,411	-	-	-
Capital projects	-	1,113,820	-	-
Debt service	-	317,616	-	-
Public safety	-	515,315	-	-
Public works	-	1,762,274	-	-
Culture and recreation	-	133,870	1,268	-
Economic development	-	-	118,922	-
Total General Fund	7,411	3,842,895	120,190	-
Total fund balances	\$ 20,661	\$ 3,842,895	\$ 2,299,160	\$ 2,293,277

NOTE 17: TAX ABATEMENTS

The City had no tax abatements during the year ended June 30, 2020. The City is not subject to any tax abatement agreements entered into by other government entities.

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.

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Required Supplementary Information

State of New Mexico
City of Aztec
Schedule of Proportionate Share of
the Net Pension Liability
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	June 30,		
Fiscal Year	2020	2019	2018
Measurement Date	2019	2018	2017
City of Aztec's proportion of the net pension liability (asset)			
Municipal General	0.3384%	0.3627%	0.3446%
Municipal Police	0.3561%	0.3584%	0.3645%
City of Aztec's proportionate share of the net pension liability (asset)			
Municipal General	\$ 5,858,041	\$ 5,782,780	\$ 4,735,096
Municipal Police	2,630,400	2,445,379	2,025,036
Total	<u>\$ 8,488,441</u>	<u>\$ 8,228,159</u>	<u>\$ 6,760,132</u>
City of Aztec's covered payroll			
Municipal General	\$ 2,933,539	\$ 3,059,120	\$ 3,026,775
Municipal Police	967,238	757,143	751,270
Total	<u>\$ 3,900,777</u>	<u>\$ 3,816,263</u>	<u>\$ 3,778,045</u>
City of Aztec's proportionate share of the net liability (asset) as a percentage of its covered payroll			
Municipal General	199.69%	189.03%	156.44%
Municipal Police	271.95%	322.97%	269.55%
Plan fiduciary net position as a percentage of the total pension liability			
Municipal General	70.52%	71.13%	73.74%
Municipal Police	70.52%	71.13%	73.74%

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

See notes to required supplementary information.

June 30,		
2017	2016	2015
2016	2015	2014

0.3697%	0.3587%	0.3579%
0.3639%	0.4481%	0.4526%

\$ 5,906,562	\$ 3,657,257	\$ 2,792,004
2,684,962	1,786,380	1,339,815
<u>\$ 8,591,524</u>	<u>\$ 5,443,637</u>	<u>\$ 4,131,819</u>

\$ 3,182,789	\$ 2,984,716	\$ 8,370,704
723,725	604,078	2,789,369
<u>\$ 3,906,514</u>	<u>\$ 3,588,794</u>	<u>\$ 11,806,349</u>

185.58%	122.53%	33.35%
370.99%	295.72%	48.03%

69.18%	76.99%	81.29%
69.18%	76.90%	81.29%

See notes to required supplementary information.

State of New Mexico
City of Aztec
Schedule of Contributions
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

For the Year Ended June 30,	2020	2019	2018
Contractually required contribution			
Municipal General	\$ 334,989	\$ 280,153	\$ 292,146
Municipal Police	146,463	182,808	143,100
Total	<u>\$ 481,452</u>	<u>\$ 462,961</u>	<u>\$ 435,246</u>
Contributions in relation to the contractually required contribution			
Municipal General	\$ (334,989)	\$ (280,153)	\$ (292,146)
Municipal Police	(146,463)	(182,808)	(143,100)
Total	<u>\$ (481,452)</u>	<u>\$ (462,961)</u>	<u>\$ (435,246)</u>
Contribution deficiency (excess)			
Municipal General	\$ -	\$ -	\$ -
Municipal Police	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Aztec's covered payroll			
Municipal General	\$ 3,507,738	\$ 2,933,539	\$ 3,059,120
Municipal Police	774,937	967,238	757,143
	<u>\$ 4,282,675</u>	<u>\$ 3,900,777</u>	<u>\$ 3,816,263</u>
Contributions as a percentage of covered payroll			
Municipal General	9.55%	9.55%	9.55%
Municipal Police	18.90%	18.90%	18.90%

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

See notes to required supplementary information.

2017	2016	2015
\$ 289,057	\$ 302,365	\$ 283,548
141,990	136,784	137,609
<u>\$ 431,047</u>	<u>\$ 439,149</u>	<u>\$ 421,157</u>

\$ (289,057)	\$ (302,365)	\$ (283,548)
(141,990)	(136,784)	(137,609)
<u>\$ (431,047)</u>	<u>\$ (439,149)</u>	<u>\$ (421,157)</u>

\$ -	\$ -	\$ -
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\$ 3,026,775	\$ 3,182,789	\$ 2,984,716
751,270	723,725	604,078
<u>\$ 3,778,045</u>	<u>\$ 3,906,514</u>	<u>\$ 3,588,794</u>

9.55%	9.50%	9.50%
18.90%	18.90%	22.78%

See notes to required supplementary information.

State of New Mexico
City of Aztec
Schedule of Proportionate Share of the Net OPEB Liability
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years*

Fiscal Year	June 30,	
	2020	2019
Measurement Date	2019	2018
City of Aztec's proportion of the net OPEB liability	0.09527%	0.09328%
City of Aztec's proportionate share of the net OPEB liability	3,089,023 \$	4,056,144
City of Aztec's covered-employee payroll	\$ 4,217,800	\$ 3,963,197
City of Aztec's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	73.24%	102.35%
Plan fiduciary net position as a percentage of the total OPEB liability	18.92%	13.14%

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

See notes to required supplementary information.

	<u>June 30,</u>
	<u>2018</u>
	<u>2017</u>

0.09514%

\$ 4,311,434

\$ 3,775,735

114.19%

11.34%

See notes to required supplementary information.

**State of New Mexico
City of Aztec
Schedule of Contributions
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years***

As of and for the Year Ended June 30,	2020	2019
Contractually required contributions	\$ 87,950	\$ 84,356
Contributions in relation to the contractually required contribution	(87,950)	(84,356)
Contribution deficiency (excess)	\$ -	\$ -
City of Aztec's covered-employee payroll	\$ 4,090,569	\$ 4,217,800
Contributions as a percentage of covered-employee payroll	2.00%	2.00%

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

See notes to required supplementary information.

2018

\$ 79,661

(79,661)

\$ -

\$ 3,963,197

2.00%

See notes to required supplementary information.

State of New Mexico
City of Aztec
Notes to Required Supplementary Information

Public Employees Retirement Association (PERA) Plan

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA fiscal year 2019 audit available at: <https://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018 report is available at <https://www.nmpera.org/financial-overview/retirement-fund-valuation-reports>. See the notes to the financial statements on page 100 which summarizes actuarial assumptions and methods effective with the June 30, 2018 valuation.

New Mexico Retiree Health Care Authority (NMRHCA) Plan

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHCA fiscal year 2019 audit available at <https://www.nmrhca.org/financial-audits/>.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2019 report is available at <https://www.nmrhca.org/actuarial-valuation-reports/>. See the notes to the financial statements beginning on page 25 which summarizes actuarial assumptions and methods effective with the June 30, 2019 valuation.

See independent auditors' report.

Supplementary Information

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State of New Mexico
City of Aztec
Nonmajor Governmental Fund Descriptions

SPECIAL REVENUE FUNDS

Municipal Road Fund: This fund was established to account for gasoline tax monies received pursuant to Section 7-1-6.9 NMSA 1978.

Law Enforcement Protection Fund: This fund was established by City management to account for law enforcement protection monies received from the State to be disbursed for law enforcement related expenditures pursuant to NMSA 29-13-7.

Local Government Correction Fund: City management established this fund to account for correction fees assessed to City trustees sentenced to serve time in the County detention center and subsequently paid to the County, pursuant to NMSA 33-3-25.

Economic Development Fund: This fund was established pursuant to NMSA 1978 Sec 5-10-1, as adopted by City Ordinance 99-235, to allow public support of economic development to foster, promote, and enhance local economic development efforts while continuing to protect against the unauthorized use of public money and other public resources. The statute also allows the City to enter into joint power agreements to plan and support regional economic development projects.

Impact Fees Fund: This fund was established by the City management to account for impact fees collected as provided by NMSA 5-8-1 through 5-8-42 and City Ordinance 2004-310. Impact fees may be used for a variety of expenditures except maintenance or operation costs.

Intergovernmental Grants Fund: This fund is used to account for intergovernmental grants previously included in the General Fund. This fund was established per DFA requirement in Resolution 2018-1093.

Lodgers' Tax Fund: This fund was established pursuant to NMSA 3-38-15 to account for the City's occupancy tax imposed on lodging establishments and restricted to tourism and promotion uses.

State Fire Fund: City management established this fund to account for state grants restricted for the purchase of firefighting equipment and other approved fire department needs pursuant to NMSA 59A-53-8.

Airport Fund: This fund accounts for the activities of the City's airport operations and accounts for operating and capital grants. This fund was established by the City Commission.

CAPITAL PROJECTS FUNDS

Capital Projects Fund: The capital projects fund accounts for the acquisition and construction of major capital facilities other than those projects financed by proprietary funds.

Community Development Block Grant Fund: City management established this fund to account for federal grant monies received for water, sewer, and street capital expenditures.

State of New Mexico
City of Aztec
Combining Balance Sheet
Nonmajor Governmental Funds

	Special Revenue		
	Municipal Road Fund	Law Enforcement Protection Fund	Local Government Correction Fund
June 30, 2020			
Assets			
Cash and cash equivalents	\$ 536,090	\$ 1,420	\$ 5,279
Investments	1,160,768	3,074	11,429
Receivables			
Taxes	65,416	-	-
Intergovernmental	-	-	-
Other	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
Total assets	\$ 1,762,274	\$ 4,494	\$ 16,708
Liabilities			
Accounts payable	\$ -	\$ 171	\$ 4,582
Unearned revenue	-	-	-
Total liabilities	-	171	4,582
Fund balances			
Nonspendable	-	-	-
Restricted	1,762,274	4,323	12,126
Committed	-	-	-
Total fund balances	1,762,274	4,323	12,126
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,762,274	\$ 4,494	\$ 16,708

Special Revenue

Economic Development Fund	Impact Fees Fund	Intergovernmental Grants Fund	Lodgers' Tax Fund	State Fire Fund
\$ -	\$ 401	\$ 12,415	\$ 25,007	\$ 157,711
118,922	867	26,883	54,147	341,483
-	-	-	10,463	-
-	-	21,162	-	-
-	-	-	-	-
-	-	-	1,421	4,383
-	-	418	-	-
\$ 118,922	\$ 1,268	\$ 60,878	\$ 91,038	\$ 503,577
\$ -	\$ -	\$ 13,536	\$ 3,089	\$ 328
-	-	-	-	-
-	-	13,536	3,089	328
-	-	-	1,421	4,383
-	-	47,342	86,528	498,866
118,922	1,268	-	-	-
118,922	1,268	47,342	87,949	503,249
\$ 118,922	\$ 1,268	\$ 60,878	\$ 91,038	\$ 503,577

State of New Mexico
City of Aztec
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020	<u>Special Revenue</u>	<u>Capital Projects</u>	
	Airport Fund	Capital Projects Fund	Community Development Block Grant Fund
Assets			
Cash and cash equivalents	\$ 11,131	\$ 475,262	\$ 4,345
Investments	24,100	728,044	-
Receivables			
Taxes	-	73,233	-
Intergovernmental	123,455	58,440	-
Other	169	-	-
Prepaid expenses	1,607	-	-
Due from other funds	-	-	-
Total assets	\$ 160,462	\$ 1,334,979	\$ 4,345
Liabilities			
Accounts payable	\$ 13,484	\$ 47,787	\$ -
Unearned revenue	5,472	-	-
Total liabilities	18,956	47,787	-
Fund balances			
Nonspendable	1,607	-	-
Restricted	139,899	1,287,192	4,345
Committed	-	-	-
Total fund balances	141,506	1,287,192	4,345
Total liabilities, deferred inflows of resources, and fund balances	\$ 160,462	\$ 1,334,979	\$ 4,345

**Total Nonmajor
Governmental
Funds**

\$ 1,229,061
2,469,717

149,112
203,057
169
7,411
418

\$ 4,058,945

\$ 82,977
5,472

88,449

7,411
3,842,895
120,190

3,970,496

\$ 4,058,945

State of New Mexico
City of Aztec
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

For the Year Ended June 30, 2020	Special Revenue		
	Municipal Road Fund	Law Enforcement Protection Fund	Local Government Correction Fund
Revenues			
Taxes			
Gross receipts	\$ 152,642	\$ -	\$ -
Gasoline and motor vehicle	188,968	-	-
Other	-	-	-
Intergovernmental			
Federal operating grants	-	-	-
Federal capital grants	-	-	-
State operating grants	-	28,400	-
State capital grants	-	-	-
Charges for services	-	-	-
Licenses and fees	-	-	51,203
Investment income	21,304	275	-
Other	-	-	-
Total revenues	362,914	28,675	51,203
Expenditures			
Current			
General government	-	-	-
Public safety	-	24,610	97,861
Public works	3,830	-	-
Culture and recreation	-	-	-
Capital outlay	-	12,875	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	3,830	37,485	97,861
Excess (deficiency) of revenues over expenditures	359,084	(8,810)	(46,658)
Other financing sources (uses)			
Transfers in	-	-	40,700
Transfers out	-	-	-
Total other financing sources (uses)	-	-	40,700
Net change in fund balances	359,084	(8,810)	(5,958)
Fund balances - beginning of year	1,403,190	13,133	18,084
Fund balances - end of year	\$ 1,762,274	\$ 4,323	\$ 12,126

Special Revenue

Economic Development Fund	Impact Fees Fund	Intergovernmental Grants Fund	Lodgers' Tax Fund	State Fire Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	36,360	-
-	-	-	-	-
-	-	-	-	-
-	-	58,962	-	223,483
-	-	-	-	-
-	1,000	-	-	-
1,668	132	564	1,231	6,177
-	-	88	100	-
1,668	1,132	59,614	37,691	229,660
-	-	-	-	-
-	-	-	-	64,544
-	-	-	-	-
-	-	59,021	44,745	-
-	-	-	-	5,101
-	-	-	-	-
-	-	-	-	-
-	-	59,021	44,745	69,645
1,668	1,132	593	(7,054)	160,015
-	-	-	-	-
-	(9,100)	-	-	-
-	(9,100)	-	-	-
1,668	(7,968)	593	(7,054)	160,015
117,254	9,236	46,749	95,003	343,234
\$ 118,922	\$ 1,268	\$ 47,342	\$ 87,949	\$ 503,249

State of New Mexico
City of Aztec
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

For the Year Ended June 30, 2020	<u>Special Revenue</u>	<u>Capital Projects</u>	
	Airport Fund	Capital Projects Fund	Community Development Block Grant Fund
Revenues			
Taxes			
Gross receipts	\$ -	\$ 457,899	\$ -
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental			
Federal operating grants	18,957	-	-
Federal capital grants	101,650	-	-
State operating grants	36,535	-	-
State capital grants	1,161	58,440	-
Charges for services	62,888	-	-
Licenses and fees	-	-	-
Investment income	194	18,037	-
Other	100	-	-
Total revenues	221,485	534,376	-
Expenditures			
Current			
General government	-	11,488	-
Public safety	-	-	-
Public works	91,612	-	-
Culture and recreation	-	-	-
Capital outlay	922	207,370	-
Debt service			
Principal	-	59,589	-
Interest	-	126,672	-
Total expenditures	92,534	405,119	-
Excess (deficiency) of revenues over expenditures	128,951	129,257	-
Other financing sources (uses)			
Transfers in	-	9,100	-
Transfers out	-	-	-
Total other financing sources (uses)	-	9,100	-
Net change in fund balances	128,951	138,357	-
Fund balances - beginning of year	12,555	1,148,835	4,345
Fund balances - end of year	\$ 141,506	\$ 1,287,192	\$ 4,345

**Total Nonmajor
Governmental
Funds**

\$	610,541
	188,968
	36,360
	18,957
	101,650
	347,380
	59,601
	62,888
	52,203
	49,582
	288
	<u>1,528,418</u>
	11,488
	187,015
	95,442
	103,766
	226,268
	59,589
	<u>126,672</u>
	<u>810,240</u>
	<u>718,178</u>
	49,800
	<u>(9,100)</u>
	<u>40,700</u>
	758,878
	<u>3,211,618</u>
\$	<u><u>3,970,496</u></u>

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Supporting Schedules

State of New Mexico
City of Aztec
Schedule of Deposit and Investment Accounts
June 30, 2020

Bank Account Type/Name	Citizens Bank	Four Corners Community Bank	High Desert Credit Union	Vectra Bank
Operating Account - Demand	\$ 199,829	\$ -	\$ -	\$ -
CB MVD Account - Demand	2,169	-	-	-
Municipal Court Bond Account - Demand	19,170	-	-	-
CDBG Project Account - Demand	4,245	-	-	-
Employee Association Account - Demand	7,593	-	-	-
ST&POL Interest Checking - Demand	4,184,103	-	-	-
Regular Share Account	-	-	20	-
Certificates of Deposit - Interest Bearing	1,750,000	3,500,000	75,549	1,005,984
New MexiGROW-LGIP	-	-	-	-
NMFA Cash	-	-	-	-
NMFA Reserve Account	-	-	-	-
Total	6,167,109	3,500,000	75,569	1,005,984
Reconciling items	(230,996)	-	-	-
Reconciled balance	\$ 5,936,113	\$ 3,500,000	\$ 75,569	\$ 1,005,984

Plus petty cash

Less restricted cash and cash equivalents per statement of net position

Less agency cash and cash equivalents per statement of fiduciary assets and liabilities

Less investments per statement of net position

Less restricted investments per statement of net position

Cash and cash equivalents per statement of net position

***This amount represents \$253,355 of investments and \$76,844 of cash in the NMFA Reserve Account.

State		NMFA		Totals	
Treasurer	LGIP	Accounts			
\$	-	\$	-	\$	199,829
	-		-		2,169
	-		-		19,170
	-		-		4,245
	-		-		7,593
	-		-		4,184,103
	-		-		20
	-		-		6,331,533
12,876,867	-		-	12,876,867	
	-	179,189		179,189	
	-	330,199		330,199	***
12,876,867		509,388		24,134,917	
	-		-	(230,996)	
\$ 12,876,867	\$	509,388		23,903,921	
				2,120	
				(1,245,077)	
				(7,593)	
				(18,766,420)	
				(695,355)	
				\$ 3,191,596	

State of New Mexico
City of Aztec
Schedule of Collateral Pledged By Depository for Public Funds
June 30, 2020

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Value June 30, 2020
Citizens Bank				
	Federal Home Loan Bank	9/15/2031	3137AFP22	\$ 5,577,999
Total Citizens Bank				5,577,999

Name and location of safekeeper for above pledged collateral:
Federal Home Loan Bank (FHLB) Dallas, TX

Four Corners Community Bank				
	Espanola PSD \$33 NM UTGO	9/1/2020	29662RAVO	400,000
	Artesia NM Gross Rec	6/1/2023	043053CC9	335,860
	Alamogordo NM	8/15/2029	011446GT2	220,217
	S Wstrn or Cmnth Clg	5/1/2043	845680MT1	603,230
	Custer Cnty Co Sch Di	12/1/2037	231734BJ2	387,646
	Ravenna MI Pub Schs	5/1/2035	754254EQ9	333,989
	San Pasqual Vy Unif	8/1/2041	799186AR2	366,293
	Sthrn Worcester Cnty	6/1/2039	844138EH6	382,799
Total Four Corners Community Bank				3,030,034

Name and location of safekeeper for above pledged collateral:
The Independent BankersBank (TIB) Dallas, TX

Vectra Bank				
	SBA Pool #509241	1/25/2037	83164LHS3	1,033,240
Total Vectra Bank				1,033,240

Name and location of safekeeper for above pledged collateral:
Depository Trust Company Salt Lake City, UT

Total pledged collateral				\$ 9,641,273
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State of New Mexico
City of Aztec
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2020

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Employee Association Trust Fund				
Assets				
Cash and cash equivalents	\$ 6,515	\$ 6,550	\$ 5,472	\$ 7,593
Total assets	\$ 6,515	\$ 6,550	\$ 5,472	\$ 7,593
Liabilities				
Deposits held for others	\$ 6,515	\$ 6,550	\$ 5,472	\$ 7,593
Total liabilities	\$ 6,515	\$ 6,550	\$ 5,472	\$ 7,593

State of New Mexico
City of Aztec
Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations
For the Year Ended June 30, 2020

Description	SHARE Identifier #	Original Appropriation
Special, Deficiency, Specific and Capital Outlay Appropriations		
Aztec Senior Community Center-Meals Equip	A5060	\$ 7,600
Aztec Senior Community Center-Renovate	A5061	53,100
Aztec Senior Community Center-Vehicles	A5062	133,000
Reauth-East Aztec Arterial Route, Ret	C4096	3,525,703
Aztec Senior Center - Code Comply	D2049	53,800
E Aztec Arterial Route Construct San Juan Co	D3387	3,158,000
N Main Ave Extend Aztec	D3388	2,500,000
San Juan SWCD FCLTY & Warehouse Construct	D3493	800,000
Reauth-East Aztec Arterial Route Construction-	D4075	1,190,413
11th Jud Dist CTHSE Ren	E2043	94,825
11th Jud Dist Electronic Access Control Sys	E2044	209,891
NM HWY 173 Water Line Relocation Aztec	E2180	1,500,000
Total Special, Deficiency, Specific and Capital Outlay Appropriations		\$ 13,226,332

Appropriation Period	Expenditures To Date	Outstanding Encumbrances	Unencumbered Balances
8/1/2017-6/30/2021	\$ 7,600	\$ -	\$ -
8/1/2017-6/30/2021	45,706	-	7,394
8/1/2017-6/30/2021	30,891	-	102,109
2018-6/30/2020	-	-	3,525,703
2019-6/30/2023	-	-	53,800
2019-6/30/2023	-	-	3,158,000
2019-6/30/2023	-	-	2,500,000
2019-6/30/2023	-	-	800,000
2019-6/30/2021	-	-	1,190,413
6/29/2020-6/30/2024	-	-	94,825
6/29/2020-6/30/2024	-	-	209,891
6/29/2020-6/30/2024	-	-	1,500,000
	\$ 84,197	\$ -	\$ 13,142,135

**State of New Mexico
City of Aztec
Schedule of Joint Powers Agreements
For the Year Ended June 30, 2020**

Joint Power Agreement	Participants (including City of Aztec)	Responsible Party	Description
Communications	Cities of Bloomfield & Farmington: San Juan County	San Juan County Communications Authority	Communications
Crime prevention program	Cities of Bloomfield & Farmington, San Juan County, San Juan County Crimestoppers, Inc.	San Juan County Crimestoppers, Inc.	Crime prevention program
County jail operations	San Juan County	San Juan County	County jail operations
Police Training	Cities of Bloomfield & Farmington: San Juan County	San Juan County Criminal Justice Training Authority	Police Training
Water rights protection/acquisition/distribution	Cities of Bloomfield & Farmington; San Juan County; rural water associations	San Juan Water Commission	Water rights protection/acquisition/distribution
<u>Municipal Planning Organization</u>	Cities of Bloomfield & Farmington and San Juan County	City of Farmington	<u>Municipal Planning Organization</u>

Total Project	Total Estimated Project Amount and Amount Applicable to Party	Amount contributed By City During Current Fiscal Year	Audit Responsibility
variable	Once maximum Capital Equipment Replacement Fund balance reached, pro-rata share will be assessed to maintain CERF balance; Aztec share 6%	\$ -	San Juan County Communications Authority
variable	pro-rata share of costs	7,382	San Juan County Crimestoppers, Inc.
variable	\$86,45/day/prisoner through 6/30/20; rate recalculated July 1 in subsequent years	106,940	San Juan County
variable	pro-rata share of costs	10,000	San Juan County Criminal Justice Training Authority
variable	.5% of mill levy assessed on property taxes	-	San Juan Water Commission
variable	pro-rata share (10%) of costs of MPO (operational and special projects)	2,853	City of Farmington

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Compliance Section

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

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq.
New Mexico State Auditor
The City Commission
City of Aztec
Aztec, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison of the general fund of the City of Aztec, New Mexico (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2020.

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) as a basis for designing 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.

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. 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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 a certain matter that is required to be reported pursuant to Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and responses under Section 12-6-5 NMSA 1978 as item 2020-001.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
December 14, 2020

**State of New Mexico
City of Aztec
Schedule of Findings and Responses
June 30, 2020**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – SECTION 12-6-5 NMSA 1978 FINDINGS

2020-001 – Capital Assets (Other matter)

Condition: During fiscal year 2020, the City had two parcels of land donated through a Trust that were not capitalized on their capital asset listing. The amount of the donation was \$78,000.

Criteria: Section 2.20.1 NMAC requires agencies to properly account for capital assets; including implementing a capital asset accounting system and proper internal controls over the capital assets to ensure that additions are recorded at their acquisition/in service date.

Effect: The County’s capital assets were understated as of June 30, 2020.

Cause: Donated assets requiring capitalization were not identified by the City as there was no expenditures made during the fiscal year related to the assets.

Auditors’ Recommendation: The City should ensure that its process for updating the capital asset listing at yearend is timely and allows for adequate time to ensure all activity is accounted for and provided to the auditors for preparation of the financial statements.

State of New Mexico
City of Aztec
Schedule of Findings and Responses
June 30, 2020

SECTION III – SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2020-001 – Capital Assets (Other matter) (Continued)

Views of Responsible Officials and Planned Corrective Action: This was an oversight by the City, as there have not been many donations related to capital assets. The Finance Department will review the process to record capital assets donations and ensure that the Asset Capitalization Policy moving forward is updated to record capital assets donations.

This is the responsibility of the Finance Director and is expected to be resolved by June 30, 2021.

SECTION IV – SUMMARY OF PRIOR YEAR FINDINGS

None noted.

**State of New Mexico
City of Aztec
Other Disclosures
June 30, 2020**

EXIT CONFERENCE

An exit conference was held on December 14, 2020 telephonically, as approved by the Office of the State Auditor. In attendance were the following:

Representing the City of Aztec:

Michael Padilla	Commissioner
Steve Mueller	City Manager
Ken George	Electric Director/Interim City Manager
Steven Saavedra	Planning Director/Assistant City Manager-Interim
Kris Farmer	Accountant III/Interim Finance Director
Wallace Begay	IT Director

Representing Carr, Riggs & Ingram, LLC:

Ray C. Roberts, CPA	Partner
Benjamin A. Martinez, CPA	Senior Manager
Sara Specht, CFE, CGFM	Supervising Senior

AUDITOR PREPARED FINANCIAL STATEMENTS

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of the City of Aztec 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.