

×  
+   -  
%

**REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**CITY OF AZTEC, NEW MEXICO**

June 30, 2022



## Table of Contents

---

	PAGE
<b>Official Roster</b>	1
<b>Report of Independent Auditors</b>	2–4
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	5–6
Statement of Activities	7
Fund Financial Statements	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Budgetary Basis) and Actual – General Fund	12
Statement of Net Position – Proprietary Funds	13–14
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16–17
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Notes to Financial Statements	20–59
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of the Net Pension Liability – PERA	60
Schedule of Contributions – PERA	61
Schedule of Proportionate Share of the Net OPEB Liability – NMRHCA	62
Schedule of Contributions – NMRHCA	63
Notes to Required Supplementary Information	64
<b>Supplementary Information</b>	
Nonmajor Governmental Fund Descriptions	65
Combining Balance Sheet – Nonmajor Governmental Funds	66–67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	68–69

## Table of Contents

---

	PAGE
<b>Supporting Schedules</b>	
Schedule of Deposit and Investment Accounts	70
Schedule of Collateral Pledged by Depository for Public Funds	71
Schedule of Special, Deficiency, Specific, and Capital Outlay Appropriations	72
Schedule of Joint Powers Agreements	73
<b>Compliance Section</b>	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74–75
Summary of Auditor’s Results (As Required by 2.2.2.10 NMAC (L)(1)(f))	76–78
Summary Schedule of Prior Audit Findings	79
Exit Conference	80

---

---

**City of Aztec, New Mexico  
Official Roster  
June 30, 2022**

---

**City Commission**

Michael A. Padilla Sr.

Mayor

Kenneth B. George

Mayor Pro-Temp

Austin R. Randall

Commissioner

Colby King

Commissioner

James Crowley

Commissioner

**Administration**

Jeff Blackburn

City Manager

Karla Saylor

City Clerk & Personnel Administrator

Jennie Achée

Finance Director



## **Report of Independent Auditors**

City Commission  
City of Aztec, New Mexico

Joseph M. Maestas, New Mexico State Auditor  
Santa Fe, New Mexico

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aztec, New Mexico (the City) as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position, budgetary comparison for the general fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***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 schedule of proportionate share of net pension liability (PERA), schedule of contributions (PERA), schedule of proportionate share of net OPEB liability (NMRHCA), schedule of contributions (NMRHCA), and notes to the required supplementary information (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

The combining nonmajor governmental financial statements, schedule of deposits and investment accounts, schedule of collateral pledged by depository for public funds, schedule of special, deficiency, specific, and capital outlay appropriations, and schedule of joint powers agreements, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate to the 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.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the official roster but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023 on our consideration of the City's internal control over financial reporting. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting. 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.



Albuquerque, New Mexico  
May 31, 2023

**City of Aztec, New Mexico**  
**Statement of Net Position**  
**June 30, 2022**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 6,084,011	\$ 6,324,334	\$ 12,408,345
Investments	6,729,308	12,376,388	19,105,696
Receivables			
Taxes	1,909,020	19,318	1,928,338
Utility receivables, net	-	1,122,887	1,122,887
Intergovernmental	345,761	-	345,761
Interest	-	19,894	19,894
Other	44,383	33,043	77,426
Inventory	-	2,129,281	2,129,281
Prepaid expenses	15,545	4,169	19,714
Internal balances	(135,000)	135,000	-
<b>Total current assets</b>	<b>14,993,028</b>	<b>22,164,314</b>	<b>37,157,342</b>
<b>NONCURRENT ASSETS</b>			
Capital assets, not being depreciated	3,760,887	1,898,018	5,658,905
Capital assets, being depreciated	43,678,915	56,045,417	99,724,332
Less accumulated depreciation	(25,773,474)	(30,498,501)	(56,271,975)
<b>Total noncurrent assets</b>	<b>21,666,328</b>	<b>27,444,934</b>	<b>49,111,262</b>
<b>TOTAL ASSETS</b>	<b>36,659,356</b>	<b>49,609,248</b>	<b>86,268,604</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to net pension liability	82,921	152,527	235,448
Deferred outflows related to net OPEB liability	556,840	215,244	772,084
<b>Total deferred outflows of resources</b>	<b>639,761</b>	<b>367,771</b>	<b>1,007,532</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 37,299,117</b>	<b>\$ 49,977,019</b>	<b>\$ 87,276,136</b>

See accompanying notes to these financial statements.



**City of Aztec, New Mexico**  
**Statement of Net Position**  
**June 30, 2022**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 995,540	\$ 1,634,443	\$ 2,629,983
Accrued payroll	88,225	62,956	151,181
Other accrued liabilities	-	250,866	250,866
Customer deposits payable	3,615	491,845	495,460
Unearned revenue	484,146	-	484,146
Accrued interest	-	140	140
Compensated absences, current	368,824	67,814	436,638
Long-term liabilities, current	207,162	388,388	595,550
Total current liabilities	<u>2,147,512</u>	<u>2,896,452</u>	<u>5,043,964</u>
<b>NONCURRENT LIABILITIES</b>			
Long-term liabilities, net of current portion	2,130,889	4,485,588	6,616,477
Compensated absences, net of current portion	226,054	67,814	293,868
Net pension liability	4,133,882	1,320,327	5,454,209
Net other post-employment benefit liability	2,100,925	811,364	2,912,289
Total noncurrent liabilities	<u>8,591,750</u>	<u>6,685,093</u>	<u>15,276,843</u>
<b>TOTAL LIABILITIES</b>	<u>10,739,262</u>	<u>9,581,545</u>	<u>20,320,807</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to net pension liability	1,811,886	589,462	2,401,348
Deferred inflows related to net OPEB liability	1,347,362	520,343	1,867,705
Total deferred inflows of resources	<u>3,159,248</u>	<u>1,109,805</u>	<u>4,269,053</u>
<b>NET POSITION</b>			
Net investment in capital assets	19,923,155	22,570,958	42,494,113
Restricted for			
Debt service	207,162	388,388	595,550
Capital projects	882,592	-	882,592
Special revenue	3,633,967	-	3,633,967
Repair and replacement	-	716,676	716,676
Unrestricted (deficit)	(1,246,269)	15,609,647	14,363,378
Total net position	<u>23,400,607</u>	<u>39,285,669</u>	<u>62,686,276</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 37,299,117</u>	<u>\$ 49,977,019</u>	<u>\$ 87,276,136</u>

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Statement of Activities**  
**Year Ended June 30, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT</b>							
<b>GOVERNMENT ACTIVITIES</b>							
General government	\$ 3,271,923	\$ 1,027,763	\$ 635,721	\$ -	\$ (1,608,439)	\$ -	\$ (1,608,439)
Public safety	2,390,191	391,810	163,219	-	(1,835,162)	-	(1,835,162)
Public works	1,228,900	64,760	99,759	1,635,213	570,832	-	570,832
Culture and recreation	1,737,158	5,207	117,391	-	(1,614,560)	-	(1,614,560)
Health and welfare	1,191,736	488,107	72,298	-	(631,331)	-	(631,331)
Interest on long-term debt	120,904	-	-	-	(120,904)	-	(120,904)
Total governmental activities	<u>9,940,812</u>	<u>1,977,647</u>	<u>1,088,388</u>	<u>1,635,213</u>	<u>(5,239,564)</u>	<u>-</u>	<u>(5,239,564)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Joint utility-water	1,914,112	2,135,788	-	-	-	221,676	221,676
Joint utility-wastewater	1,998,659	1,752,003	-	-	-	(246,656)	(246,656)
Joint utility-electricity	4,838,393	5,348,642	-	-	-	510,249	510,249
Solid waste	1,123,803	1,223,829	-	-	-	100,026	100,026
Irrigation assessment	7,694	-	-	-	-	(7,694)	(7,694)
Total business-type activities	<u>9,882,661</u>	<u>10,460,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577,601</u>	<u>577,601</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 19,823,473</u>	<u>\$ 12,437,909</u>	<u>\$ 1,088,388</u>	<u>\$ 1,635,213</u>	<u>\$ (5,239,564)</u>	<u>\$ 577,601</u>	<u>\$ (4,661,963)</u>
<b>General revenues, transfers and special items</b>							
<b>Taxes</b>							
Property taxes, levied for general purposes					\$ 715,282	\$ -	\$ 715,282
Gross receipts taxes					5,989,642	115,021	6,104,663
Gasoline and motor vehicle taxes					495,421	-	495,421
Other taxes					148,963	-	148,963
Payment in lieu of tax					447,755	-	447,755
Investment income					25,818	36,561	62,379
Miscellaneous					531,594	77,090	608,684
Gain on disposition of assets					149,416	-	149,416
Internal balance transfers					(90,544)	90,544	-
Total general revenues, transfers, and special items					<u>8,413,357</u>	<u>319,216</u>	<u>8,732,573</u>
Change in net position					3,173,793	896,817	4,070,610
Net position, beginning					<u>20,226,814</u>	<u>38,388,852</u>	<u>58,615,666</u>
Net position, ending					<u>\$ 23,400,607</u>	<u>\$ 39,285,669</u>	<u>\$ 62,686,276</u>

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Balance Sheet – Governmental Funds**  
**June 30, 2022**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,826,739	\$ 1,387,732	\$ 1,869,540	\$ 6,084,011
Investments	4,395,935	-	2,333,373	6,729,308
Receivables				
Taxes	1,909,020	-	-	1,909,020
Intergovernmental	-	174,307	171,454	345,761
Other	31,074	-	13,309	44,383
Prepaid expenditures	2,651	-	12,894	15,545
Due from other funds	-	-	418	418
	<u>-</u>	<u>-</u>	<u>418</u>	<u>418</u>
Total assets	<u>\$ 9,165,419</u>	<u>\$ 1,562,039</u>	<u>\$ 4,400,988</u>	<u>\$ 15,128,446</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 172,798	\$ 764,103	\$ 58,639	\$ 995,540
Accrued payroll and other	86,130	-	2,095	88,225
Customer deposits	2,715	-	900	3,615
Unearned revenue	2,635	-	481,511	484,146
Due to other funds	135,418	-	-	135,418
	<u>399,696</u>	<u>764,103</u>	<u>543,145</u>	<u>1,706,944</u>
Total liabilities	<u>399,696</u>	<u>764,103</u>	<u>543,145</u>	<u>1,706,944</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	840,828	-	-	840,828
	<u>840,828</u>	<u>-</u>	<u>-</u>	<u>840,828</u>
<b>FUND BALANCES</b>				
Nonspendable	2,651	-	12,894	15,545
Restricted	-	797,936	3,718,623	4,516,559
Committed	819,700	-	126,326	946,026
Unassigned	7,102,544	-	-	7,102,544
	<u>7,924,895</u>	<u>797,936</u>	<u>3,857,843</u>	<u>12,580,674</u>
Total fund balances	<u>7,924,895</u>	<u>797,936</u>	<u>3,857,843</u>	<u>12,580,674</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><b>\$ 9,165,419</b></u>	<u><b>\$ 1,562,039</b></u>	<u><b>\$ 4,400,988</b></u>	<u><b>\$ 15,128,446</b></u>

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Reconciliation of the Balance Sheet – Governmental Funds to the**  
**Statement of Net Position**  
**June 30, 2022**

---

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

Fund balances - total governmental funds	\$ 12,580,674
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	21,666,328
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	840,828
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	82,921
Deferred outflows of resources - related to net OPEB liability	556,840
Deferred inflows of resources - related to net pension liability	(1,811,886)
Deferred inflows of resources - related to net OPEB liability	(1,347,362)
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	(594,878)
Notes payable	(2,338,051)
Net pension liability	(4,133,882)
Net OPEB liability	(2,100,925)
Total net position of governmental activities	\$ 23,400,607

---

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances – Governmental Funds**  
**Year Ended June 30, 2022**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes				
Property	\$ 715,292	\$ -	\$ -	\$ 715,292
Gross receipts	5,069,690	689,905	230,047	5,989,642
Gasoline and motor vehicle	38,369	-	457,052	495,421
Other	109,907	-	39,056	148,963
Payment in lieu of tax	447,755	-	-	447,755
Intergovernmental				
Federal operating grants	-	-	141,637	141,637
Federal capital grants	-	-	142,973	142,973
State operating grants	454,750	-	407,966	862,716
State capital grants	-	1,492,240	-	1,492,240
Local grants	75,000	-	9,035	84,035
Charges for services	1,016,306	-	104,122	1,120,428
Licenses and fees	788,087	-	69,132	857,219
Investment income	12,986	5,916	6,916	25,818
Miscellaneous	204,502	-	324,641	529,143
<b>Total revenues</b>	<b>8,932,644</b>	<b>2,188,061</b>	<b>1,932,577</b>	<b>13,053,282</b>
<b>EXPENDITURES</b>				
Current				
General government	2,535,444	18,036	-	2,553,480
Public safety	2,059,351	-	138,464	2,197,815
Public works	393,068	-	170,896	563,964
Culture and recreation	882,075	-	227,410	1,109,485
Health and welfare	994,146	-	167,917	1,162,063
Capital outlay	201,448	2,351,429	225,835	2,778,712
Debt service				
Principal	1,083	197,873	-	198,956
Interest	-	120,904	-	120,904
<b>Total expenditures</b>	<b>7,066,615</b>	<b>2,688,242</b>	<b>930,522</b>	<b>10,685,379</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,866,029</b>	<b>(500,181)</b>	<b>1,002,055</b>	<b>2,367,903</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	149,416	-	-	149,416
Transfers in	249,008	-	4,059	253,067
Transfers out	(4,059)	-	(339,552)	(343,611)
<b>Net other financing sources (uses)</b>	<b>394,365</b>	<b>-</b>	<b>(335,493)</b>	<b>58,872</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>2,260,394</b>	<b>(500,181)</b>	<b>666,562</b>	<b>2,426,775</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>5,664,501</b>	<b>1,298,117</b>	<b>3,191,281</b>	<b>10,153,899</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 7,924,895</b>	<b>\$ 797,936</b>	<b>\$ 3,857,843</b>	<b>\$ 12,580,674</b>

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances – Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2022**

---

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

Net change in fund balances - total governmental funds	\$ 2,426,775
<p>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.</p>	
Capital expenditures recorded in capital outlay	2,778,712
Depreciation expense	(1,610,648)
<p>Governmental funds report 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.</p>	
Pension contributions	(134,776)
Pension expense	(152,481)
OPEB contributions	(35,477)
OPEB benefit	(266,460)
<p>The 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.</p>	
Increases in accrued compensated absences	(30,808)
Principal payments on loans payable	198,956
Principal payments on loans payable	198,956
Change in net position of governmental activities	\$ 3,173,793

---

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance Budget**  
**(GAAP Budgetary Basis) and Actual – General Fund**  
**Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variances
	Original	Final		(Unfavorable) Final to Actual
<b>REVENUES</b>				
Taxes				
Property	\$ 540,615	\$ 688,074	\$ 715,292	\$ 27,218
Gross receipts	3,438,946	5,266,905	5,069,690	(197,215)
Gasoline and motor vehicle	-	37,304	38,369	1,065
Other	537,941	328,700	109,907	(218,793)
Payment in lieu of tax	-	447,000	447,755	755
Intergovernmental				
State operating grants	265,181	477,853	454,750	(23,103)
Local grants	-	-	75,000	75,000
Charges for services	1,488,077	1,352,033	1,016,306	(335,727)
Licenses and fees	27,859	25,975	788,087	762,112
Investment income	6,547	6,500	12,986	6,486
Miscellaneous	327,047	166,590	204,502	37,912
<b>Total revenues</b>	<b>6,632,213</b>	<b>8,796,934</b>	<b>8,932,644</b>	<b>135,710</b>
<b>EXPENDITURES</b>				
Current				
General government	2,633,810	2,823,611	2,535,444	288,167
Public safety	2,715,112	2,959,267	2,059,351	899,916
Public works	714,461	703,811	393,068	310,743
Culture and recreation	1,938,863	1,895,066	882,075	1,012,991
Health and welfare	1,010,002	1,225,709	994,146	231,563
Capital outlay	-	228,934	201,448	27,486
Debt service				
Principal	-	-	1,083	(1,083)
<b>Total expenditures</b>	<b>9,012,248</b>	<b>9,836,398</b>	<b>7,066,615</b>	<b>2,769,783</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,380,035)</b>	<b>(1,039,464)</b>	<b>1,866,029</b>	<b>2,905,493</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Required fund balance (budgeted increase)	2,380,035	1,039,464	-	(1,039,464)
Proceeds from sale of capital assets	-	-	149,416	149,416
Transfers in	-	-	249,008	249,008
Transfers out	-	-	(4,059)	(4,059)
<b>Net other financing sources (uses)</b>	<b>2,380,035</b>	<b>1,039,464</b>	<b>394,365</b>	<b>(645,099)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>2,260,394</b>	<b>2,260,394</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>5,664,501</b>	<b>5,664,501</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,924,895</b>	<b>\$ 7,924,895</b>

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Statement of Net Position – Proprietary Funds**  
**June 30, 2022**

	Enterprise Funds			Total Enterprise Funds
	Joint Utility	Solid Waste	Irrigation Assessment	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 6,206,979	\$ 84,955	\$ 32,400	\$ 6,324,334
Investments	12,185,467	126,942	63,979	12,376,388
<b>Receivables</b>				
Taxes	19,318	-	-	19,318
Utility receivables, net	995,848	127,039	-	1,122,887
Interest	19,894	-	-	19,894
Other	33,043	-	-	33,043
Inventory	2,129,281	-	-	2,129,281
Prepaid expenses	4,169	-	-	4,169
Due from other funds	135,000	-	-	135,000
<b>Total current assets</b>	<u>21,728,999</u>	<u>338,936</u>	<u>96,379</u>	<u>22,164,314</u>
<b>Noncurrent assets</b>				
Capital assets, not being depreciated	1,898,018	-	-	1,898,018
Capital assets, being depreciated	55,790,986	50,407	204,024	56,045,417
Less accumulated depreciation	<u>(30,312,614)</u>	<u>(50,407)</u>	<u>(135,480)</u>	<u>(30,498,501)</u>
<b>Total noncurrent assets</b>	<u>27,376,390</u>	<u>-</u>	<u>68,544</u>	<u>27,444,934</u>
<b>TOTAL ASSETS</b>	<u>49,105,389</u>	<u>338,936</u>	<u>164,923</u>	<u>49,609,248</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflow related to net pension liability	152,527	-	-	152,527
Deferred outflow related to net OPEB liability	215,244	-	-	215,244
<b>Total deferred outflows of resources</b>	<u>367,771</u>	<u>-</u>	<u>-</u>	<u>367,771</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 49,473,160</u>	<u>\$ 338,936</u>	<u>\$ 164,923</u>	<u>\$ 49,977,019</u>

See accompanying notes to these financial statements.



**City of Aztec, New Mexico**  
**Statement of Net Position – Proprietary Funds**  
**June 30, 2022**

	Enterprise Funds			Total Enterprise Funds
	Joint Utility	Solid Waste	Irrigation Assessment	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 1,544,276	\$ 90,167	\$ -	\$ 1,634,443
Accrued payroll	62,956	-	-	62,956
Other accrued liabilities	243,086	7,780	-	250,866
Customer deposits payable	491,834	11	-	491,845
Accrued interest	140	-	-	140
Compensated absences, current	67,814	-	-	67,814
Long-term liabilities, current	388,388	-	-	388,388
<b>Total current liabilities</b>	<b>2,798,494</b>	<b>97,958</b>	<b>-</b>	<b>2,896,452</b>
<b>Noncurrent liabilities</b>				
Long-term liabilities, net of current portion	4,485,588	-	-	4,485,588
Compensated absences, net of current portion	67,814	-	-	67,814
Net pension liability	1,320,327	-	-	1,320,327
Net OPEB liability	811,364	-	-	811,364
<b>Total noncurrent liabilities</b>	<b>6,685,093</b>	<b>-</b>	<b>-</b>	<b>6,685,093</b>
<b>TOTAL LIABILITIES</b>	<b>9,483,587</b>	<b>97,958</b>	<b>-</b>	<b>9,581,545</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to net pension liability	589,462	-	-	589,462
Deferred inflows related to net OPEB liability	520,343	-	-	520,343
<b>Total deferred inflows of resources</b>	<b>1,109,805</b>	<b>-</b>	<b>-</b>	<b>1,109,805</b>
<b>NET POSITION</b>				
Net investment in capital assets	22,502,414	-	68,544	22,570,958
<b>Restricted</b>				
Debt service	388,388	-	-	388,388
Repair and replacement	716,676	-	-	716,676
Unrestricted	15,272,290	240,978	96,379	15,609,647
<b>Total net position</b>	<b>38,879,768</b>	<b>240,978</b>	<b>164,923</b>	<b>39,285,669</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 49,473,160</b>	<b>\$ 338,936</b>	<b>\$ 164,923</b>	<b>\$ 49,977,019</b>

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Statement of Revenues, Expenses, and Changes in Net Position –**  
**Proprietary Funds**  
**Year Ended June 30, 2022**

	Enterprise Funds			Total Enterprise Funds
	Joint Utility	Solid Waste	Irrigation Assessment	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 9,236,433	\$ 1,223,829	\$ -	\$ 10,460,262
<b>OPERATING EXPENSES</b>				
Personnel services	960,578	-	-	960,578
Utilities	1,302,271	-	-	1,302,271
Contractual services	180,416	1,116,819	-	1,297,235
Supplies and purchased power	2,676,973	-	424	2,677,397
Other costs	1,470,701	6,984	-	1,477,685
Depreciation expense	1,943,534	-	7,270	1,950,804
Repair and maintenance	146,751	-	-	146,751
Insurance expense	25,112	-	-	25,112
Total operating expenses	8,706,336	1,123,803	7,694	9,837,833
<b>OPERATING INCOME (LOSS)</b>	530,097	100,026	(7,694)	622,429
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Gross receipts taxes	115,021	-	-	115,021
Interest expense	(44,828)	-	-	(44,828)
Investment income	35,997	375	189	36,561
Miscellaneous income	77,084	6	-	77,090
Net non-operating revenues	183,274	381	189	183,844
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	713,371	100,407	(7,505)	806,273
<b>TRANSFERS IN</b>	90,544	-	-	90,544
<b>CHANGE IN NET POSITION</b>	803,915	100,407	(7,505)	896,817
<b>NET POSITION, BEGINNING</b>	38,075,853	140,571	172,428	38,388,852
<b>NET POSITION, ENDING</b>	\$ 38,879,768	\$ 240,978	\$ 164,923	\$ 39,285,669

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended June 30, 2022**

	Enterprise Funds			Total Enterprise Funds
	Joint Utility	Solid Waste	Irrigation Assessment	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from user charges and others	\$ 9,221,495	\$ 53,165	\$ -	\$ 9,274,660
Cash payments to employees for services	(1,811,088)	-	-	(1,811,088)
Cash payments to suppliers for goods and services	(4,533,079)	4,416	(424)	(4,529,087)
Net cash provided (used) by operating activities	<u>2,877,328</u>	<u>57,581</u>	<u>(424)</u>	<u>2,934,485</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Gross receipts taxes	115,021	-	-	115,021
Miscellaneous income	77,084	-	-	77,084
Transfers and interfund activity	90,544	-	-	90,544
Net cash provided by noncapital financing activities	<u>282,649</u>	<u>-</u>	<u>-</u>	<u>282,649</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments	785,907	-	-	785,907
Purchases of investments	-	(84,505)	(37,344)	(121,849)
Investment income	35,997	381	189	36,567
Net cash provided (used) by investing activities	<u>821,904</u>	<u>(84,124)</u>	<u>(37,155)</u>	<u>700,625</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(2,193,157)	-	-	(2,193,157)
Interest paid	(62,817)	-	-	(62,817)
Principal payments on notes payable	(360,769)	-	-	(360,769)
Net cash used by capital and related financing activities	<u>(2,616,743)</u>	<u>-</u>	<u>-</u>	<u>(2,616,743)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>1,365,138</u>	<u>(26,543)</u>	<u>(37,579)</u>	<u>1,301,016</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,841,841</u>	<u>111,498</u>	<u>69,979</u>	<u>5,023,318</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 6,206,979</u>	<u>\$ 84,955</u>	<u>\$ 32,400</u>	<u>\$ 6,324,334</u>

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended June 30, 2022**

	Enterprise Funds			
	Joint Utility	Solid Waste	Irrigation Assessment	Total Enterprise Funds
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 530,097	\$ 100,026	\$ (7,694)	\$ 622,429
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Depreciation	1,943,534	-	7,270	1,950,804
Noncash pension benefit	(251,092)	-	-	(251,092)
Noncash OPEB benefit	(370,084)	-	-	(370,084)
<b>CHANGES IN ASSETS AND LIABILITIES</b>				
Receivables, net	(28,569)	(47,285)	-	(75,854)
Inventory	(442,046)	-	-	(442,046)
Prepays	437,366	-	-	437,366
Accounts payable	1,128,012	-	-	1,128,012
Accrued payroll	(180,843)	2,101	-	(178,742)
Accrued compensated absences	(48,491)	-	-	(48,491)
Other accrued liabilities	145,813	2,739	-	148,552
Customer deposits	13,631	-	-	13,631
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ 2,877,328</u></b>	<b><u>\$ 57,581</u></b>	<b><u>\$ (424)</u></b>	<b><u>\$ 2,934,485</u></b>

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**

---

	<u>Employee Association Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 13,418</u>
<b>NET POSITION</b>	
Restricted for employee association	<u>\$ 13,418</u>

---

See accompanying notes to these financial statements.

**City of Aztec, New Mexico**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2022**

---

	<u>Employee Association Fund</u>
<b>ADDITIONS</b>	
Contributions	<u>\$        6,641</u>
<b>DEDUCTIONS</b>	
Retirement parties	3,991
Food and beverage	1,226
Floral arrangements	<u>242</u>
Total deductions	<u>5,459</u>
<b>NET CHANGE IN FIDUCIARY NET POSITION</b>	1,182
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>12,236</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$        13,418</u></u>

---

See accompanying notes to these financial statements.

## **City of Aztec, New Mexico**

### **Notes to 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.

## **City of Aztec, New Mexico**

### **Notes to Financial Statements**

---

#### **Note 1 – Summary of Significant Accounting Policies (continued)**

##### **Reporting Entity**

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 GAAP. 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 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 can 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 GAAP.

##### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of 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.



## **City of Aztec, New Mexico**

### **Notes to Financial Statements**

---

#### **Note 1 – Summary of Significant Accounting Policies (continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and a fiduciary fund, even though the latter is 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 and Basis of Accounting**

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.

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.

## **City of Aztec, New Mexico Notes to Financial Statements**

---

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **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 non-major funds in their respective financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Under the requirements of GAAP, 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.

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

The City reports the following proprietary 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 Irrigation Assessment Fund accounts for the activities of the City's irrigation assessment activities.

## **City of Aztec, New Mexico**

### **Notes to Financial Statements**

---

#### **Note 1 – Summary of Significant Accounting Policies (continued)**

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.

The Employee Association Trust Fund is a fiduciary fund (custodial fund) that accounts for employee contributions to a custodial fund used for special occasions, such as retirement parties or sending flowers.

#### **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.

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.

## **City of Aztec, New Mexico Notes to Financial Statements**

---

### **Note 1 – Summary of Significant Accounting Policies (continued)**

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 10 and April 10. Property taxes uncollected after November 10 and April 10 are considered delinquent and the City may assess penalties and interest. The taxes attach as an enforceable lien on property 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.

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.

## City of Aztec, New Mexico Notes to Financial Statements

---

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **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.

#### **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.

The historical cost of infrastructure assets 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.

## City of Aztec, New Mexico Notes to Financial Statements

---

### Note 1 – Summary of Significant Accounting Policies (continued)

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

<u>Assets</u>	<u>Years</u>
Building	10–45
Building 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 assets that applies to future periods 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 items related to pensions and other post-employment benefit (OPEB) obligations totaling \$235,448 and \$772,084, 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.

#### **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 (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. 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 \$840,828 related to property taxes considered “unavailable”.

These items which arise from pension obligations and from OPEB obligations, \$2,401,348 and \$1,867,705, respectively. See 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.

## City of Aztec, New Mexico Notes to Financial Statements

---

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **Accrued Expenses**

Accrued payroll and other is comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2022, along with applicable FICA, Medicare, PERA, retiree health care, and other benefit expenses.

#### **Compensated Absences**

The City's policy is 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, resulting from 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, 2022.

#### **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.

## City of Aztec, New Mexico Notes to Financial Statements

---

### Note 1 – Summary of Significant Accounting Policies (continued)

#### **Postemployment Benefits Other Than Pensions**

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**

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

*Nonspendable* – At June 30, 2022, the City had nonspendable fund balance categorized in the governmental funds balance sheet in the amount of \$15,545 as detailed on in Note 16.

*Restricted and Committed Fund Balance* – At June 30, 2022, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$4,516,559 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 \$946,026. 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 \$819,700 for the year ended June 30, 2022. 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, 2022.

*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 \$7,102,544 in unassigned fund balances at June 30, 2022.



## City of Aztec, New Mexico Notes to Financial Statements

---

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **Net Position**

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

*Net Investment in Capital Assets* – Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*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.

*Unrestricted Net Position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

#### **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.

## City of Aztec, New Mexico Notes to Financial Statements

---

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **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.

#### **Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded 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.

#### **Recently Issued and Implemented Accounting Pronouncements**

The City implemented GASB Statement No. 87, *Leases* during the year ended June 30, 2022. 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 the 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 liability and an intangible right-of-use lease asset, and a lessor 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 City evaluated contracts that were formerly accounted for as operating leases to determine whether they meet the definition of a lease as defined in GASB No. 87. The implementation of this Statement had no material impact on the City's reporting in the current fiscal year.

## City of Aztec, New Mexico Notes to Financial Statements

---

### **Note 1 – Summary of Significant Accounting Policies (continued)**

The City implemented GASB 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 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 implementation of this Statement had no material impact on the City's reporting in the current year.

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

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, 2022. (This new effective date reflects the implementation of GASB Statement No. 95.)

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, 2022. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

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 interbank offered rates (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, 2022. (This new effective date reflects the implementation of GASB Statement No. 95.)

## City of Aztec, New Mexico Notes to Financial Statements

---

### **Note 1 – Summary of Significant Accounting Policies (continued)**

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 the year ended June 30, 2023.

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 the year ended June 30, 2023.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The requirements of this Statement are effective for the year ended June 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The requirements of this Statement are effective for the year ended June 30, 2025.

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 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.

## **City of Aztec, New Mexico**

### **Notes to Financial Statements**

---

#### **Note 2 – Stewardship, Compliance, and Accountability (continued)**

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.
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 and the state investment pool. All invested funds of the City properly followed State investment requirements as of June 30, 2022.

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.

---

## City of Aztec, New Mexico Notes to Financial Statements

### Note 3 – Deposits and Investments (continued)

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

**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, 2022, \$17,691,993 of the City's bank balance of \$18,441,993 was subject to custodial credit risk. \$11,406,214 was uninsured but collateralized by collateral held by the pledging bank's trust department, but not in the City's name, and \$6,285,779 of the City's deposits was uninsured and uncollateralized at June 30, 2022.

	Citizens Bank	Four Corners Community Bank	High Desert Credit Union	Total
Amount of deposits	\$ 17,213,164	\$ 1,000,000	\$ 228,829	\$ 18,441,993
FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(750,000)</u>
Total uninsured public funds	<u>16,963,164</u>	<u>750,000</u>	<u>-</u>	<u>17,691,993</u>
Collateralized by securities held by pledging institutions or by its trust department or agent other than the City's name	<u>10,341,664</u>	<u>1,117,317</u>	<u>-</u>	<u>11,458,981</u>
Uninsured and uncollateralized	<u>\$ 6,621,500</u>	<u>\$ (367,317)</u>	<u>\$ -</u>	<u>\$ 6,233,012</u>
Collateral requirement (50%)	\$ 8,481,582	\$ 375,000	\$ -	\$ 8,845,997
Pledged securities	<u>10,341,664</u>	<u>1,117,317</u>	<u>-</u>	<u>11,458,981</u>
Over (under) collateralized	<u>\$ 1,860,082</u>	<u>\$ 742,317</u>	<u>\$ -</u>	<u>\$ 2,612,984</u>

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.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 3 – Deposits and Investments (continued)**

**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	\$ 12,408,345
Investments, statement of net position	19,105,696
Custodial funds cash and cash equivalents, statement of fiduciary net position	<u>13,418</u>
Total cash and cash equivalents and investments	31,527,459
Plus outstanding checks	380,771
Less outstanding deposits	(68,023)
Less cash and investments with NMFA	(519,207)
Less New MexiGROW LGIP	(12,876,867)
Less petty cash	<u>(2,140)</u>
Bank balance of deposits	<u><u>\$ 18,441,993</u></u>

**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.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 3 – Deposits and Investments (continued)**

The City's investments at June 30, 2022, were as follows:

Investment Type	Weighted Average Maturities	Fair Value	Rating**
New MexiGROW LGIP	49 day WAM (R) 89 day WAM (F)	<u>\$ 12,876,867</u>	AAAm
Total		<u><u>\$ 12,876,867</u></u>	

\*\* Based on Standard & Poor's rating

In addition, to the investments noted above, there are \$6,229,102 of certificates of deposits that are greater than 90 days and considered investments in the statement of net position.

*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. Therefore, the LGIP is exempt from this disclosure.

*Foreign Currency Risk-Investment* – 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 can access.



## City of Aztec, New Mexico Notes to 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 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.

The City's investment of \$12,876,867 with the *New MexiGROW LGIP* is valued at amortized cost. In addition, the investment of \$6,229,102 in certificates of deposit are valued at 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.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

**Note 4 – Receivables**

Governmental receivables as of June 30, 2022, are as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Taxes</b>				
Property	\$ 839,079	\$ -	\$ -	\$ 839,079
Gross receipts	868,311	-	-	868,311
<b>Intergovernmental</b>				
State	-	174,307	-	174,307
Federal	-	-	171,454	171,454
<b>Other</b>				
Miscellaneous	31,074	-	13,309	44,383
Charges for services	201,630	-	-	201,630
<b>Total</b>	<b>\$ 1,940,094</b>	<b>\$ 174,307</b>	<b>\$ 184,763</b>	<b>\$ 2,299,164</b>

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 \$840,828, for the City as of June 30, 2022.

Proprietary fund receivables as of June 30, 2022, are as follows:

	Joint Utility Fund	Solid Waste Fund	Total Enterprise Funds
<b>Utility receivables</b>			
Charges for services	\$ 1,270,199	\$ 162,323	\$ 1,432,522
Less allowances	(274,351)	(35,284)	(309,635)
<b>Taxes</b>			
Gross receipts	19,318	-	19,318
<b>Interest</b>			
Investment income	19,894	-	19,894
<b>Other</b>			
Miscellaneous income	33,043	-	33,043
<b>Total</b>	<b>\$ 1,068,103</b>	<b>\$ 127,039</b>	<b>\$ 1,195,142</b>

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 5 – Transfers and Interfund Receivables**

Operating transfers were made to supplement other funding sources, as follows for the year ended June 30, 2022:

Transfers In	Transfer Out	
General Fund	Nonmajor Governmental Funds	\$ 249,008
Nonmajor Governmental Funds	General Fund	4,059
Joint Utility Fund	Nonmajor Governmental Funds	90,544
		\$ 343,611

The City records temporary interfund receivables and payables to enable the funds to operate until monies are received. The composition of interfund balances as of June 30, 2022, is as follows:

Due From	Due To	
General Fund	Nonmajor Governmental Funds	\$ 418
General Fund	Joint Utility 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.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 6 – Capital Assets**

**Governmental Activities**

A summary of capital assets and changes occurring during the year ended June 30, 2022 follows. Land and construction in progress are not subject to depreciation.

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 977,629	\$ -	\$ (27,114)	\$ 950,515
Construction in progress	371,580	2,438,792	-	2,810,372
Total capital assets not being depreciated	<u>1,349,209</u>	<u>2,438,792</u>	<u>(27,114)</u>	<u>3,760,887</u>
Capital assets being depreciated				
Buildings	9,634,286	-	(56,926)	9,577,360
Improvements	4,088,377	44,723	(50,666)	4,082,434
Machinery and equipment	6,415,567	295,197	(410,327)	6,300,437
Infrastructure	23,724,095	-	(5,411)	23,718,684
Total capital assets being depreciated	<u>43,862,325</u>	<u>339,920</u>	<u>(523,330)</u>	<u>43,678,915</u>
Total capital assets	<u>45,211,534</u>	<u>2,778,712</u>	<u>(550,444)</u>	<u>47,439,802</u>
Accumulated depreciation				
Buildings	(5,022,376)	(322,766)	56,926	(5,288,216)
Improvements	(3,021,841)	(217,170)	48,847	(3,190,164)
Machinery and equipment	(4,912,592)	(299,242)	410,327	(4,801,507)
Infrastructure	(11,727,528)	(771,470)	5,411	(12,493,587)
Total accumulated depreciation	<u>(24,684,337)</u>	<u>(1,610,648)</u>	<u>521,511</u>	<u>(25,773,474)</u>
Net capital assets	<u>\$ 20,527,197</u>	<u>\$ 1,168,064</u>	<u>\$ (28,933)</u>	<u>\$ 21,666,328</u>

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 6 – Capital Assets (continued)**

Depreciation expense for the year ended June 30, 2022, was charged to governmental activities as follows:

General government	\$ 95,990
Public safety	192,376
Public works	664,936
Culture and recreation	627,673
Public health and welfare	<u>29,673</u>
<b>Total</b>	<b><u>\$ 1,610,648</u></b>

**Business-Type Activities**

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated				
Land & water rights	\$ 1,156,053	\$ -	\$ 289,608	\$ 1,445,661
Construction in progress	<u>95,787</u>	<u>646,178</u>	<u>(289,608)</u>	<u>452,357</u>
<b>Total capital assets not being depreciated</b>	<b><u>1,251,840</u></b>	<b><u>646,178</u></b>	<b><u>-</u></b>	<b><u>1,898,018</u></b>
Capital assets being depreciated				
Buildings and systems	48,860,555	1,373,170	-	50,233,725
Machinery and equipment	<u>5,637,884</u>	<u>173,808</u>	<u>-</u>	<u>5,811,692</u>
<b>Total capital assets being depreciated</b>	<b><u>54,498,439</u></b>	<b><u>1,546,978</u></b>	<b><u>-</u></b>	<b><u>56,045,417</u></b>
<b>Total capital assets</b>	<b><u>55,750,279</u></b>	<b><u>2,193,156</u></b>	<b><u>-</u></b>	<b><u>57,943,435</u></b>
Accumulated depreciation				
Buildings and systems	(24,541,640)	(1,667,006)	-	(26,208,646)
Machinery and equipment	<u>(4,006,057)</u>	<u>(283,798)</u>	<u>-</u>	<u>(4,289,855)</u>
<b>Total accumulated depreciation</b>	<b><u>(28,547,697)</u></b>	<b><u>(1,950,804)</u></b>	<b><u>-</u></b>	<b><u>(30,498,501)</u></b>
<b>Net capital assets</b>	<b><u>\$ 27,202,582</u></b>	<b><u>\$ 242,352</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 27,444,934</u></b>

Depreciation expense for the year ended June 30, 2022, was charged to business-type activities as follows:

Joint utility	\$ 1,943,534
Irrigation assessment	<u>7,270</u>
<b>Total</b>	<b><u>\$ 1,950,804</u></b>

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 7 – Long-Term Liabilities**

During the year ended June 30, 2022, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Long-term liabilities					
NMFA capital improvements	\$ 2,537,007	\$ -	\$ (198,956)	\$ 2,338,051	\$ 207,162
Compensated absences	564,070	338,694	(307,886)	594,878	368,824
Total long-term liabilities	<u>\$ 3,101,077</u>	<u>\$ 338,694</u>	<u>\$ (506,842)</u>	<u>\$ 2,932,929</u>	<u>\$ 575,986</u>

Notes outstanding for governmental activities at June 30, 2022, consisted of the following loans.

Description	Date of Issuance	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2022	Pledged Revenues
NMFA - PP 2192 Loan	10/24/08	05/01/31	2.03 - 4.89%	\$ 3,367,380	\$ 2,338,051	Gross receipts tax

The annual requirements to amortize the notes payable for governmental activities as of June 30, 2022, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2023	\$ 207,162	\$ 109,494	\$ 316,656
2024	215,213	100,027	315,240
2025	230,999	90,005	321,004
2026	239,572	79,177	318,749
2027	256,934	67,760	324,694
2028-2031	1,188,171	138,128	1,326,299
	<u>\$ 2,338,051</u>	<u>\$ 584,591</u>	<u>\$ 2,922,642</u>

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 7 – Long-Term Liabilities (continued)**

**Business-Type Activities**

During the year ended June 30, 2022, the following changes occurred in the liabilities reported in the proprietary funds' statement of net position:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Notes payable					
NMED CWSRF 009R	\$ 2,191,482	\$ -	\$ (264,662)	\$ 1,926,820	\$ 275,177
NMED CWSRF 021	3,043,263	-	(96,107)	2,947,156	113,211
Total notes payable	5,234,745	-	(360,769)	4,873,976	388,388
Compensated absences	184,119	109,376	(157,867)	135,628	67,814
Total long-term liabilities	<u>\$ 5,418,864</u>	<u>\$ 109,376</u>	<u>\$ (518,636)</u>	<u>\$ 5,009,604</u>	<u>\$ 456,202</u>

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%, through September 2022 and 0.1% through June 2029. The Joint Utility Fund reports the outstanding principal.

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%, through September 2022 and 0.1% through January 2048. The Joint Utility Fund reports the outstanding principal.

Notes outstanding for business-type activities at June 30, 2022, consists of the following loans:

Description	Date of Issuance	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2022	Pledged Revenues
CWSRF 009R Loan	3/23/18	6/30/29	1.20%	\$ 3,233,765	\$ 1,926,820	Net Joint Utility Fund Revenues
CWSRF 021 Loan	2/27/18	1/28/48	1.20%	3,324,802	2,947,156	Net Joint Utility Fund Revenues

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 7 – Long-Term Liabilities (continued)**

The annual requirements to amortize the notes payable for business-type activities as of June 30, 2022, including interest payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$ 388,388	\$ 488	\$ 388,876
2024	388,427	448	388,875
2025	388,465	410	388,875
2026	388,505	371	388,876
2027	388,544	331	388,875
2028–2032	1,117,107	1,160	1,118,267
2033–2037	566,732	793	567,525
2038–2042	567,015	511	567,526
2043–2047	567,299	228	567,527
2048	113,494	11	113,505
	<u>\$ 4,873,976</u>	<u>\$ 4,751</u>	<u>\$ 4,878,727</u>

**Compensated Absences**

Employees of the City may accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2022, compensated absences decreased by \$48,491 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

**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, 2022, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance.



## City of Aztec, New Mexico Notes to Financial Statements

---

### Note 9 – Other Required Individual Fund Disclosures

GAAP requires disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The Local Government Correction Fund had a deficit fund balance as June 30, 2022.
- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of control is at the fund level. The General Fund exceeded approved budgetary authority related to debt service for the year ended June 30, 2022.
- C. Designated cash appropriations in excess of available balances: The Local Government Correction Fund, Airport Special Revenue Fund, and the Lodgers Tax Fund exceeded budgeted designated cash appropriations for the year ended June 30, 2022.

### Note 10 – Pension Plan – Public Employees Retirement Association

#### General Information about the Pension Plan

*Plan description* – *Public Employees Retirement Association* (PERA) 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 PERA. 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 PERA 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 PERA, unless specifically excluded.

*Benefits provided* – *TIER I*. Benefits are generally available at age 65 with five or 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.

## City of Aztec, New Mexico Notes to Financial Statements

---

### **Note 10 – Pension Plan – Public Employees Retirement Association (continued)**

*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 eight 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 six or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee contribution increased 1.5% and effective July 1, 2014, employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

#### **Contributions**

See PERA's Annual Comprehensive 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 PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2020. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2020, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2021. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2020.

*For PERA Municipal General Division*, at June 30, 2022, the City reported a liability of \$3,772,364 for its proportionate share of the net pension liability. At June 30, 2021, the City's proportion was 0.3348%, which was a decrease of 0.0036% from its proportion measured as of June 30, 2020.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 10 – Pension Plan – Public Employees Retirement Association (continued)**

For the year ended June 30, 2022, the City recognized PERA Municipal General Division pension expense of \$329,788. At June 30, 2022, the City reported PERA 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	\$ 3,529	\$ 121,037
Differences between expected and actual experience	93,907	12,915
Net difference between projected and actual earnings on pension plan investments	-	1,550,225
Changes of assumption	1,240	-
	\$ 98,676	\$ 1,684,177

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,

2023	\$ 305,046
2024	296,331
2025	348,251
2026	635,873
	\$ 1,585,501

**For PERA Municipal Police Division**, at June 30, 2022, the City reported a liability of \$1,681,845 for its proportionate share of the net pension liability. At June 30, 2021, the City's proportion was 0.3252%, which was an increase of 0.0019% from its proportion measured as of June 30, 2020.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 10 – Pension Plan – Public Employees Retirement Association (continued)**

For the year ended June 30, 2022, the City recognized PERA Municipal Police Division pension expense of \$228,368. At June 30, 2022, the City reported PERA 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	\$ 8,967	\$ 107,524
Differences between expected and actual experience	127,150	-
Net difference between projected and actual earnings on pension plan investments	-	609,647
Changes of assumption	655	-
	\$ 136,772	\$ 717,171

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,

2022	\$ 99,045
2023	116,005
2024	116,818
2025	248,531
	\$ 580,399

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 10 – Pension Plan – Public Employees Retirement Association (continued)**

**Actuarial assumptions**

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement date.

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization period	Level Percentage of Pay
Asset valuation method	Solved for based on statutory rates
<b>Actuarial Assumptions</b>	
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% 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 generational. 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)

**City of Aztec, New Mexico**  
**Notes to 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, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2021. These assumptions were adopted by the PERA Board for use in the June 30, 2020 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:

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	35.50%	5.90%
Risk reduction and mitigation	19.50%	1.00%
Credit oriented fixed income	15.00%	4.20%
Real assets to include real estate equity	20.00%	6.00%
Multi-risk allocation	10.00%	6.40%
	<u>100.00%</u>	

**Discount Rate**

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2021. 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%, 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%) or 1-percentage-point-higher (8.25%) than the current rate.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 10 – Pension Plan – Public Employees Retirement Association (continued)**

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>PERA Municipal General Division</u>			
City of Aztec's proportionate share of the net pension liability	<u>\$ 6,766,790</u>	<u>\$ 3,772,364</u>	<u>\$ 1,288,399</u>
<u>PERA Municipal Police Division</u>			
City of Aztec's proportionate share of the net pension liability	<u>\$ 2,944,459</u>	<u>\$ 1,681,845</u>	<u>\$ 648,608</u>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued fiscal year 2021 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Payables to the Pension Plan**

At June 30, 2022, 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**

**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.

**City of Aztec, New Mexico**  
**Notes to 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, 2021, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	53,092
Inactive and eligible for deferred benefit	11,754
Current active members	92,484
	157,330
Active membership	
State general	18,691
State police and corrections	1,919
Municipal general	20,357
Municipal police	1,573
Municipal FTRE	756
Educational Retirement Board	49,188
	92,484

**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 \$143,199 for the year ended June 30, 2022.



**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 11 – Post-Employment Benefit – State Retiree Health Care Plan (continued)**

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

At June 30, 2022, the City reported a liability of \$2,912,289 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to June 30, 2021. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2021. At June 30, 2021, the City's proportion was 0.08851%.

For the year ended June 30, 2022, the City recognized OPEB benefit of \$370,084. At June 30, 2022, 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	\$ 583,067	\$ 1,052,896
Net difference between projected and actual earnings on OPEB plan investments	-	83,478
Changes in proportion and differences between contributions and proportionate share of contributions	50,970	266,882
Differences between expected and actual experience	42,581	464,449
City's contributions subsequent to the measurement date	95,466	-
	\$ 772,084	\$ 1,867,705

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,

2023	\$ (471,355)
2024	(312,487)
2025	(193,668)
2026	(86,140)
2027	(127,437)
	\$ (1,191,087)

**City of Aztec, New Mexico**  
**Notes to 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 as of June 30, 2021, using the following actuarial assumptions:

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	2.30% for ERB members; 2.50% for PERA members
Projected payroll increases	3.25% to 13.00%, based on years of service, including inflation
Investment rate of return	7.00%, 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 Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB members: Pub-2010 Teachers Active Employee Mortality PERA members: RP-2014 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.

**City of Aztec, New Mexico**  
**Notes to 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:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	0.4%
U.S. equity - large cap	6.6%
Non U.S. - emerging markets	9.2%
Non U.S. - developed equities	7.3%
Private equity	10.6%
Credit and structured finance	3.1%
Real estate	3.7%
Absolute return	2.5%
U.S. equity - small/mid cap	6.6%

**Discount Rate**

The discount rate used to measure the Fund's total OPEB liability is 3.62% as of June 30, 2021. 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, 2052. Thus, the 7.00% discount rate was used to calculate the net OPEB liability through 2052. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used beyond 2040, resulting in a blended discount rate of 3.62%.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62%) or 1-percentage-point higher (4.62%) than the current discount rate:

1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
<u>\$ 3,659,223</u>	<u>\$ 2,912,289</u>	<u>\$ 2,331,256</u>

**City of Aztec, New Mexico**  
**Notes to 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
\$ 2,342,418	\$ 2,912,289	\$ 3,371,205

**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, 2021.

**Payable Changes in the Net OPEB Liability**

At June 30, 2022, the City reported no outstanding contributions payable to NMRHCA for the year ended June 30, 2022.

**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, 2022. 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, 2022, were:

Description	Total Contracts	Remaining Commitment
N. Main	\$ 2,591,278	\$ 239,849
Senior Center Kitchen Remodel	22,759	19,323
East Aztec Arterial, Phase 2	186,700	99,337
McWilliams Road	54,705	37,780
	\$ 2,855,442	\$ 396,289

---

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 13 – Commitments (continued)**

The City's outstanding commitments for the business-type activities at June 30, 2022, were:

<u>Description</u>	<u>Total Contracts</u>	<u>Remaining Commitment</u>
NM 173 Waterline, Phase 1	\$ 489,650	\$ 57,793
Reservoir 1 Rehabilitation	<u>362,344</u>	<u>256,953</u>
	<u>\$ 851,994</u>	<u>\$ 314,746</u>

**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 from these audits is not believed to be material.

**Note 15 – Restricted Net Position**

The government-wide statement of net position reports \$5,092,545 of restricted net position for governmental activities, all of which is restricted by enabling legislation or debt reserves. In addition, the statement of net position reports \$1,105,004 of restricted net position for business-type activities, all of which is restricted for debt service and repair and replacement costs.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**

---

**Note 16 – Fund Balances**

Fund balances on the modified accrual basis was classified as follows at June 30, 2022:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>
General fund				
Prepaid expenses	\$ 2,651	\$ -	\$ -	\$ -
Minimum fund balance policy	-	-	819,700	-
Unassigned	-	-	-	7,102,544
Total general fund	<u>2,651</u>	<u>-</u>	<u>819,700</u>	<u>7,102,544</u>
Capital projects fund				
Capital projects	-	797,936	-	-
Total intergovernmental grants fund	<u>-</u>	<u>797,936</u>	<u>-</u>	<u>-</u>
All other governmental funds				
Prepaid expenses	12,894	-	-	-
Capital projects	-	84,656	-	-
Public safety	-	803,288	-	-
Public works	-	2,677,520	-	-
Culture and recreation	-	153,159	6,786	-
Economic development	-	-	119,540	-
Total all other governmental funds	<u>12,894</u>	<u>3,718,623</u>	<u>126,326</u>	<u>-</u>
Total fund balances	<u>\$ 15,545</u>	<u>\$ 4,516,559</u>	<u>\$ 946,026</u>	<u>\$ 7,102,544</u>

**Note 17 – Tax Abatements**

The City had no tax abatements during the year ended June 30, 2022. 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.

## **Required Supplementary Information**

---

**City of Aztec, New Mexico**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Public Employees Retirement Association (PERA)**  
**Year Ended June 30, 2022**

Measurement Date	June 30,									
	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014		
City of Aztec's proportion of the net pension liability (asset)										
Municipal general	0.3348%	0.3388%	0.3384%	0.3627%	0.3446%	0.3697%	0.3587%	0.3579%		
Municipal police	0.3252%	0.3233%	0.3561%	0.3584%	0.3645%	0.3639%	0.4481%	0.4526%		
City of Aztec's proportionate share of the net pension liability (asset)										
Municipal general	\$ 3,772,364	\$ 6,851,306	\$ 5,858,041	\$ 5,782,780	\$ 4,735,096	\$ 5,906,562	\$ 3,657,257	\$ 2,792,004		
Municipal police	1,681,845	2,776,725	2,630,400	2,445,379	2,025,036	2,684,962	1,786,380	1,339,815		
Total	\$ 5,454,209	\$ 9,628,031	\$ 8,488,441	\$ 8,228,159	\$ 6,760,132	\$ 8,591,524	\$ 5,443,637	\$ 4,131,819		
City of Aztec's covered payroll										
Municipal general	\$ 3,851,097	\$ 3,507,738	\$ 2,933,539	\$ 3,059,120	\$ 3,026,775	\$ 3,182,789	\$ 2,984,716	\$ 8,370,704		
Municipal police	703,111	774,937	967,238	757,143	751,270	723,725	604,078	2,789,369		
Total	\$ 4,701,889	\$ 4,282,675	\$ 3,900,777	\$ 3,816,263	\$ 3,778,045	\$ 3,906,514	\$ 3,588,794	\$ 11,160,073		
City of Aztec's proportionate share of the net liability (asset) as a percentage of its covered payroll										
Municipal general	97.96%	195.32%	199.69%	189.03%	156.44%	185.58%	122.53%	33.35%		
Municipal police	239.20%	358.32%	271.95%	322.97%	269.55%	370.99%	295.72%	48.03%		
Plan fiduciary net position as a percentage of the total pension liability										
Municipal general	44.48%	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%		
Municipal police	44.48%	66.36%	70.52%	71.13%	73.74%	69.18%	76.90%	81.29%		

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



**City of Aztec, New Mexico**  
**Schedule of Contributions**  
**Public Employees Retirement Association (PERA)**  
**Year Ended June 30, 2022**

	June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
<b>Contractually required contribution</b>								
Municipal general	\$ 329,788	\$ 257,959	\$ 334,989	\$ 280,153	\$ 292,146	\$ 289,057	\$ 302,365	\$ 283,548
Municipal police	228,368	132,888	146,463	182,808	143,100	141,990	136,784	137,609
<b>Total</b>	<b>\$ 558,156</b>	<b>\$ 390,847</b>	<b>\$ 481,452</b>	<b>\$ 462,961</b>	<b>\$ 435,246</b>	<b>\$ 431,047</b>	<b>\$ 439,149</b>	<b>\$ 421,157</b>
<b>Contributions in relation to the contractually required contribution</b>								
Municipal general	\$ (329,788)	\$ (257,959)	\$ (334,989)	\$ (280,153)	\$ (292,146)	\$ (289,057)	\$ (302,365)	\$ (283,548)
Municipal police	(228,368)	(132,888)	(146,463)	(182,808)	(143,100)	(141,990)	(136,784)	(137,609)
<b>Total</b>	<b>\$ (558,156)</b>	<b>\$ (390,847)</b>	<b>\$ (481,452)</b>	<b>\$ (462,961)</b>	<b>\$ (435,246)</b>	<b>\$ (431,047)</b>	<b>\$ (439,149)</b>	<b>\$ (421,157)</b>
<b>Contribution deficiency (excess)</b>								
Municipal general	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal police	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>City of Aztec's covered payroll</b>								
Municipal general	\$ 3,851,097	\$ 2,701,141	\$ 3,507,738	\$ 2,933,539	\$ 3,059,120	\$ 3,026,775	\$ 3,182,789	\$ 2,984,716
Municipal police	703,111	703,111	774,937	967,238	757,143	751,270	723,725	604,078
<b>Total</b>	<b>\$ 4,554,208</b>	<b>\$ 3,404,252</b>	<b>\$ 4,282,675</b>	<b>\$ 3,900,777</b>	<b>\$ 3,816,263</b>	<b>\$ 3,778,045</b>	<b>\$ 3,906,514</b>	<b>\$ 3,588,794</b>
<b>Contributions as a percentage of covered payroll</b>								
Municipal general	8.56%	9.55%	9.55%	9.55%	9.55%	9.55%	9.50%	9.50%
Municipal police	32.48%	18.90%	18.90%	18.90%	18.90%	18.90%	18.90%	22.78%

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

**City of Aztec, New Mexico**  
**Schedule of Proportionate Share of the Net OPEB Liability**  
**New Mexico Retiree Health Care Authority (NMRHCA)**  
**Year Ended June 30, 2022**

Measurement Date	June 30,			
	2022	2021	2020	2019
City of Aztec's proportion of the net OPEB liability	0.08851%	0.08928%	0.09527%	0.09328%
City of Aztec's proportionate share of the net OPEB liability	\$ 2,912,289	\$ 3,748,785	\$ 3,089,023	\$ 4,056,144
City of Aztec's covered-employee payroll	\$ 4,051,645	\$ 4,090,569	\$ 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	71.88%	91.64%	73.24%	102.35%
Plan fiduciary net position as a percentage of the total OPEB liability	25.39%	16.50%	18.92%	13.14%
				114.19%
				11.34%

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

**City of Aztec, New Mexico**  
**Schedule of Contributions**  
**New Mexico Retiree Health Care Authority (NMRHCA)**  
**Year Ended June 30, 2022**

	Year Ended June 30,			
	2022	2021	2020	2018
Contractually required contributions	\$ 95,466	\$ 85,763	\$ 87,950	\$ 79,661
Contributions in relation to the contractually required contribution	<u>(95,466)</u>	<u>(85,763)</u>	<u>(87,950)</u>	<u>(79,661)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Aztec's covered-employee payroll	\$ 4,525,443	\$ 4,051,645	\$ 4,090,569	\$ 3,963,197
Contributions as a percentage of covered-employee payroll	2.11%	2.00%	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 ten years. However, until a full ten-year trend is compiled, the City will present information for those years for which information is available.

## City of Aztec, New Mexico

### 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 ACFR available at <https://www.saonm.org>.

*Changes of assumptions.* The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 2020 report is available at <http://www.nmpera.org/>

#### **New Mexico Retiree Health Care Authority**

*Changes of benefit terms.* The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHCA audit available at <http://nmrhca.org/financial-documents>.

*Changes of assumptions.* The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2021 report is available at <http://nmrhca.org/financial-documents>. See the notes to the financial statements which summarize actuarial assumptions and methods effective with the June 30, 2021 valuation.

## **Supplementary Information**

---

**City of Aztec, New Mexico**  
**Nonmajor Governmental Fund Descriptions**  
**Year Ended June 30, 2022**

---

**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.

**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.

**Intergovernmental Grants Fund:** This fund is used to account for intergovernmental grants previously included in the General Fund. This fund was established per the New Mexico Department of Finance and Administration (DFA) requirement in Resolution 2018-1093.

**American Rescue Plan Fund:** This fund was established by the City during fiscal year 2022 to account for the funding received under the Coronavirus State and Local Fiscal Recovery Funds program.

**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 Fund**

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

**City of Aztec, New Mexico**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
**June 30, 2022**

	Municipal Road Fund	Special Revenue				Lodger's Tax Fund
		Law Enforcement Protection Fund	Local Government Correction Fund	Economic Development Fund	Impact Fees Fund	
<b>Assets</b>						
Cash and cash equivalents	\$ 963,269	\$ 639	\$ 21,301	\$ 40,328	\$ 3,062	\$ 20,785
Investments	1,568,333	-	-	79,212	3,724	45,361
Receivables						
Taxes	-	-	-	-	-	-
Intergovernmental	171,454	-	-	-	-	-
Other	-	-	-	-	-	4,872
Prepaid expenses	-	-	-	-	-	1,421
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,703,056</b>	<b>\$ 639</b>	<b>\$ 21,301</b>	<b>\$ 119,540</b>	<b>\$ 6,786</b>	<b>\$ 72,439</b>
<b>Liabilities</b>						
Accounts payable	\$ 25,536	-	\$ 25,745	\$ -	-	\$ -
Accrued payroll	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>25,536</b>	<b>-</b>	<b>25,745</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>						
Nonspendable	-	-	-	-	-	1,421
Restricted	2,677,520	639	(4,444)	-	-	71,018
Committed	-	-	-	119,540	6,786	-
<b>Total fund balances (deficit)</b>	<b>2,677,520</b>	<b>639</b>	<b>(4,444)</b>	<b>119,540</b>	<b>6,786</b>	<b>72,439</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,703,056</b>	<b>\$ 639</b>	<b>\$ 21,301</b>	<b>\$ 119,540</b>	<b>\$ 6,786</b>	<b>\$ 72,439</b>

**City of Aztec, New Mexico**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
**June 30, 2022**

	Special Revenue				Capital Projects		Total Nonmajor Governmental Funds
	State Fire Fund	Intergovernmental Grants Fund	American Rescue Plan Fund	Airport Fund	Community Development Block Grant Fund	Total Nonmajor Governmental Funds	
<b>Assets</b>							
Cash and cash equivalents	\$ 288,701	\$ 46,091	\$ 464,614	\$ 16,405	\$ 4,345	\$ 1,869,540	
Investments	519,279	54,501	-	62,963	-	2,333,373	
Receivables	-	-	-	-	-	-	
Taxes	-	-	-	-	-	-	
Intergovernmental	-	-	-	-	-	171,454	
Other	-	-	-	8,437	-	13,309	
Prepaid expenses	7,151	-	-	4,322	-	12,894	
Due from other funds	-	418	-	-	-	418	
<b>Total assets</b>	<b>\$ 815,131</b>	<b>\$ 101,010</b>	<b>\$ 464,614</b>	<b>\$ 92,127</b>	<b>\$ 4,345</b>	<b>\$ 4,400,988</b>	
<b>Liabilities</b>							
Accounts payable	887	1,677	-	4,794	-	58,639	
Accrued payroll	-	2,095	-	-	-	2,095.00	
Other accrued liabilities	-	-	-	900	-	900.00	
Unearned revenue	-	16,206	463,505	1,800	-	481,511	
<b>Total liabilities</b>	<b>887</b>	<b>19,978</b>	<b>463,505</b>	<b>7,494</b>	<b>-</b>	<b>543,145</b>	
<b>Fund balances</b>							
Nonspendable	7,151	-	-	4,322	-	12,894	
Restricted	807,093	81,032	1,109	80,311	4,345	3,718,623	
Committed	-	-	-	-	-	126,326	
<b>Total fund balances</b>	<b>814,244</b>	<b>81,032</b>	<b>1,109</b>	<b>84,633</b>	<b>4,345</b>	<b>3,857,843</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 815,131</b>	<b>\$ 101,010</b>	<b>\$ 464,614</b>	<b>\$ 92,127</b>	<b>\$ 4,345</b>	<b>\$ 4,400,988</b>	



**City of Aztec, New Mexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2022**

	Municipal Road Fund	Law Enforcement Protection Fund	Special Revenue				Lodger's Tax Fund
			Government Correction Fund	Economic Development Fund	Impact Fees Fund		
<b>Revenue</b>							
Taxes							
Gross receipts	\$ 230,047	\$ -	\$ -	\$ -	\$ -	\$ -	-
Gasoline and motor vehicle	457,052	-	-	-	-	-	-
Other	-	-	-	-	-	-	39,056
Intergovernmental							
Federal operating grants	-	-	-	-	-	-	-
Federal capital grants	-	-	-	-	-	-	-
State operating grants	-	29,000	-	-	-	-	-
Local grants	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Licenses and fees	-	-	47,304	-	4,000	-	-
Investment income	4,633	23	-	234	11	-	134
Miscellaneous	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>691,732</b>	<b>29,023</b>	<b>47,304</b>	<b>234</b>	<b>4,011</b>	<b>-</b>	<b>39,190</b>
<b>Expenditures</b>							
Current							
Public safety	-	17,443	62,585	-	-	-	-
Public works	72,065	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	54,241
Health and welfare	-	-	-	-	-	-	-
Capital outlay	93,169	-	-	-	-	-	-
<b>Total expenditures</b>	<b>165,234</b>	<b>17,443</b>	<b>62,585</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,241</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>526,498</b>	<b>11,580</b>	<b>(15,281)</b>	<b>234</b>	<b>4,011</b>	<b>-</b>	<b>(15,051)</b>
<b>Other financing sources (uses)</b>							
Transfers in	-	3,985	-	-	-	-	-
Transfers (out)	-	(15,000)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(11,015)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>526,498</b>	<b>565</b>	<b>(15,281)</b>	<b>234</b>	<b>4,011</b>	<b>-</b>	<b>(15,051)</b>
<b>Fund balances - beginning of year</b>	<b>2,151,022</b>	<b>74</b>	<b>10,837</b>	<b>119,306</b>	<b>2,775</b>	<b>-</b>	<b>87,490</b>
<b>Fund balances (deficit) - end of year</b>	<b>\$ 2,677,520</b>	<b>\$ 639</b>	<b>\$ (4,444)</b>	<b>\$ 119,540</b>	<b>\$ 6,786</b>	<b>\$ -</b>	<b>\$ 72,439</b>

**City of Aztec, New Mexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances --**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2022**

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	Slate Fire Fund	Intergovernmental Grants Fund	American Rescue Plan Fund	Airport Fund	Community Development Block Grant Fund	
<b>Revenue</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,047
Gross receipts	-	-	-	-	-	457,052
Gasoline and motor vehicle	-	-	-	-	-	39,056
Other	-	-	-	-	-	-
Intergovernmental						
Federal operating grants	-	144,154	-	(2,517)	-	141,637
Federal capital grants	-	142,973	-	-	-	142,973
State operating grants	224,797	154,169	-	-	-	407,966
Local grants	-	9,035	-	-	-	9,035
Charges for services	-	24,339	-	79,783	-	104,122
Licenses and fees	-	17,828	-	-	-	69,132
Investment income	1,534	161	-	186	-	6,916
Miscellaneous	89	-	324,552	-	-	324,641
<b>Total revenues</b>	<b>226,420</b>	<b>492,659</b>	<b>324,552</b>	<b>77,452</b>	<b>-</b>	<b>1,932,577</b>
<b>Expenditures</b>						
Current						
Public safety	57,751	685	-	-	-	138,464
Public works	-	-	-	98,831	-	170,896
Culture and recreation	-	174,278	(1,109)	-	-	227,410
Health and welfare	-	167,917	-	-	-	167,917
Capital outlay	-	132,666	-	-	-	225,835
<b>Total expenditures</b>	<b>57,751</b>	<b>475,546</b>	<b>(1,109)</b>	<b>98,831</b>	<b>-</b>	<b>930,522</b>
Excess (deficiency) of revenues over expenditures	168,669	17,113	325,661	(21,379)	-	1,002,055
Other financing sources (uses)						
Transfers in	-	74	-	-	-	4,059
Transfers out	-	-	(324,552)	-	-	(339,552)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>74</b>	<b>(324,552)</b>	<b>-</b>	<b>-</b>	<b>(335,493)</b>
Net change in fund balances	168,669	17,187	1,109	(21,379)	-	666,562
Fund balances - beginning of year	645,575	63,845	-	106,012	4,345	3,191,281
Fund balances - end of year	\$ 814,244	\$ 81,032	\$ 1,109	\$ 84,633	\$ 4,345	\$ 3,857,843

## **Supporting Schedules**

---

**City of Aztec, New Mexico**  
**Schedule of Deposit and Investment Accounts**  
**June 30, 2022**

Bank Account Type	Citizens		Four Corners		High Desert Credit Union	State Treasure LGIP	NMFA Accounts	Total
	Bank	Bank	Community Bank	Bank				
Municipal Court Bond Account - Demand	\$ 26,384	\$ -	-	-	\$ -	\$ -	-	\$ 26,384
CDBG Project Account - Demand	4,245	-	-	-	-	-	-	4,245
Employee Association Account - Demand	13,418	-	-	-	-	-	-	13,418
ST&POL Interest Checking - Demand	11,856,369	-	-	-	-	-	-	11,856,369
Regular Share Account	-	-	-	20	-	-	-	20
Certificates of Deposit - Interest Bearing	5,000,000	1,000,000	-	229,102	-	12,876,867	-	6,229,102
New MexiGROW-LGIP	-	-	-	-	-	-	-	12,876,867
NMFA Cash	-	-	-	-	-	-	180,402	180,402
NMFA Reserve Account	-	-	-	-	-	-	338,805	338,805
	<u>\$ 16,900,416</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 229,122</u>	<u>\$ 12,876,867</u>	<u>\$ 519,207</u>		<u>\$ 31,525,612</u>
Plus petty cash								1,847
Less custodial cash and cash equivalents per statement of fiduciary net position								(13,418)
Less investments per statement of net position								<u>(19,105,696)</u>
Cash and cash equivalents per statement of net position								<u>\$ 12,408,345</u>

**City of Aztec, New Mexico**  
**Schedule of Collateral Pledged by Depository for Public Funds**  
**June 30, 2022**

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Value June 30, 2022
<b>Citizens Bank</b>				
	Federal Home Loan Bank	9/15/2031	3137AFP22	\$ 3,168,244
	Federal Home Loan Bank	3/20/2041	38377U2A5	1,912,295
	Federal Home Loan Bank	2/15/2030	9128283Z1	2,490,925
	Federal Home Loan Bank	6/30/2026	91282CCJ8	<u>2,770,200</u>
	<b>Total Citizens Bank</b>			<u>10,341,664</u>
	Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank (FHLB) Dallas, TX			
<b>Four Corners Community Bank</b>				
	New Mexico Finance Authority Rev	6/15/2045	64711PFU9	470,033
	New Mexico Finance Authority Rev	6/1/2033	64711PHA1	<u>647,284</u>
	<b>Total Four Corners Community Bank</b>			<u>1,117,317</u>
	Name and location of safekeeper for above pledged collateral: The Independent BankersBank (TIB) Dallas, TX			
<b>Total pledged collateral</b>				<u>\$ 11,458,981</u>

**City of Aztec, New Mexico**  
**Schedule of Special, Deficiency, Specific, and Capital Outlay Appropriations**  
**June 30, 2022**

Description	Share Identifier No.	Original Appropriation	Appropriation Period	Expenditures to Date	Outstanding Encumbrances	Unencumbered Balances
<b>Special, Deficiency, Specific and Capital Outlay Appropriations</b>						
Aztec Senior Center - Code Comply	D2049	\$ 53,800	2019-6/30/2023	\$ 53,800	-	\$ -
E Aztec Arterial Route Construct San Juan Co	D3387	3,158,000	2019-6/30/2023	-	-	3,158,000
N Main Ave Extend Aztec	D3388	2,500,000	2019-6/30/2023	1,492,240	-	1,007,760
Reauth-East Aztec Arterial Route Construction	D4075	1,190,413	2019-6/30/2023	-	-	1,190,413
NM HWY 173 Water Line Relocation Aztec	E2180	1,500,000	6/29/2020-6/30/2024	-	-	1,500,000
Aztec Outdoor Recreation Mft & Retain Facility	E2678	500,000	10/27/2020-6/30/2024	5,000	-	495,000
		<u>\$ 8,902,213</u>		<u>\$ 1,551,040</u>	<u>-</u>	<u>\$ 7,351,173</u>

**City of Aztec, New Mexico**  
**Schedule of Joint Powers Agreements**  
**Year Ended June 30, 2022**

Joint Power Agreement	Participants (Including City of Aztec)	Responsible Party	Description	Total Project	Total Estimated Project Amount and Amount Applicable to Party	Amount Contributed by City During Current Fiscal Year	Audit Responsibility
Communications	Cities of Bloomfield & Farmington; San Juan County	San Juan County Communications Authority	Communications	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
County jail operations	San Juan County	San Juan County	County jail operations	Variable	\$86,454/day/prisoner through 6/30/21; rate recalculated July 1 in subsequent years \$ 62,585	62,585	San Juan County
Police Training	Cities of Bloomfield & Farmington; San Juan County	San Juan County Criminal Justice Training Authority	Police Training	Variable	Pro-rata share of costs \$ 9,000	9,000	Cities of Bloomfield & Farmington; San Juan County
Water rights protection/acquisition distribution	Cities of Bloomfield & Farmington; San Juan County; rural water associations	San Juan Water Commission	Water rights protection/acquisition distribution	Variable	0.5% of mill levy assessed on property taxes \$ -	-	Cities of Bloomfield & Farmington; San Juan County; rural water associations
Municipal Planning Organization	Cities of Bloomfield & Farmington and San Juan County	City of Farmington	Municipal Planning Organization	Variable	Pro-rata share (10%) of costs of MPO (operational and special projects) \$ 2,770	2,770	Cities of Bloomfield & Farmington and San Juan County



## **Report of Independent Auditors 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***

City Commission  
City of Aztec, New Mexico

Joseph M. Maestas, New Mexico State Auditor  
Santa Fe, New Mexico

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison of the general fund, and the aggregate remaining fund information of City of Aztec, New Mexico (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated May 31, 2023.

### **Report on 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.



### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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.

We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978, that we have described in the Section 12-6-5 NMSA 1978 schedule of findings and questions costs as item 2022-002.

### **The City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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



Albuquerque, New Mexico  
May 31, 2023

**City of Aztec, New Mexico**  
**Summary of Auditor's Results (As Required by 2.2.2.10 NMAC (L)(1)(f))**  
**Year Ended June 30, 2022**

---

**Section I – Summary of Auditor's Results**

---

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:      Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                       Yes                       No
- Significant deficiency(ies) identified?                       Yes                       None reported

Noncompliance material to financial statements noted?                       Yes                       No

**City of Aztec, New Mexico**  
**Summary of Auditor's Results (As Required by 2.2.2.10 NMAC (L)(1)(f))**  
**Year Ended June 30, 2022**

---

**Section II – Financial Statement Findings**

---

**2022-001 General Ledger Reconciliations/Financial Close and Reporting Process (Material Weakness in Internal Controls)**

**Condition:** During our audit, the following issues were noted relating to the City of Aztec's (City's) financial close and reporting process:

- The City lacked procedures to ensure the activity and balances of all funds were reconciled on a timely basis during the fiscal year. As a result, various accounts required significant adjustments and corrections following the financial close and throughout the audit.
- The City lacked procedures to accrue liabilities and make estimates where required in an accurate and complete manner for unearned revenue, accounts receivable, capital asset depreciation, accounts payable, and compensated absences at year end.
- The City lacked a consistent system in place to reconcile and classify cash and investment balances in a timely manner.
- The City was unable to close its books in a timely manner for the audit to be completed and reports issued before the December 15, 2022 deadline.

**Criteria:** NMAC 2.20.5.8 requires agencies to ensure that all reporting of financial information be timely, complete, and accurate.

**Effect:** Possible misstatements of the financial statements and untimely financial reporting.

**Cause:** Turnover in the City's accounting staff resulted in inconsistencies in the application of accounting policies, procedures, and internal controls to ensure accurate general ledger maintenance and the timely completion of the financial close and reporting process. Proper policies and procedures for account reconciliation are not currently followed consistently throughout the year or at year end.

**Recommendation:** The City of Aztec should evaluate its financial reporting processes and controls to determine whether additional controls over the reconciliation process can be implemented to provide reasonable assurance that the financial statements are prepared timely, completely, and accurately.

**Management Response:** The City agrees with this finding. Due to significant staffing changes, and a lack of critical positions in the Finance Department significant challenges were encountered in preparing and maintaining segregation of duties. The City has made it a priority to fill critical positions and provide training to ensure proper segregation of duties exist and that policies and procedures are developed and implemented.

**Responsible Person:** Finance Director

**Timeline and Estimated Completion Date:** September 15, 2023

**City of Aztec, New Mexico**  
**Summary of Auditor's Results (As Required by 2.2.2.10 NMAC (L)(1)(f))**  
**Year Ended June 30, 2022**

---

---

**Section IV – Other Findings as Required by Section 12-6-5 NMSA 1978**

---

**2022-002 (2021-002) Late Audit Report (Compliance and Other Matters)**

**Condition:** The City of Aztec's audit report for the year ended June 30, 2022 was not submitted to the State Auditor by the required due date of December 15, 2022.

While the City has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with laws, regulations, State compliance requirements and City policies.

**Criteria:** Audit reports not received on or before the due date are out of compliance with the requirements of the New Mexico State Audit Rule (2.2.2 NMAC).

**Effect:** The City of Aztec's audit report for the year ended June 30, 2022 was late.

**Cause:** The City of Aztec was unable to provide supporting documentation before the agreed-upon dates to complete the audit on schedule.

**Recommendation:** We recommend that the City of Aztec implement policies and procedures for a timely financial close and reporting process to ensure that funds and major programs are reconciled, and information is available to complete the year-end audit according to the agreed-upon schedule.

**Management Response:** The City agrees with this finding. Due to significant staffing changes and a lack of critical positions in the Finance Department, the City was unable to adhere to a timely year-end close and to implement the corrective action plan from the prior year.

The City will adhere to quarter-end closing checklists and procedures with additional staff. This will help the Finance Department improve results from accurate financial reporting and makes the City's Finance Department audit-ready earlier, thereby reducing the risk of a late audit. The City will provide training to Finance Department personnel in completing the quarter-end close checklist. In addition, to monitor compliance over the timely and accurate completion of the quarter-end close checklists and procedures the City and its Finance Department are committed to meeting the fiscal year 2023 audit deadlines.

**Responsible Person:** Finance Director

**Timeline and Estimated Completion Date:** August 1, 2023

**City of Aztec, New Mexico**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2022**

---

**Finding 2021-001 – Capital Assets (Material Weakness) – Resolved (Finding 2020-001)**

**Finding 2021-002 – Late Audit Report – Other Noncompliance – Repeated as Finding 2022-002**

**City of Aztec, New Mexico  
Exit Conference  
Year Ended June 30, 2022**

---

An exit conference was held on May 30, 2023. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

**City of Aztec**

Michael Padilla Sr., Mayor  
Jeff Blackburn, City Manager  
Jennie Achee, Finance Director

**Moss Adams LLP**

Kory Hoggan, Partner  
Ernesto Ramirez, Assurance Senior Manager

**Preparation of Financial Statements**

The financial statements presented in this report have been prepared with the assistance of the independent auditor. However, they are the responsibility of management, as addressed in the Report of Independent Auditors. Management reviewed and approved the financial statements.