STATE OF NEW MEXICO

CITY OF AZTEC

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

PATTILLO, BROWN & HILL, LLP

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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STATE OF NEW MEXICO
CITY OF AZTEC
OFFICIAL ROSTER
JUNE 30, 2025

City Commission

Michael A. Padilla Sr.	Mayor
Kenneth B. George	Mayor Pro-Temp
Austin R. Randall	Commissioner
Colby King	Commissioner
Jim Crowley	Commissioner

Administration

Jeff Blackburn	City Manager
Karla Sayler	City Clerk & Human Resource Mgr.
Jennie Achée	Finance Director

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INDEPENDENT AUDITOR'S REPORT

To Joseph M. Maestas, P.E., CFE
New Mexico State Auditor
And
City Commission
City of Aztec
Aztec, New Mexico

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of the City of Aztec, New Mexico ("City") as of and for the year ended June 30, 2025, 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 present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate remaining fund information, each major fund, and the budgetary comparison for the general fund and major special revenue funds of the City as of June 30, 2025, and the respective changes in financial position 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*, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 20 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, during the year ended June 30, 2025. This new standard establishes recognition and measurement guidance for compensated absences, resulting in changes to the entity's accounting policies and adjustments to previously reported balances. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

Auditors' 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, 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.
- 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 the 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 the City's proportionate share of the net pension liability, the schedule of the City's contributions, the schedule of the City's proportionate share of the OPEB liability, and the schedule of the City's contributions on pages 68-72 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the supporting schedules, and introductory section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as required by 2.2.2 NMAC is also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal awards, and the other supporting schedules as required by 2.2.2 NMAC as listed in the table of contents are the responsibility of management and were derived from and relates 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 and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal awards and the other supporting schedules as required by 2.2.2 NMAC as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
January 20,2026

City of Aztec, New Mexico
STATEMENT OF NET POSITION
June 30, 2025

		Primary Government		
		Governmental Activities	Business-Type Activities	Totals
ASSETS				
Current:				
Cash and cash equivalents	$	1,327,412	299,348	1,626,760
Investments		20,394,000	17,669,118	38,063,118
Receivables				
Taxes		1,971,537	41,901	2,013,438
Utility Receivable, net of allowance		-	1,625,003	1,625,003
Intergovernmental		181,563	-	181,563
Interest		-	-	-
Other receivables		39,939	11,987	51,926
Inventory		-	2,122,901	2,122,901
Prepaid expenses		6,242	1,600	7,842
Total current assets		23,920,693	21,771,858	45,692,551
Noncurrent assets:				
Capital Assets, not being depreciated		1,200,856	1,855,151	3,056,007
Capital Assets, being depreciated		58,121,540	67,133,829	125,255,369
Less Accumulated depreciation.		(30,004,045)	(37,036,867)	(67,040,912)
Total noncurrent assets		29,318,351	31,952,113	61,270,464
Total assets		53,239,044	53,723,971	106,963,015
DEFERRED OUTFLOWS				
Deferred outflows related to Net Pension Liability		2,580,599	433,146	3,013,745
Deferred outflows related to Net OPEB Liability		430,359	136,969	567,328
Total deferred outflows		3,010,958	570,115	3,581,073
Total assets and deferred outflows	$	56,250,002	54,294,086	110,544,088

City of Aztec, New Mexico
STATEMENT OF NET POSITION
June 30, 2025

		Primary Government		
		Governmental Activities	Business-Type Activities	Totals
LIABILITIES				
Current liabilities:				
Accounts payable	$	23,846	407,396	431,242
Accrued payroll		241,669	79,848	321,517
Other accrued liabilities		-	54,899	54,899
Customer deposits payable		2,590	538,711	541,301
Unearned revenue		120,918	320,958	441,876
Accrued Interest		-	124	124
Compensated absences, current		399,202	100,087	499,289
Long-term liabilities, current		239,572	385,998	625,570
Total current liabilities		1,027,797	1,888,021	2,915,818
Noncurrent liabilities:				
Long-term liabilities, net of current portion		1,445,105	3,325,152	4,770,257
Compensated absences, net of current portion		399,202	100,088	499,290
Net pension liability		10,293,980	1,816,305	12,110,285
Net OPEB Liability		1,196,889	380,932	1,577,821
Total noncurrent liabilities		13,335,176	5,622,477	18,957,653
Total liabilities		14,362,973	7,510,498	21,873,471
DEFERRED INFLOWS				
Deferred inflows related to Net Pension Liability		286,445	83,981	370,426
Deferred inflows related to Net OPEB Liability		1,052,557	334,996	1,387,553
Total deferred inflows		1,339,002	418,977	1,757,979
NET POSITION				
Net investment in capital assets		27,633,674	28,240,963	55,874,637
Nonspendable		6,242	-	6,242
Committed		1,014,568	-	1,014,568
Restricted				
Capital projects		-	-	-
Special revenue		14,272,072	-	14,272,072
Repair and replacement		-	716,676	716,676
Unrestricted (deficit)		(2,378,529)	17,406,972	15,028,443
Total net position		40,548,027	46,364,611	86,912,638
Total liabilities, deferred inflows, and net position	$	56,250,002	54,294,086	110,544,088

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

			Program Revenues		
Functions/Programs		**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:					
Governmental activities:					
General government	$	3,216,283	2,385,191	8,917,136	1,187,795
Public safety		5,651,984	30,095	1,194,177	-
Public works		1,662,884	-	123,500	144,014
Culture and recreation		2,266,728	-	184,280	-
Health and welfare		885,511	-	-	-
Capital Outlay		-	-	-	-
Interest relating to long-term debt		91,434	-	-	-
Total governmental activities	$	13,774,824	2,415,286	10,419,093	1,331,809
Business-type activities					
Joint Utility		12,354,758	11,319,730	-	2,764,688
Solid waste		1,570,688	1,501,446	-	-
Irrigation assessment		3,200	-	-	-
Stormwater		99,534	344,207	-	-
Interest relating to long-term debt		404	-	-	-
Total business-type activities		14,060,471	13,165,383	-	2,764,688
Total Primary Government	$	27,835,295	15,580,669	10,419,093	4,096,497

General Revenues:

Taxes:

Property taxes, levied for general purposes

Gross receipt taxes

Gasoline and motor vehicle taxes

Other taxes and fees

Payment in lieu of taxes

Investment income

Miscellaneous income

Gain on disposition of assets

Internal balance transfers

Total general revenues, transfers, and special items

Change in net position

Net position - beginning

Restatement (Note 20)

Net position - beginning as restated

Ending net position

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
9,273,839	-	9,273,839
(4,427,712)	-	(4,427,712)
(1,395,370)	-	(1,395,370)
(2,082,448)	-	(2,082,448)
(885,511)	-	(885,511)
-	-	-
(91,434)	-	(91,434)
391,364	-	391,364
-	1,729,660	1,729,660
-	(69,242)	(69,242)
-	(3,200)	(3,200)
-	244,673	244,673
-	(404)	(404)
-	1,869,600	1,869,600
391,364	1,869,600	2,260,964
754,426	-	754,426
7,130,218	133,881	7,264,099
260,478	-	260,478
135,592	-	135,592
545,089	-	545,089
1,202,957	5,192	1,208,149
246,660	1,687	248,347
-	-	-
5,000,000	(3,362,516)	1,637,484
15,275,420	(3,221,756)	12,053,664
15,666,784	(1,352,156)	14,314,628
25,087,475	47,800,344	72,887,819
(206,232)	(83,577)	(289,809)
24,881,243	47,716,767	72,598,010
$ 40,548,027	46,364,611	86,912,638

See Notes to Financial Statements

City of Aztec, New Mexico
BALANCE SHEET-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

		General Fund	Municipal Road	Intergovernmental Grants	American Rescue Plan
ASSETS					
Current:					
Cash and cash equivalents	$	114,135	385,828	4,423	121,117
Investments		7,400,000	11,300,000	290,000	-
Receivables					
Taxes		1,844,664	-	-	-
Intergovernmental		3,806	78,243	94,709	-
Other receivables		32,591	-	-	-
Prepaid expenses		6,192	-	50	-
Due from other funds		102,981	-	-	-
Total current assets	$	9,504,369	11,764,071	389,182	121,117
LIABILITIES AND FUND BALANCE					
Current liabilities:					
Accounts payable	$	23,846	-	-	-
Accrued payroll and other		236,700	-	4,969	-
Customer deposits		1,690	-	-	-
Unearned revenue		910	-	-	120,008
Due to other funds		-	-	75,530	-
Total current liabilities		263,146	-	80,499	120,008
DEFERRED INFLOWS					
Unavailable revenue - Property Taxes		836,006	-	-	-
Total deferred inflows		836,006	-	-	-
FUND BALANCE (DEFICIT)					
Nonspendable		6,192	-	50	-
Restricted		-	11,764,071	308,633	1,109
Committed		996,243	-	-	-
Assigned		-	-	-	-
Unassigned		7,402,782	-	-	-
Total fund balance (deficit)		8,405,217	11,764,071	308,683	1,109
Total liabilities, deferred inflows, and fund balance (deficit)	$	9,504,369	11,764,071	389,182	121,117

See Notes to Financial Statements

Airport Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
60,426	93,736	547,747	1,327,412
-	1,300,000	104,000	20,394,000
-	126,873	-	1,971,537
-	-	4,805	181,563
7,348	-	-	39,939
-	-	-	6,242
-	-	-	102,981
67,774	1,520,609	656,552	24,023,674
-	-	-	23,846
-	-	-	241,669
900	-	-	2,590
-	-	-	120,918
27,451	-	-	102,981
28,351	-	-	492,004
-	-	-	836,006
-	-	-	836,006
-	-	-	6,242
39,423	1,520,609	638,227	14,272,072
-	-	18,325	1,014,568
-	-	-	-
-	-	-	7,402,782
39,423	1,520,609	656,552	22,695,664
67,774	1,520,609	656,552	24,023,674

See Notes to Financial Statements

City of Aztec, New Mexico
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

Amounts reported for governmental activities in the statement of net position are different because:		
Fund balances - total governmental funds	$	22,695,664
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		29,318,351
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		836,006
Deferred outflows and inflows of resources related to pension and OPEB are applicable to future periods and therefore, not reported in funds.		
Deferred outflow of resources- related to net pension liability		2,580,599
Deferred outflow of resources- related to net OPEB liability		430,359
Deferred inflow of resources- related to net pension liability		(286,445)
Deferred inflow of resources- related to net OPEB liability		(1,052,557)
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		(798,404)
Notes payable		(1,684,677)
Net pension liability		(10,293,980)
Net OPEB liability		(1,196,889)
Total net position	$	40,548,027

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

		General Fund	Municipal Road	Intergovernmental Grants	American Rescue Plan
Revenues:					
Taxes					
Property	$	830,639	-	-	-
Gross receipts		5,918,533	267,799	-	-
Gasoline and motor vehicle		41,799	218,679	-	-
Other		104,494	-	-	-
Payment in lieu of tax		545,089	-	-	-
Intergovernmental revenue					
Federal operating grants		3,860	836,223	-	-
Federal capital grants		-	-	81,000	1,106,795
State operating grants		412,317	7,481,855	928,049	-
Local grants		23,600	-	159,281	-
Charges for services		2,327,315	-	19,302	-
Licenses and fees		26,075	-	-	-
Investment income		1,202,957	-	-	-
Miscellaneous		199,172	-	-	-
Total revenues		11,635,850	8,804,556	1,187,632	1,106,795
Expenditures:					
Current					
General government		2,186,789	-	-	257,594
Public safety		4,149,656	-	187,500	-
Public works		891,644	22,213	-	-
Culture and recreation		1,121,409	-	182,755	-
Health and welfare		612,507	-	223,796	-
Capital outlay		888,687	9,568,513	427,444	849,201
Debt service					
Principal		-	-	-	-
Interest		-	-	-	-
Total expenditures		9,850,692	9,590,726	1,021,495	1,106,795
Excess (deficiency) of revenues over expenditures		1,785,158	(786,170)	166,137	-
Other financing sources (uses):					
Transfers in		26,770	9,000,000	-	-
Transfers out		(4,000,000)	-	-	-
Total other financing sources (uses)		(3,973,230)	9,000,000	-	-
Net change in fund balances		(2,188,072)	8,213,830	166,137	-
Fund balances (deficit)- beginning of year		10,593,289	-	142,546	1,109
Restatement, Note 19		-	3,550,241	-	-
Fund balances (deficit) - Beg of year Restated		10,593,289	3,550,241	142,546	1,109
Fund balances (deficit) - end of year	$	8,405,217	11,764,071	308,683	1,109

See Notes to Financial Statements

Airport Fund	Captal Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
-	-	-	830,639
-	910,354	33,532	7,130,218
-	-	-	260,478
-	-	31,098	135,592
-	-	-	545,089
20,000	-	-	860,083
144,014	-	-	1,331,809
164,280	-	389,628	9,376,129
-	-	-	182,881
57,377	-	11,292	2,415,286
-	-	-	26,075
-	-	-	1,202,957
21,158	-	255	220,585
406,829	910,354	465,805	24,517,821
100,266	-	780	2,545,429
-	-	197,061	4,534,217
-	-	-	913,857
-	291,773	55,000	1,650,937
-	-	38,083	874,386
256,170	203,890	81,110	12,275,015
-	230,999	-	230,999
-	91,434	-	91,434
356,436	818,096	372,034	23,116,274
50,393	92,258	93,771	1,401,547
-	-	-	9,026,770
-	-	(26,770)	(4,026,770)
-	-	(26,770)	5,000,000
50,393	92,258	67,001	6,401,547
(10,970)	1,428,351	4,139,792	16,294,117
-	-	(3,550,241)	-
(10,970)	1,428,351	589,551	16,294,117
39,423	1,520,609	656,552	22,695,664

See Notes to Financial Statements

City of Aztec, New Mexico
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	6,401,547
Deferred inflows of resources related to property taxes to be recognized and to be collected in future periods and reported in funds and deferred inflows.		(76,213)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital expenditures recorded in capital outlay		12,139,023
Depreciation expense		(1,481,935)
Capital assets disposed		(10,864)
Capital assets transferred to Proprietary funds		-
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		
Pension contributions		500,480
Pension expense		(2,194,440)
OPEB contributions		85,902
OPEB benefit		154,912
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.		
Increase in accrued compensated payable		(82,627)
Principal payments on loans payable		230,999
Change in net position	$	15,666,784

See Notes to Financial Statements.

City of Aztec, New Mexico
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL- GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	$ 769,338	769,338	807,340	38,002
Gross receipts	5,530,168	5,530,168	5,918,533	388,365
Gasoline and motor vehicle	39,800	39,800	41,799	1,999
Other	116,380	116,380	104,494	(11,886)
Payment in lieu of taxes	550,983	550,983	545,089	(5,894)
Intergovernmental				
Federal operating grants	-	-	-	-
State operating grants	520,119	542,702	412,317	(130,385)
Local grants	-	-	23,600	23,600
Charges for services	1,977,906	1,977,906	2,327,365	349,459
Licenses and fees	27,060	27,060	26,075	(985)
Investment income	820,000	820,000	1,246,504	426,504
Miscellaneous	124,325	142,134	199,123	56,989
Total revenues	10,476,079	10,516,471	11,652,239	1,135,768
Expenditures				
Current				
General government	2,490,270	2,616,140	2,155,983	460,157
Public safety	4,536,444	4,567,449	4,056,603	510,846
Public works	889,412	959,826	878,773	81,053
Culture and recreation	1,248,018	1,353,891	1,107,503	246,388
Health and welfare	978,063	820,672	603,424	217,248
Capital outlay	1,125,492	1,110,138	888,687	221,451
Total expenditures	11,267,699	11,428,116	9,690,973	1,737,143
Excess (deficiency) of revenues over expenditures	(791,620)	(911,645)	1,961,266	2,872,911
Other financing sources (uses):				
Transfers in	26,720	26,720	26,770	(50)
Transfers out	(100,000)	(4,164,254)	(4,000,000)	164,254
Total other financing sources (uses)	(73,280)	(4,137,534)	(3,973,230)	164,204
Net changes in fund balances	$ (864,900)	(5,049,179)	(2,011,964)	3,037,215
Reconciliation to GAAP basis:				
Adjustments to revenues			(16,389)	
Adjustments to expenditures			(159,719)	
Net Change in Fund Balances (GAAP Basis)			$ (2,188,072)	

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL- MUNICIPAL ROAD
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget-Positive (Negative)
Revenues				
Taxes				
Property	$ -	-	-	-
Gross receipts	280,000	280,000	267,799	(12,201)
Gasoline and motor vehicle	350,000	350,000	254,021	(95,979)
Other	-	-	-	-
Payment in lieu of taxes	-	-	-	-
Intergovernmental				
Federal operating grants	-	-	-	-
State operating grants	8,537,217	23,025,067	8,318,078	(14,706,989)
Local grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	9,167,217	23,655,067	8,839,898	(14,815,169)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	96,500	96,500	22,213	74,287
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	9,065,617	23,553,467	9,568,513	13,984,954
Total expenditures	9,162,117	23,649,967	9,590,726	14,059,241
Excess (deficiency) of revenues over expenditures	5,100	5,100	(750,828)	(755,928)
Other financing sources (uses):				
Transfers in	-	14,487,850	9,000,000	5,487,850
Transfers out	-	-	-	-
Total other financing sources (uses)	-	14,487,850	9,000,000	5,487,850
Net changes in fund balances	$ 5,100	14,492,950	8,249,172	(6,243,778)
Reconciliation to GAAP basis:				
Adjustments to revenues			(35,342)	
Adjustments to expenditures			-	
Net Change in Fund Balances (GAAP Basis)			$ 8,213,830	

City of Aztec, New Mexico
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL- INTERGOVERNMENTAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Intergovernmental				
Federal operating grants	$ -	-	-	-
Federal capital grants	-			
State operating grants	1,997,631	2,388,919	928,049	(1,460,870)
Local grants	187,454	187,454	159,281	(28,173)
Charges for services	21,000	21,000	19,302	(1,698)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	2,206,085	2,597,373	1,106,632	(1,490,741)
Expenditures				
Current				
General government	-	-	-	-
Public safety	187,500	187,500	187,500	-
Culture and recreation	826,569	847,357	179,251	668,106
Health and welfare	197,878	677,990	222,502	455,488
Capital outlay	964,456	1,049,532	427,444	622,088
Total expenditures	2,176,403	2,762,379	1,016,697	1,745,682
Excess (deficiency) of revenues over expenditures	29,682	(165,006)	89,935	254,941
Other financing sources (uses):				
Transfers in	-	121,518	-	121,518
Transfers out	-	-	-	-
Total other financing sources (uses)	-	121,518	-	121,518
Net changes in fund balances	$ 29,682	(43,488)	89,935	133,423
Reconciliation to GAAP basis:				
Adjustments to revenues			81,000	
Adjustments to expenditures			(4,798)	
Net Change in Fund Balances (GAAP Basis)			$ 166,137	

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL- AMERICAN RESCUE PLAN
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget-Positive (Negative)
Revenues				
Intergovernmental				
Federal operating grants	$ -	-	1,251,561	1,251,561
State operating grants	-	-	-	-
Local grants	-	-	-	-
Total revenues	-	-	1,251,561	1,251,561
Expenditures				
Current				
General government	260,000	260,000	257,594	2,406
Capital outlay	967,912	967,912	849,201	118,711
Total expenditures	1,227,912	1,227,912	1,106,795	121,117
Excess (deficiency) of revenues over expenditures	(1,227,912)	(1,227,912)	144,766	1,372,678
Other financing sources (uses):				
Transfers in	-	-	-	
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	$ (1,227,912)	(1,227,912)	144,766	1,372,678
Reconciliation to GAAP basis:				
Adjustments to revenues			(144,766)	
Adjustments to expenditures			-	
Net Change in Fund Balances (GAAP Basis)			$ -	

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL- AIRPORT FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget-Positive (Negative)
Revenues				
Intergovernmental				
Federal operating grants	$ -	-	20,000	20,000
Federal capital grants	272,164	272,164	144,014	(128,150)
State operating grants	216,075	216,075	164,280	(51,795)
Charges for services	66,820	80,000	57,377	(22,623)
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	26,820	21,158	(5,662)
Total revenues	555,059	595,059	406,829	(188,230)
Expenditures				
Current				
General government	72,861	115,861	100,266	15,595
Capital outlay	244,330	287,066	256,170	30,896
Total expenditures	317,191	402,927	356,436	46,491
Excess (deficiency) of revenues over expenditures	237,868	192,132	50,393	(141,739)
Other financing sources (uses):				
Transfers in	-	42,736	-	
Transfers out	-	-	-	-
Total other financing sources (uses)	-	42,736	-	-
Net changes in fund balances	$ 237,868	234,868	50,393	(184,475)
Reconciliation to GAAP basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net Change in Fund Balances (GAAP Basis)			$ 50,393	

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

		Enterprise Funds	
	Joint Utility	Solid Waste	Irrigation Assessment
ASSETS			
Current assets			
Cash and cash equivalents	$ 137,653	8,179	88,635
Investment	16,789,118	580,000	-
Receivables			
Taxes	41,901	-	-
Intergovernmental	-	-	-
Utility receivables, net of allowance	1,376,573	203,094	-
Interest	-	-	-
Other	11,987	-	-
Inventory	2,122,901	-	-
Prepaid expenses	1,600	-	-
Due from other funds	-	-	-
Total current assets	20,481,733	791,273	88,635
Noncurrent assets			
Capital Assets, not being depreciated	1,855,151	-	-
Capital Assets, being depreciated	66,879,398	50,407	204,024
Less Accumulated depreciation.	(36,834,747)	(50,407)	(151,713)
Total noncurrent assets	31,899,802	-	52,311
Total assets	52,381,535	791,273	140,946
Deferred outflows of resources			
Deferred outflows related to Net Pension Liability	433,146	-	-
Deferred outflows related to Net OPEB Liability	136,969	-	-
Total deferred outflows	570,115	-	-
Total assets and deferred outflows of resources	$ 52,951,650	791,273	140,946

Stormwater Utility	Total Proprietary Funds
64,881	299,348
300,000	17,669,118
-	41,901
-	-
45,336	1,625,003
-	-
-	11,987
-	2,122,901
-	1,600
-	-
410,217	21,771,858
-	1,855,151
-	67,133,829
-	(37,036,867)
-	31,952,113
410,217	53,723,971
-	433,146
-	136,969
-	570,115
410,217	54,294,086

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

		Enterprise Funds		
		Joint Utility	Solid Waste	Irrigation Assessment
LIABILITIES				
Current liabilities				
Accounts payable	$	34,380	371,590	-
Accrued payroll		79,095	753	-
Other accrued liabilities		54,899	-	-
Customer deposits payable		538,711	-	-
Unearned Revenues		320,958	-	-
Accrued interest		124	-	-
Compensated absences, current		100,087	-	-
Long-term liabilities, current		385,998	-	-
Total current liabilities		1,514,252	372,343	-
Noncurrent liabilities				
Compensated absences, net of current portion		100,088	-	-
Long-term liabilities, net of current portion		3,325,152	-	-
Net pension liability		1,816,305	-	-
Net OPEB Liability		380,932	-	-
Total noncurrent liabilities		5,622,477	-	-
Total liabilities		7,136,729	372,343	-
Deferred inflows of resources				
Deferred inflows related to Net Pension Liability		83,981	-	-
Deferred inflows related to Net OPEB Liability		334,996	-	-
Total deferred inflows		418,977	-	-
NET POSITION				
Net investment in capital assets		28,188,652	-	52,311
Restricted				
Repair and replacement		716,676	-	-
Unrestricted		16,490,616	418,930	88,635
Total net position		45,395,944	418,930	140,946
Total liabilities, deferred inflows, and net position	$	52,951,650	791,273	140,946

Stormwater Utility	Total Proprietary Funds
1,426	407,396
-	79,848
-	54,899
-	538,711
-	320,958
-	124
-	100,087
-	385,998
1,426	1,888,021
-	100,088
-	3,325,152
-	1,816,305
-	380,932
-	5,622,477
1,426	7,510,498
-	83,981
-	334,996
-	418,977
-	28,240,963
-	716,676
408,791	17,406,972
408,791	46,364,611
410,217	54,294,086

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Enterprise Funds		
	Joint Utility	Solid Waste	Irrigation Assessment
OPERATING REVENUES			
Charges for services	$ 11,274,630	1,501,446	-
Rent	45,100	-	-
Total operating revenues	11,319,730	1,501,446	-
OPERATING EXPENSES			
Personnel services	1,602,771	638	-
Utilities	454,433	-	-
Contractual services	1,167,358	-	-
Supplies and purchase power	2,229,947	-	6,046
Other costs	1,867,425	1,570,050	-
Depreciation expense	2,684,513	-	(2,846)
Repair and maintenance	2,340,605	-	-
Insurance expense	39,593	-	-
Total operating expenses	12,386,645	1,570,688	3,200
Operating income (loss)	(1,066,915)	(69,242)	(3,200)
NONOPERATING REVENUES (EXPENSES)			
Gross receipts taxes	133,881	-	-
State capital grants	2,764,688	-	-
Interest expense	(404)	-	-
Investment income	5,192	-	-
Miscellaneous income	1,687	-	-
Total nonoperating revenues (expenses)	2,905,044	-	-
Income (loss) before capital contributions and transfers	1,838,129	(69,242)	(3,200)
Capital contributions	1,637,484	-	-
Transfers in (out)	(4,975,294)	-	-
Change in net position	(1,499,681)	(69,242)	(3,200)
NET POSITION, BEGINNING OF YEAR	46,979,202	488,172	144,146
RESTATEMENT (NOTE 20)	(83,577)	-	-
NET POSITION, BEGINNING OF YEAR RESTATEMENT	46,895,625	488,172	144,146
NET POSITION, END OF YEAR	$ 45,395,944	418,930	140,946

See Notes to Financial Statements

Stormwater Utility	Total Proprietary Funds
344,207	13,120,283
-	45,100
344,207	13,165,383
-	1,603,409
-	454,433
23,085	1,190,443
-	2,235,993
-	3,437,475
-	2,681,667
76,449	2,417,054
-	39,593
99,534	14,060,067
244,673	(894,684)
-	133,881
-	2,764,688
-	(404)
-	5,192
-	1,687
-	2,905,044
244,673	2,010,360
-	1,637,484
(24,706)	(5,000,000)
219,967	(1,352,156)
188,824	47,800,344
-	(83,577)
188,824	47,716,767
408,791	46,364,611

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF CASH FLOWS -PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Enterprise Funds		
	Joint Utility	Solid Waste	Irrigation Assessment
Cash flows from operating activities			
Cash received from user charges and others	$ 11,213,348	1,489,264	-
Cash payments to employees for services	(2,363,315)	(322)	-
Cash payments to suppliers for goods and services	(9,140,636)	(1,357,408)	(6,046)
Net cash provided (used) by operating activities	(290,603)	131,534	(6,046)
Cash flows from noncapital financing activities			
Gross receipts taxes	133,881	-	-
Miscellaneous income	1,687	-	-
Transfers and interfund activity	(4,975,294)	-	-
Net cash provided by noncapital financing activities	(4,839,726)	-	-
Cash flows from investing activities			
Capital contributions	-	-	-
Sale of investments	(3,837,251)	(580,000)	-
Purchases of investments	-	-	-
Investment income	5,192	-	-
Net cash provided (used) by investing activities	(3,832,059)	(580,000)	-
Cash flows from capital and related financing activities			
Captial grants - state	2,765,928	-	-
Capital contributions	1,637,484	-	-
Acquisition of capital assets	(1,707,181)	-	-
Disposal of assets	94,473	-	-
Principal paid on notes payable	(385,957)	-	-
Interest paid on notes payable	(404)	-	-
Net cash provided (used) by capital financing activities	2,404,343	-	-
Net increase (decrease) in cash and cash equivalents	(6,558,045)	(448,466)	(6,046)
Cash and cash equivalents, beginning of year	6,695,698	456,645	94,681
Cash and cash equivalents end of year	$ 137,653	8,179	88,635

Stormwater Utility	Total Proprietary Funds
326,240	13,028,852
-	(2,363,637)
(99,389)	(10,603,479)
226,851	61,736
-	133,881
-	1,687
(24,706)	(5,000,000)
(24,706)	(4,864,432)
-	-
(300,000)	(4,717,251)
-	-
-	5,192
(300,000)	(4,712,059)
-	2,765,928
-	1,637,484
24,706	(1,682,475)
-	94,473
-	(385,957)
-	(404)
24,706	2,429,049
(73,149)	(7,085,706)
138,030	7,385,054
64,881	299,348

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF CASH FLOWS -PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

		Enterprise Funds	
	Joint Utility	Solid Waste	Irrigation Assessment
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (1,066,915)	(69,242)	(3,200)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:			
Depreciation expense	2,757,938	-	(2,846)
Disposal of assets	(73,425)	-	-
Changes in Assets and Liabilities			
Receivable, net	(108,198)	(12,182)	-
Inventory	2,848	-	-
Prepaids	3,355	212,642	-
Due from other funds	-	-	-
Accounts payable	(1,049,575)	-	-
Accrued payroll	24,518	316	-
Accrued compensated absences	(13,951)	-	-
Net Pension Liability	(546,901)	-	-
OPEB Libaility	(222,113)	-	-
Other accrued liabilities		-	-
Customer deposits	1,816	-	-
Net cash provided by operating activities	$ (290,603)	131,534	(6,046)

See Notes to Financial Statements

Stormwater Utility	Total Proprietary Funds
244,673	(894,684)
-	2,755,092
-	(73,425)
(17,967)	(138,347)
-	2,848
-	215,997
-	-
145	(1,049,430)
-	24,834
-	(13,951)
-	(546,901)
-	(222,113)
-	-
-	1,816
226,851	61,736

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025

		Custodial Fund Employee Association Fund
ASSETS		
Cash and cash equivalents	$	10,543
Total assets	$	10,543
NET POSITION		
Net position	$	10,543
Total net position	$	10,543

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025

		Custodial Fund Employee Association Fund
Additions		
Contributions	$	9,085
Total additions		9,085
Deductions		
Other miscellaneous cost		317
Food and beverage		5,819
Total deductions		6,136
Net increase (decrease) in fiduciary net position		2,949
Net position, beginning		7,594
Net position, ending	$	10,543

STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

The Intergovernmental Grants 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The American Rescue Plan 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 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: To account 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.

The Stormwater Utility Fund was established by the City Commission to support a stormwater management plan to comply with stormwater discharge permits issued under the National Pollutant Discharge Elimination System.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property taxes are levied on January 1 based on the assessed value of property as assessed on the same date and are due in two payments by November 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 City 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 2025. The amount amortized each year of the contract is the net savings by month, which is based upon the kilowatt hours purchased.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Assets	Years
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 $3,013,745 and $567,328, 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $836,006 related to property taxes considered "unavailable".

These items which arise from pension obligations and from OPEB obligations, $370,426 and $1,387,553, 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.

Accrued Expenses

Accrued payroll and other is comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2025, 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, 2025.

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. 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.

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, 2025, the City had nonspendable fund balance categorized in the governmental funds balance sheet in the amount of $6,242 as detailed on in Note 16.

Restricted and Committed Fund Balance – At June 30, 2025, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of $14,272,072 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 $1,014,568. 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 $996,243 for the year ended June 30, 2025. 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, 2025.

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 $7,402,7822 in unassigned fund balances at June 30, 2025.

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."

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenditures/Expenses

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as

(a) charges for services, which include revenues collected for fees and use of City facilities, etc.,

(b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and

(c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The City reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for services for the City's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Significant estimates in the City's financial statements include the fair value of investments, allowance for uncollectible accounts in the enterprise funds, expected useful lives of capital assets, net pension liability and associated deferred outflows and deferred inflows, net OPEB liability and associated deferred outflows and deferred inflows, and the current portion of accrued compensated absences.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued and Implemented Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, Compensated Absences, effective for periods beginning after December 15, 2023. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement was implemented at June 30, 2025, and changes have been included in Note 20, Compensated Absence.

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures, effective for periods beginning after June 15, 2024. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement was implemented at June 30, 2025. The implementation of this pronouncement has no material impact on the financials statements of the City.

New Accounting Pronouncements

The following GASB pronouncements have been issued but are not yet effective at June 30, 2025.

GASB Statement No. 103, Financial Reporting Model Improvements

GASB Statement No. 104, Disclosure of Certain Capital Assets

The City will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The City believes that the above listed new GASB pronouncements will not have a significant financial impact to the City or in issuing its financial statements.

Subsequent Events

The City has evaluated subsequent events through January 20, 2026, the date which the financial statements were available to be issued. As of the report date, January 20, 2026, no subsequent events were identified by management.

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.

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.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY BUDGETARY INFORMATION (CONTINUED)

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, 2025.

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

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The City's accounts 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, 2025, $1,482,385 of the City's bank balance of $2,057,617 was subject to custodial credit risk. $1,482,385 was uninsured but collateralized by collateral held by the pledging bank's trust department, but not in the City's name, and $0 of the City's deposits were uninsured and uncollateralized at June 30, 2025.

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

	Citizens Bank	Four Corners Community Bank	High Desert Credit Union	Total
Amount of deposits	$ 881,878	1,100,507	75,232	2,057,617
FDIC coverage	(250,000)	(250,000)	(75,232)	(575,232)
Total uninsured public funds	631,878	850,507	-	1,482,385
Collateralized by securities held by pledging institutions or by its trust department or agent other than the City's name	1,559,276	1,290,781	-	2,850,057
Uninsured and uncollateralized	-	-	-	-
Collateral requirement (50%)	315,939	425,254	-	741,193
Pledged securities	1,559,276	1,290,781	-	2,850,057
Over (under) collateralized	$ 1,243,337	865,527	-	2,108,864

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

Reconciliation to the Statement of Net Position

The carrying amount of deposits shown above are included in the City's statement of net position as follows:

Cash and cash equivalents, statement of net position	$ 1,626,760
Investments, statement of net position	38,063,118
Custodial funds cash and cash equivalents, statement of fiduciary net position	10,543
Total cash and cash equivalents and investments	39,700,421
Plus outstanding checks	1,995,030
Less outstanding deposits	(1,382,709)
Less cash and investments with NMFA	(473,390)
Less New MexiGROW LGIP	(37,780,035)
Less petty cash	(1,700)
Bank balance of deposits	$ 2,057,617

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The New Mexi*GROW* 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.

The City's investments at June 30, 2025, were as follows:

Investment Type	Weighted Average Maturities	Fair Value	Rating
New MexiGROW LGIP	30 Day WAM (R) 39 Day WAM (F)	$ 37,780,035	AAAm
	Total	$ 37,780,035	

** Based on Standard & Poor's rating

In addition, to the investments noted above, there are $1,175,507 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.

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 $37,780,035 with the *New MexiGROW LGIP* is valued at amortized cost. In addition, the investment of $1,175,507 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.

NOTE 4. RECEIVABLES

Governmental receivables as of June 30, 2025, are as follows:

	General Fund	Muni Road	Inter-Gov Grants	Airport Fund	Capital Projects	Nonmajor Gov Funds	Total Governmental Funds
Taxes							
Property	$ 875,630	-	-	-	126,873	-	1,002,503
Gross Receipts	944,033	-	-	-	-	-	944,033
Other Taxes	25,001	-	-	-	-	-	25,001
Intergovernmental							
Fed	3,806	-	81,000	-	-	-	84,806
State	-	78,243	13,709	-	-	4,805	96,757
Other							
Miscellaneous	32,591	-	-	-	-	-	32,591
Charges for services	-	-	-	7,348	-	-	7,348
Total	$ 1,881,061	78,243	94,709	7,348	126,873	4,805	2,193,039

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 $836,006, for the City as of June 30, 2025.

NOTE 4. RECEIVABLES (CONTINUED)

Proprietary fund receivables as of June 30, 2025, are as follows:

	Joint Utility Fund	Solid Waste Fund	Stormwater Utility Fund	Total Enterprise Funds
Utility receivables				
Charges for services	$ 1,570,672	223,013	45,336	1,839,021
Taxes				
Gross receipts	41,901	-	-	41,901
Other				
Miscellaneous	11,987	-	-	11,987
	1,624,560	223,013	45,336	1,892,909
Less allowance	(194,099)	(19,919)	-	(214,018)
Total	$ 1,430,461	203,094	45,336	1,678,891

NOTE 5. TRANSFERS AND INTERFUND RECEIVABLES

Operating transfers were made to supplement other funding sources, as follows for the year ended June 30, 2025:

Transfers Out	Transfer In	
Nonmajor Governmental Funds	General Fund	$ 26,770
General Fund	Municipal Road	4,000,000
Joint Utility	Municipal Road	5,000,000
Stormwater	Joint Utility	24,706
		$ 9,051,476

The City records temporary interfund receivables and payables to enable the funds to operate until monies are received. There were no interfund balances as of June 30, 2025.

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.

During FY25, the City transferred $1,637,484 of capital assets form governmental activities to the Joint Utility Fund.

NOTE 6. CAPITAL ASSETS GOVERNMENT ACTIVITIES

A summary of capital assets and changes occurring during the year ended June 30, 2025 follows. Land and construction in progress are not subject to depreciation.

	Balance June 30, 2024	Additions	Adjustments/ Transfers	Balance June 30, 2025
Capital assets not being depreciated				
Land	$ 950,515	250,341	-	1,200,856
Construction in progress	-	-	-	-
Total capital assets not being depreciated	950,515	250,341	-	1,200,856
Capital assets being depreciated				
Buildings	11,123,436	475,171	(561,114)	10,913,388
Improvements	4,841,181	1,141,500	(899,723)	5,036,798
Machinery and equipment	7,499,169	1,486,120	(94,558)	8,305,964
Infrastructure	23,718,684	8,785,891	1,360,815	33,865,390
Total capital assets being depreciated	47,182,470	11,888,682	(194,580)	58,121,540
Total capital assets	48,132,985	12,139,023	(194,580)	59,322,396
Accumulated depreciation				
Buildings	(5,676,917)	(89,940)	349,945	(5,299,423)
Improvements	(3,430,488)	(134,943)	-	(3,562,431)
Machinery and equipment	(5,360,951)	(322,180)	-	(5,098,467)
Infrastructure	(14,992,502)	(937,872)	(155,365)	(16,043,724)
Total accumulated depreciation	(29,460,858)	(1,481,935)	194,580	(30,004,045)
Net capital assets	$ 18,672,127	10,657,088	-	29,318,351

Depreciation expense for the year ended June 30, 2025, was charged to governmental activities as follows:

General government	$ 92,616
Public safety	216,817
Public works	676,370
Culture and recreation	485,008
Public health and welfare	11,125
Total	$ 1,481,936

NOTE 6. CAPITAL ASSETS GOVERNMENT ACTIVITIES (CONTINUED)

Business- Type Activities

	Balance June 30, 2024	Additions	Deletions/ Transfers	Balance June 30, 2025
Capital assets not being depreciated				
Land & water rights	$ 1,400,122	-	-	1,400,122
Construction in progress	5,564,090	390,436	(5,499,497)	455,029
Total capital assets not being depreciated	6,964,212	390,436	(5,499,497)	1,855,151
Capital assets being depreciated				
Buildings and systems	53,839,248	862,497	5,432,541	60,134,286
Machinery and equipment	6,597,518	429,542	(27,517)	6,999,543
Total capital assets being depreciated	60,436,766	1,292,039	5,405,024	67,133,829
Total capital assets	67,400,978	1,682,475	94,473	68,988,980
Accumulated depreciation				
Buildings and systems	(29,510,155)	(2,397,217)	45,908	(31,861,464)
Machinery and equipment	(4,845,045)	(357,875)	27,517	(5,175,403)
Total accumulated depreciation	(34,355,200)	(2,755,092)	73,425	(37,036,867)
Net capital assets	$ 33,045,778	(1,072,617)	21,048	31,952,113

Depreciation expense for the year ended June 30, 2025, was charged to business-type activities as follows:

Joint Utility	$	2,732,823
Irrigation Assessment		22,269
Total	$	2,755,092

NOTE 7. LONG-TERM LIABILITIES

During the year ended June 30, 2025, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
Long-term liabilities:					
NMFA capital improvements	$ 1,915,676	-	230,999	1,684,677	239,572
Total long-term liabilities	$ 1,915,676	-	230,999	1,684,677	239,572

	Balance 6/30/2024	Restatement	Balance 6/30/2024 as restated	Net change	Balance 6/30/2025	Due Within One Year
Long-term liabilities:						
Compensated absences	$ 509,545	206,232	715,777	82,627	798,404	399,202
Total long-term liabilities	$ 509,545	206,232	715,777	82,627	798,404	399,202

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Notes outstanding for governmental activities at June 30, 2025, consisted of the following loans.

Description	Date of Issuance	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2025	Pledged Revenues
NMFA- PP 2192 Loan	10/24/08	5/01/31	2.03-4.89%	$ 3,367,380	1,684,677	Gross Receipt Tax

The annual requirements to amortize the notes payable for governmental activities as of June 30, 2025, including interest payments are as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2026	$ 239,572	81,054	320,626
2027	256,934	69,794	326,728
2028	275,743	57,590	333,333
2029	291,865	44,382	336,247
2030	304,211	30,285	334,496
2031	316,352	15,470	331,822
	$ 1,684,677	298,575	1,983,252

Business-Type Activities

During the year ended June 30, 2025, the following changes occurred in the liabilities reported in the proprietary funds' statement of net position:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
Notes payable:					
NMED CWSRF 009R	$ 1,376,384	-	275,232	1,101,152	275,260
NMED CWSRF 021	2,720,723	-	110,727	2,609,998	110,738
Total notes payable	4,097,107	-	385,959	3,711,150	385,998

	Balance 6/30/2024	Restatement	Balance 6/30/2024 as Restated	Net Change	Balance 6/30/2025	Due Within One Year
Compensated absences	130,549	83,577	214,126	(13,951)	200,175	100,087
Total long-term liabilities	$ 130,549	83,577	214,126	(13,951)	200,175	100,087

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 $275,370, 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 $113,505, including interest at 1.2%, through September 2022 and 0.1% through January 2048. The Joint Utility Fund reports the outstanding principal.

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Notes outstanding for business-type activities at June 30, 2025, consists of the following loans:

Description	Date of Issuance	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2025	Pledged Revenues
CWSRF 009R Loan	2/3/10	6/30/29	1.20%	$ 3,233,765	$ 1,101,152	Net Joint Utility Fund Revenues
CWSRF 021 Loan	2/27/18	1/28/48	1.20%	3,324,802	2,609,998	Net Joint Utility Fund Revenues
				Total	$ 3,711,150	

The annual requirements to amortize the notes payable for business-type activities as of June 30, 2025, including interest payments are as follows:

Year Ending June 30		Principal	Interest	Total Debt Service
2026	$	385,998	371	386,369
2027		386,036	331	386,367
2028		386,075	293	386,368
2029		386,061	255	386,316
2030		110,782	215	110,997
2031-2035		554,076	907	554,983
2036-2040		554,353	623	554,976
2041-2045		554,630	341	554,971
2046-2048		393,141	68	393,209
	$	3,711,150	3,404	3,714,554

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, 2025, compensated absences increased by $68,675 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, 2025, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance.

NOTE 9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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, 2025.

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, 2025.

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, 2025.

NOTE 10 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan description. *Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-8, 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, Section 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

PERA issues a publicly available annual comprehensive financial report that can be obtained at https://www.nmpera.org/financial-overview/.

Benefits provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 100% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

A blended pension benefit is equal to the sum of the pension attributable to the service credit the member has accrued under each coverage plan with different pension factors, for service credit earned after July 1, 2013.

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. Under the new requirements

NOTE 10 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

(Tier II) general members are eligible to retire at any age if the member has at least five years of service credit and the sum of the member's age and service credit equals at least 85 or at age 65 with 5 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%. Senate Bill 145 passed during the 2023 Legislative Session and provide the 20% enhanced service credit to certain state police members who had not previously been eligible. All public safety members in Tier II may retire at age 60 with 5 or more years of service credit. Generally, under Tier II, pension factors were reduced by .5%. 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 provided description.

NOTE 10 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

PERA Contribution Rates and Pension Factors in effect during FY24						
	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
Coverage Plan	Annual Salary less than $25,000	Annual Salary greater than $25,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	10.92%	19.24%	3.0%	2.5%	100%
MUNICIPAL PLANS 1 – 4						
Municipal Plan 1 (plan open to new employers)	7.0%	9.50%	8.65%	2.0%	2.0%	100%
Municipal Plan 2 (plan open to new employers)	9.15%	11.65%	10.80%	2.5%	2.0%	100%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	15.65%	10.80%	3.0%	2.5%	100%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	18.15%	13.30%	3.0%	2.5%	100%
MUNICIPAL POLICE PLANS 1 – 5						
Municipal Police Plan 1	7.0%	9.50%	11.65%	2.0%	2.0%	100%
Municipal Police Plan 2	7.0%	9.50%	16.65%	2.5%	2.0%	100%
Municipal Police Plan 3	7.0%	9.50%	20.15%	2.5%	2.0%	100%
Municipal Police Plan 4	12.35%	14.85%	20.15%	3.0%	2.5%	100%
Municipal Police Plan 5	16.3%	18.80%	20.15%	3.5%	3.0%	100%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	12.00%	12.65%	2.0%	2.0%	100%
Municipal Fire Plan 2	8.0%	12.00%	19.15%	2.5%	2.0%	100%
Municipal Fire Plan 3	8.0%	12.00%	22.90%	2.5%	2.0%	100%
Municipal Fire Plan 4	12.8%	16.80%	22.90%	3.0%	2.5%	100%
Municipal Fire Plan 5	16.2%	20.20%	22.90%	3.5%	3.0%	100%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	19.15%	18.30%	3.0%	3.0%	100%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	100%
State Plan 3 - Peace Officer	7.42%	10.92%	19.24%	3.0%	3.0%	100%
Juvenile Correctional Officer Plan 2	4.78%	8.28%	28.37%	3.0%	3.0%	100%

NOTE 10 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

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

At June 30, 2025, the City reported a liability of $12,110,285 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The total pension liability was rolled forward from the valuation date to the plan year ending June 30, 2024 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2023. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30,2024. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

For PERA Municipal General Division, at June 30, 2025, the City reported a liability of $7,841,345 for its proportionate share of the net pension liability. At June 30, 2024, the City's proportion was 0.32860%, which was a decrease of 0.01988% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the City recognized PERA Municipal General Division pension expense of $1,046,550. At June 30, 2025, 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
Differences between expected and actual experience	$	744,690	29,242
Changes in assumptions		252,124	-
Net difference between projected and actual earnings on pension plan investments		325,836	-
Changes in proportion and differences between City's contributions and proportionate share of contributions		63,629	333,322
City's contributions subsequent to the measurement date		483,699	-
Total	$	**1,869,978**	**362,564**

NOTE 10 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

$483,699 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. 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:		
2026	$	230,101
2027		730,580
2028		97,904
2029		(34,870)
2030		-
Thereafter		-

For PERA Municipal Police Division, at June 30, 2025, the City reported a liability of $4,268,940 for its proportionate share of the net pension liability. At June 30, 2024, the City's proportion was 0.40427 %, which was an increase of 0.02240% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the City recognized PERA Municipal Police Division pension expense of $819,333. At June 30, 2025, 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
Differences between expected and actual experience	$	456,684	-
Changes in assumptions		-	7,862
Net difference between projected and actual earnings on pension plan investments		162,783	-
Changes in proportion and differences between City's contributions and proportionate share of contributions		289,204	-
City's contributions subsequent to the measurement date		235,097	-
Total	$	1,143,768	7,862

NOTE 10 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

$235,097 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. 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:		
2025	$	336,926
2026		503,398
2027		77,589
2028		(17,140)
2029		-
Thereafter		-

Actuarial assumptions

The total pension liability in the June 30, 2025 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement date.

Actuarial valuation date	June 30, 2023
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll for all divisions except for the Legislative division which is Level Dollar
Amortization period	25 years
Actuarial assumptions	
Investment rate of return	7.25% per year, net of investment-related expenses (composed of an assumed 2.50% inflation rate and a 4.75% real rate of return)
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
Mortality assumption	Pre-retirement mortality: PUB-2010 General Employees Mortality table, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. For non-public safety group, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups. Post-retirement mortality (non-disabled): PUB-2010 General Mortality table, Below Median Income, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Experience study dates	The Board adopted new actuarial assumptions on May 30, 2024 based on the 2024 actuarial experience study prepared as of June 30, 2023. Experience study was conducted for July 1, 2018 to June 30, 2023.

NOTE 10 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2023. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2025. These assumptions were adopted by the

Board use in the June 30, 2025 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using statistical analysis in which best estimate ranges of expected real rates of returns (expected returns, net of pension plan investment expense and inflation adjusted) 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	46.00%	3.90%
Core Fixed income	13.00%	2.30%
Credit	17.00%	3.30%
Absolute Return	6.00%	2.60%
Real Assets	18.00%	5.90%
Total	100.0%	

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2024. 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 periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

NOTE 10 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

PERA Municipal General Division		1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City of Aztec's proportionate share of the net pension liability	$	11,278,731	7,841,345	4,999,749

PERA Municipal Police Division		1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City of Aztec's proportionate share of the net pension liability	$	6,151,296	4,268,940	2,737,210

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued fiscal year 2024 PERA financial report. The report is available at http://www.pera.state.nm.us/publications.html.

Payables to the Pension Plan

At June 30, 2025, 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

Description

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 Statues Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents, and surviving spouses) who have retired or will retire from public service in New Mexico.

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

Benefits Provided

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

NOTE 11. POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Employees Covered by Benefit Terms

At June 30, 2024, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	52,978
Inactive and eligible for deferred benefit	12,552
Current active members	93,595
	159,125
Active membership	
State general	18,462
State police and corrections	1,260
Municipal general	17,283
Municipal police	3,169
Municipal fire	2,419
Educational Retirement Board	51,002
	93,595

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 statue 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 $113,886 for the year ended June 30, 2025.

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

At June 30, 2025, the City reported a liability of $1,577,821 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2024. At June 30, 2024, the Cooperative's proportion was 0.08840 percent.

For the year ended June 30, 2025, the City recognized OPEB income of $355,647. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 11. POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,910	164,810
Changes in assumptions	295,250	1,000,555
Changes in proportion	127,178	222,188
Net difference between projected and actual earnings on OPEB plan investments	14,104	-
Employer contributions subsequent to the measurement date	113,886	-
Total	$ **567,328**	**1,387 ,553**

Deferred outflows of resources totaling $113,886 represent the City's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2025. 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:	
2026	$ (292,673)
2027	(333,859)
2028	(215,023)
2029	(86,857)
2030	(5,699)
Total	$ (934,111)

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, 2023, using the following actuarial assumptions:

Valuation date	June 30, 2023
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of asset.
Inflation	2.30% for ERB members; 2.50% for PERA members
Projected payroll increases	3.00% 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	8.00% graded down to 4.50% over 14 years for Non-Medicare medical plan costs and 8.50% graded down to 4.50% over 16 years for Medicare medical plan costs
Mortality	ERB members: 2020 GRS Southwest Region Teacher Mortality Table, set back one year (and scaled at 95% for males). Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. PERA members: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

Rate of Return

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

NOTE 11. POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	1.6%
U.S. equity – large cap	6.9%
Non U.S. – emerging markets	8.7%
Non U.S. – developed equities	7.2%
Private equity	9.9%
Credit and structured finance	3.7%
Real estate	3.6%
Absolute return	3.2%
U.S. equity – small/mid cap	6.9%

Discount Rate

The discount rate used to measure the total OPEB liability is 7.00% as of June 30, 2025. 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 included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. The 7.00% assumed investment return on plan assets, which includes the assumed inflation rate of 2.50%, was used to calculate the net OPEB liability.

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

The following presents the net OPEB liability, calculated using the discount rate of 7.00% as of June 30, 2025, 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 or 1-percentage-pont higher than the current rate:

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 1,989,736	1,577,821	1,240,157

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
$ 1,219,323	1,577,821	2,498,489

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, 2025.

NOTE 11. POST-EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Payable Changes in the Net OPEB Liability

At June 30, 2025, the City reported no outstanding contributions payable to NMRHCA for the year ended June 30, 2025.

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, 2025. 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, 2025, were:

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 $14,272,072 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 $716,676 of restricted net position for business-type activities, all of which is restricted for debt service and repair and replacement costs.

NOTE 16. FUND BALANCES

Fund balances on the modified accrual basis was classified as follows at June 30, 2025:

	Nonspendable	Restricted	Committed	Unassigned
General fund				
Prepaid expenses	$ 6,192	-	-	-
Minimum fund balance policy	-	-	996,243	-
Unassigned	-	-	-	7,402,782
Total	6,192	-	996,243	7,402,782
Municipal Road				
Unassigned	-	11,764,071	-	-
Total	-	11,764,071	-	-
Intergovernmental grants				
Prepaid expense	50	-	-	-
Unassigned	-	308,633	-	-
Total	50	308,633	-	-
American rescue plan				
Restricted	-	1,109	-	-
Total	-	1,109	-	-
Airport fund				
Unassigned	-	39,423	-	-
Total	-	39,423	-	-
Capital Project fund				
Unassigned	-	1,520,609	-	-
Total	-	1,520,609	-	-
Nonmajor funds				
Public safety	-	589,351	-	-
Culture and recreation	-	48,876	8,785	-
Economic development	-	-	9,540	-
Total	-	638,227	18,325	-
Total fund balances	$ 6,242	14,272,072	1,014,568	7,402,782

NOTE 17. TAX ABATEMENTS

The City had no tax abatements during the year ended June 30, 2025. 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.

NOTE 19. RESTATEMENT

For the current year, the City reported a change in its financial reporting entity. The City previously reported the Airport Fund as a non-major governmental fund. In the prior year, that classification was required based on quantitative factors. However, thresholds were met in the current year which resulted in the classification of the governmental fund as a major fund. Thus, the Airport Fund were reclassified to major funds in the current year.

The changes within the financial reporting entity described above resulted in adjustments to beginning fund balance as follows:

		6/30/2024 As Previously Reported	Change Within Financial Reporting Entity	6/30/2024 As Restated
Governmental Funds				
Major Funds:				
General Fund - 101	$	10,593,289	-	10,593,289
Municipal Road – 200		-	3,550,241	3,550,241
Intergovernmental Grants- 218		142,546	-	435,763
American Rescue Plan-219		1,109	-	1,109
Airport - 270		(10,970)	-	(10,970)
Capital Project Fund- 310		1,428,351	-	1,428,351
Nonmajor fund		4,139,792	(3,550,241)	589,551
Total governmental funds	$	16,294,117	-	16,294,117

NOTE 20 CHANGE IN ACCOUNTING PRINCIPLE: GASB 101

Effective for the fiscal year ended June 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. GASB 101 established a unified recognition and measurement model for all types of compensated absences, including vacation leave, sick leave and other paid time off.

As a result of this implementation, the City changed its method of accounting for compensated absences. Previously, liabilities were recognized only when certain criteria were met (e.g., vesting or payment upon termination). Under GASB 101, liabilities are recognized when leave is earned and attributable to services already rendered, regardless of whether the leave is vested or taken.

This change in accounting principle was applied retroactively by restating the beginning balances of the government-wide and proprietary fund financial statements. The effect of the restatement is summarized below:

NOTE 20 CHANGE IN ACCOUNTING PRINCIPLE: GASB 101 (CONTINUED)

		6/30/2024 As Previously Reported	Change Within Financial Reporting Entity	6/30/2024 As Restated
Governmental Activities	$	25,087,475	(206,232)	24,881,243
Business-Type Activities		47,800,344	(83,577)	47,716,767
Total	$	72,887,819	(289,809)	72,598,010

Required Supplementary Information

City of Aztec, New Mexico
SCHEDULE OF PROPORATIONATE SHARE OF THE NET PENSION LIABILITY
Public Employees Retirement Association (PERA)
Year Ended June 30, 2025

Pension Liability
For Last 10 Fiscal Years*

		Jun-30									
Fiscal Year		**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Measurement Date		**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
City of Aztec Proportion of the Net Pension Liability (Asset)											
Municipal general		0.3286%	0.3485%	0.3607%	0.3348%	0.3388%	0.3384%	0.3627%	0.3346%	0.3697%	0.3587%
Municipal police		0.4043%	0.3819%	0.3289%	0.3252%	0.3233%	0.3561%	0.3584%	0.3645%	0.3639%	0.4481%
City of Aztec Proportionate Share of Net Pension Liability (Asset)											
Municipal general	$	7,841,345	7,378,996	6,397,234	3,772,364	6,851,306	5,858,041	5,782,780	4,735,096	5,906,562	3,657,257
Municipal police		4,268,940	3,682,703	2,643,269	1,681,845	2,776,725	2,630,400	2,445,379	2,025,036	2,684,962	1,786,380
Total		12,110,285	11,061,699	9,040,503	5,454,209	9,628,031	8,488,441	8,228,159	6,760,132	8,591,524	5,443,637
City of Aztec Covered Payroll											
Municipal general	$	4,287,292	3,955,794	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		1,139,532	1,153,268	703,111	703,111	774,937	967,238	757,143	751,270	723,725	604,078
Total		5,426,824	5,109,062	4,554,208	3,404,252	4,282,675	3,900,777	3,816,263	3,778,045	3,906,514	3,588,794
City of Aztec Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll											
Municipal general		182.90%	186.54%	166.11%	139.66%	195.32%	199.69%	189.03%	156.44%	185.58%	122.53%
Municipal police		374.62%	319.33%	375.94%	239.20%	358.32%	271.95%	322.97%	269.55%	370.99%	295.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability											
Municipal general		66.00%	67.26%	69.35%	44.48%	66.36%	70.53%	71.13%	73.74%	69.18%	76.99%
Municipal police		66.00%	67.26%	69.35%	44.48%	66.36%	70.53%	71.13%	73.74%	69.18%	76.99%

City of Aztec, New Mexico
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA)
Year Ended June 30, 2025

Last Ten Fiscal Years*

		2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution											
Municipal general	$	483,699	426,558	390,449	329,788	257,959	334,989	280,153	292,146	289,057	302,365
Municipal police		235,097	231,969	195,574	228,368	132,888	146,463	182,808	143,100	141,990	136,784
Total		718,796	658,527	586,023	558,156	390,847	481,452	462,961	435,246	431,047	439,149
Contributions in Relation to the Statutory Required Contribution											
Municipal general		(483,699)	(426,558)	(390,449)	(329,788)	(257,959)	(334,989)	(280,153)	(292,146)	(289,057)	(302,365)
Municipal police		(235,097)	(231,969)	(195,574)	(228,368)	(132,888)	(146,463)	(182,808)	(143,100)	(141,990)	(136,784)
Total		(718,796)	(658,527)	(586,023)	(558,156)	(390,847)	(481,452)	(462,961)	(435,246)	(431,047)	(439,149)
Contribution Deficiency (Excess)*											
Municipal general	$	-	-	-	-	-	-	-	-	-	-
Municipal police		-	-	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-	-	-
City of Aztec Covered-Employee Payroll											
Municipal general	$	4,287,292	3,955,794	3,851,097	3,851,097	2,701,141	3,507,738	2,933,539	3,059,120	3,026,775	3,182,789
Municipal police		1,139,532	1,153,268	703,111	703,111	703,111	774,937	967,238	757,143	751,270	723,725
Total		5,426,824	5,109,062	4,554,208	4,554,208	3,404,252	4,282,675	3,900,777	3,816,263	3,778,045	3,906,514
Contributions as a percentage of covered payroll											
Municipal general		11.28%	10.78%	10.14%	8.56%	9.55%	9.55%	9.55%	9.55%	9.55%	9.50%
Municipal police		20.63%	20.11%	27.82%	32.48%	18.90%	18.90%	18.90%	18.90%	18.90%	18.90%

City of Aztec, New Mexico
SCHEDULE OF PROPORATIONATE SHARE OF THE NET OPEB LIABILITY
New Mexico Retiree Health Care Authority (NMRHCA)
Year Ended June 30, 2025

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Pension Liability
For Last 10 Fiscal Years*

					Jun-30			
Fiscal Year	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Measurement Date	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
City of Aztec Proportion of the Net OPEB Liability (Asset)	$ 0.0884%	0.0944%	0.0940%	0.0885%	0.0893%	0.0953%	0.0933%	0.0951%
City of Aztec Proportionate Share of Net OPEB Liability (Asset)	1,577,821	1,606,723	2,172,355	2,912,289	3,748,785	3,089,023	4,056,144	4,311,434
City of Aztec Covered Payroll	$ 5,694,300	4,672,233	5,296,808	4,051,645	4,090,569	4,217,800	3,963,197	3,775,735
City of Aztec Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Its Covered Payroll	27.71%	34.39%	41.01%	71.88%	91.64%	73.24%	102.35%	114.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.99%	44.16%	33.33%	25.39%	16.50%	18.92%	13.14%	11.34%

*Governmental Accounting Standards Board Statement 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2018, the year the statement's requirements became effective.

City of Aztec, New Mexico
SCHEDULE OF CONTRIBUTIONS
New Mexico Retiree Health Care Authority (NMRHCA)
Year Ended June 30, 2025

Last Ten Fiscal Years*

		2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$	113,886	119,308	112,339	95,466	85,763	87,950	84,356	79,661
Contributions in Relation to the Statutory Required Contribution		(113,886)	(119,308)	(112,339)	(95,466)	(85,763)	(87,950)	(84,356)	(79,661)
Contribution Deficiency (Excess)*	$	-	-	-	-	-	-	-	-
City of Aztec Covered Payroll	$	5,694,300	5,296,782	5,296,808	4,525,443	4,051,645	4,090,569	4,217,800	3,963,197
Contributions as a percentage of covered payroll		2.00%	2.25%	2.12%	2.11%	2.12%	2.15%	2.00%	2.01%

*Governmental Accounting Standards Board Statement 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2018, the year the statement's requirements became effective.

STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025

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 2024 report is available at http://www.nmpera.org/

New Mexico Retiree Health Care Authority

In the total OPEB liability measured as of June 30, 2024, changes in assumptions include adjustments resulting from an increase in the discount rate from 6.22% to 7.00%.

Supplementary Information

STATE OF NEW MEXICO
CITY OF AZTEC
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
YEAR ENDED JUNE 30, 2025

Special Revenue Funds

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 City detention center and subsequently paid to the City, 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.

Cannabis Excise Tax Fund: To account for funds received from Cannabis Regulation Act. 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, 2025

		Special Revenue Funds		
		Municipal Road Fund	Law Enforcement Protection Fund	Local Government Correction Fund
ASSETS				
Current assets:				
Cash and cash equivalents	$		2,241	1,066
Investments			-	15,000
Receivables				
Taxes			-	-
Intergovernmental			-	-
Other			-	-
Prepaid expenses			-	-
Due from other funds			-	-
Total current assets	$		2,241	16,066
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Current liabilities:				
Accounts payable	$		-	-
Accrued payroll			-	-
Due to other funds			-	-
Customer deposits			-	-
Unearned revenue			-	-
Total current liabilities			-	-
Fund balances				
Nonspendable			-	-
Restricted			2,241	16,066
Committed			-	-
Assigned			-	-
Unassigned			-	-
Total fund balance			2,241	16,066
Total liabilities, deferred inflows, and fund balance	$		2,241	16,066

Special Revenue Funds		
Economic Development Fund	Impact Fees Fund	Lodger's Tax Fund
9,540	8,785	32,378
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
9,540	8,785	32,378
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	32,378
9,540	8,785	-
-	-	-
-	-	-
9,540	8,785	32,378
9,540	8,785	32,378

City of Aztec, New Mexico
COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Special Revenue Funds	
	State Fire Fund	Cannabis Excise Tax
ASSETS		
Current assets:		
Cash and cash equivalents	$ 493,044	693
Investments	78,000	11,000
Receivables		
Taxes	-	-
Intergovernmental	-	4,805
Other	-	-
Prepaid expenses	-	-
Due from other funds	-	-
Total current assets	$ 571,044	16,498
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
Current liabilities:		
Accounts payable	$ -	-
Accrued payroll	-	-
Due to other funds	-	-
Customer deposits	-	-
Unearned revenue	-	-
Total current liabilities	-	-
Fund balances		
Nonspendable	-	-
Restricted	571,044	16,498
Committed	-	-
Assigned	-	-
Unassigned	-	-
Total fund balance	571,044	16,498
Total liabilities, deferred inflows, and fund balance	$ 571,044	16,498

Capital Projects Community Development Block Grant Fund	Total Nonmajor Governmental Funds
-	547,747
-	104,000
-	-
-	4,805
-	-
-	-
-	-
-	656,552
-	-
-	-
	-
-	-
-	-
-	-
-	-
-	638,227
-	18,325
-	-
-	-
-	656,552
-	656,552

City of Aztec, New Mexico
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

		Special Revenue Funds	
Revenues	Municipal Road Fund	Law Enforcement Protection Fund	Local Government Correction Fund
Taxes			
Gross receipts	$	-	-
Gasoline and motor vehicles		-	-
Other		-	-
Intergovernmental:			
State operating grants		123,500	-
Charges for services		-	10,793
Investment income		-	-
Miscellaneous		-	-
Total revenues		123,500	10,793
Expenditures			
Current			
General government		-	-
Public safety		62,833	21,214
Public works		-	-
Culture and recreation		-	-
Health and welfare		-	-
Capital outlay		70,433	-
Debt service			
Principal		-	-
Interest		-	-
Total expenditures		133,266	21,214
Excess (deficiency) of revenues over expenditures		(9,766)	(10,421)
Other financing sources (uses):			
Transfers in		-	-
Transfers out		-	-
Total other financing sources (uses)		-	-
Net changes in fund balances		(9,766)	(10,421)
Fund balances (deficit) - beginning of year	3,550,241	12,007	26,487
Restatement, Note 19	(3,550,241)	-	-
Fund balances (deficit) - Beg of year Restated	-	12,007	26,487
Fund balances - end of year	$ -	2,241	16,066

Special Revenue Funds		
Economic Development Fund	Impact Fees Fund	Lodger's Tax Fund
-	-	-
-	-	-
-	-	31,098
-	-	-
-	499	-
-	-	-
-	-	-
-	499	31,098
-	-	-
-	-	-
-	-	-
55,000	-	-
-	-	38,083
-	-	-
-	-	-
-	-	-
55,000	-	38,083
(55,000)	499	(6,985)
-	-	-
-	-	-
-	-	-
(55,000)	499	(6,985)
64,540	8,286	39,363
-	-	-
64,540	8,286	39,363
9,540	8,785	32,378

City of Aztec, New Mexico
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Special Revenue Funds	
	State Fire Fund	Cannabis Excise Tax
Revenues		
Taxes		
Gross receipts	$ -	33,532
Gasoline and motor vehicles	-	-
Other	-	-
Intergovernmental:		
State operating grants	266,128	-
Charges for services	-	-
Investment income	-	-
Miscellaneous	25	230
Total revenues	266,153	33,762
Expenditures		
Current		
General government	-	780
Public safety	113,014	-
Public works	-	-
Culture and recreation	-	-
Health and welfare	-	-
Capital outlay	10,677	-
Debt service		
Principal	-	-
Interest	-	-
Total expenditures	123,691	780
Excess (deficiency) of revenues over expenditures	142,462	32,982
Other financing sources (uses):		
Transfers in	-	-
Transfers out	-	(26,720)
Total other financing sources (uses)	-	(26,720)
Net changes in fund balances	142,462	6,262
Fund balances (deficit) - beginning of year	428,582	10,236
Restatement, Note 19	-	-
Fund balances (deficit) - Beg of year Restated	428,582	10,236
Fund balances - end of year	$ 571,044	16,498

Capital Projects Community Development Block Grant Fund	Total Nonmajor Governmental Funds
-	33,532
-	-
-	31,098
-	389,628
-	11,292
-	-
-	255
-	465,805
-	780
-	197,061
-	-
-	55,000
-	38,083
-	81,110
-	-
-	-
-	372,034
-	93,771
-	-
(50)	(26,770)
(50)	(26,770)
(50)	67,001
50	4,139,792
-	(3,550,241)
50	589,551
-	656,552

Supporting Schedules

City of Aztec, New Mexico
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2025

Account Type	Account Name		Citizens Bank	Four Corners Community Bank	High Desert Credit Union	State Treasurer LGIP	NMFA Accounts	Deposits in Transit	Outstanding Checks	Totals
Demand- Interest bearing	Municipal Court Bond Account	$	57,905	-	-	-	-	-	(11)	57,894
Demand- Interest bearing	Employee Assocation Account		10,543	-	-	-	-	-	-	10,543
Demand- Interest bearing	Motor Vehicle		10,516	-	-	-	-	-	(2,516)	8,000
Demand- Interest bearing	ST* POL Interest Checking		802,914	-	-	-	-	1,248,621	(965,991)	1,085,544
Demand- Interest bearing	Regular Share Account		-	-	232	-	-	-	-	232
CD- Interest bearing	Certificates of Deposits		-	1,100,507	75,000	-	-	-	(26,512)	1,148,995
LGIP- Interest bearing	NewMexiGROW-LGIP		-	-	-	37,780,035	-	134,088	(1,000,000)	36,914,123
NMFA- Interest bearing	NMFA Cash		-	-	-	-	145,503	-	-	145,503
NMFA- Interest bearing	NMFA Reserve Account		-	-	-	-	327,887	-	-	327,887
	Total cash and cash equivalents	$	881,878	1,100,507	75,232	37,780,035	473,390	1,382,709	(1,995,030)	39,698,721
	Total amount on deposit		881,878	1,100,507	75,232	Plus petty cash				1,700
	FDIC coverage		(250,000)	(250,000)	(75,232)	Less custodial cash and cash equivalents per statement of fiduciary net position				(10,543)
						Less investments per statement of net position				(38,063,118)
	Total uninsured public funds		631,878	850,507	-					
						Cash and cash equivalents per statement of net position				1,626,760
	50% collateral requirement		315,939	425,254	-					
	Pledge collateral		1,559,276	1,290,781	-					
	Amount (over)/under collateralized	$	(1,243,337)	(865,527)	-					

City of Aztec, New Mexico
SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2025

Name of Depository	Description of Pledge Collateral	Maturity	CUSIP Number		Fair Value June 30, 2025
Citizens Bank					
	Federal Home Loan Bank	9/15/2031	3137AFP22	$	1,559,276
				$	1,559,276
Name and location of safekeeper for above pledged collateral:					
Federal Home Loan Bank (FHLB) Dallas, TX					
Four Corners Community Bank					
	TIOGA ISD GO CALL/SINK BQ	8/15/2031	887776FB3	$	374,601
	TEXAS ST TX GO CALL TXBL	4/1/2032	882724QL4		916,180
				$	1,290,781
Name and location of safekeeper for above pledged collateral:					
The Independent Bankers Bank (TIB) Dallas, TX					
Total Pledge Collateral				$	2,850,057

City of Aztec, New Mexico
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC, AND CAPITAL OUTLAY APPROPRIATIONS
JUNE 30, 2025

Description	Share Identifier No.	Original Appropriation	Reversion Date	Expenditures to Date	Outstanding Encumbrances	Reverted to State	Unencumbered Balances
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC, AND CAPITAL OUTLAY APPROPRIATIONS							
Main Ave Improvements (Plaza)	F3040	$ 100,000	6/30/2025	100,000			-
REAUTH - EAST AZTEC ARTERIAL ROUTE CONSTRUCTION	H4189	3,158,000	6/30/2025	-	-	-	3,158,000
REAUTH - EAST AZTEC ARTERIAL ROUTE CONSTRUCTION	H4190	1,190,413	6/30/2025	-	-	-	1,190,413
Reservoir 1 Repair	A21F2294	2,000,000	6/30/2025	2,000,000	-	-	-
S Aztec Water System (Utility System Construction)	SAP 21-F2357-STB	200,000	6/30/2025	38,696	-	-	161,304
AZTEC OUTDOOR RECREATION MGF & RETAIL FCLTY	I4177	440,168	6/30/2026	-	-	-	440,168
AZTEC WATER LINE RELOCATION, RET	I4178	144,534	6/30/2026	-	-	-	144,534
E AZTEC ARTERIAL CONSTRUCT, RET	I4179	3,525,703	6/30/2026	-	-	-	3,525,703
AZTEC SENIOR CENTER-REN	H2038	105,000	6/30/2027	59,663	-	-	45,337
AZTEC WATER RESEROIR 1	H2368	2,000,000	6/30/2027	1,113,500	-	-	886,500
AZTEC WATER TANK RPLC	I2425	2,500,000	6/30/2027	-	-	-	2,500,000
		$ 15,363,818		3,311,859	-	-	12,051,959

City of Aztec, New Mexico
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2025

Joint Powers 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 Fiscal Year	Audit Responsibility
Communications	Cities of Bloomfield & Farmington; San Juan County	San Juan Communication 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 Communication Authority
County Jail Operations	San Juan County	San Juan County	County Jail Operations	Variable	$86.45/day/prisoner through 6/30/21; rate recalculated July 1 in subsequent years	21,214	San Juan County
Police Training	Cities of Bloomfield & Farmington; San Juan County	San Juan County Criminal Justice Training Authority	Police trainings	Variable	Pro-rata share of costs	4,232	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	.5% of mill levy assessed on property taxes	-	County: Rural Water Association
Municipal Planning Organization	Cities of Bloomfield & Farmington; San Juan County	City of Farmington	Municipal Planning Organization	Variable	Pro-rata share (10%) of costs of MPO (operational and special projects)	12,992	Cities of Bloomfield & Farmington; San Juan County
					Total	$ 38,438	

Compliance

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

To Joseph M. Maestas, P.E., CFE
New Mexico State Auditor
And
City Commission
City of Aztec
Aztec, 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 aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue funds of the City of Aztec, New Mexico ("City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 20, 2026.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did identify instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards as,* described in the accompanying schedule of findings and questioned costs as items 2025-001.

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.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, LLP
Albuquerque New Mexico
January 20, 2026

PB&H

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5310 Homestead Road N.E. Suite 100 B
Albuquerque, New Mexico 87110
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To Joseph M. Maestas, P.E., CFE
New Mexico State Auditor

City Commission
City of Aztec
Aztec, New Mexico

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Aztec, New Mexico's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Pattillo, Brown & Hill, LLP

Pattillo, Brown, & Hill, L.L.P.
Albuquerque, New Mexico
January 20, 2026

City of Aztec, New Mexico
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

Federal Grantor or Pass-Through Grantor/Program Title	Pass-through Grant Number	Assistance Listing Number	Federal Expenditures
U.S. Department of Justice			
Bulletproof Vest Partnership		16.607	$ 3,860
Total U.S. Department of Justice			3,860
U.S. Department of Transportation			
Airport Improvement Programs			
Airport Rescue (ARPA Funds, FAA)		20.106	164,014
U.S. Department of Transportation			
Passed Through the State of New Mexico Department of Transportation			
Highway Planning and Construction **(1)**		20.205	836,223
Total Passed Through the NM DOT			836,223
Total U.S. Department of Transportation			1,000,237
U.S. Department of Agriculture			
Passed through New Mexico Department of Finance and Administration			
Community Facilities Loans and Grants		10.766	81,000
Total U.S. Department of Agriculture			81,000
U.S. Department of Treasury			
Passed through New Mexico Department of Finance and Administration			
American Rescue Plan **(1)**	FRF-AZTEC-005	21.027	1,106,795
Total U.S. Department of Treasury			1,106,795
Total Federal Financial Assistance			$ 2,191,892

(1) *Denotes major federal assistance program*

STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the county, it is not intended and does not present the financial position or changes in net position of the County.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has elected not to use the 15-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Summary of Significant Accounting Policies

Federal Operating Grants		
General Fund	$	3,860
Municipal Road		836,223
Airport Fund		20,000
Federal Capital Grants		
Intergovernmental Grants		81,000
American Rescue Plan		1,106,795
Airport Fund		144,014
Total Federal Revenue		2,191,892

STATE OF NEW MEXICO
CITY OF AZTEC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued:	Unmodified
Internal control over financial reporting: Material Weakness reported?	No
Significant deficiencies reported not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses reports?	No
Significant deficiencies reported not Considered to be material weaknesses?	None
Type of auditor's report issued on Compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported In accordance with Uniform Guidance?	No
Identification of major programs:	
Coronavirus State And Local Fiscal Recovery Funds	Assistance Listing Number 20.027
Highway Planning and Construction-	Assistance Listing Number 20.205
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

STATE OF NEW MEXICO
CITY OF AZTEC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

SECTION II – FINDINGS - FINANCIAL STATEMENT AUDIT

None

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SECTION IV – OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION 12-6-5, NMSA 1978

2025-001 Failure to Notify OSA (Other Non-Compliance)

CONDITION: During audit test work, we noted that the City has failed to notify OSA of fraud that occurred in accordance with the Audit Act, §12-6-6 Criminal Violations, and the Audit Rule at Section 2.2.2.10(N)(2).

CRITERIA: Per NMSA section 2.2.10(N)(2), "Pursuant to Section 12-6-6 NMSA 1978 (criminal violations), an agency, LPB, or IPA shall notify the state auditor immediately upon discovery of any apparent violation of a criminal statute in connection with financial affairs. If an agency or IPA has already made a report to law enforcement that fact shall be included in the notification. If not immediately known, a follow-up notification shall include an estimate of the dollar amount involved, if known or estimable, and a description of the apparent violation, including names of persons involved and any action taken or planned."

EFFECT: The City was non-compliant with State Statue regarding notification of of Stata auditor in matters regarding fraud waste or abuse with any apparent violation of a criminal statute in connection with financial affairs.

CAUSE: The City was not aware of they were required to "immediately upon discovery of any apparent violation of a criminal statute in connection with financial affairs." report it to the State Auditor. Nor were they were aware that they would need to follow up with "an estimate of the dollar amount involved, if known or estimable, and a description of the apparent violation, including names of persons involved and any action taken or planned." If not included with the first communication to the State Auditor.

RECOMMENDATION: We recommend the City update it polices and regulations to ensure that proper reporting is followed up in matters regarding apparent violation of a criminal statute in connection with financial affairs.

MANAGEMENT RESPONSE: The City will update policies and regulations to ensure that proper reporting and communication is followed up in matters regarding apparent violation of a criminal statue in connection with financial affairs.

RESPONSIBLE PARTY: Finance Director, City Manager, Commission

TIMELINE TO CORRECT: June 30, 2026

STATE OF NEW MEXICO
CITY OF AZTEC
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2025

STATUS OF PRIOR YEAR FINDINGS

None

STATE OF NEW MEXICO
CITY OF AZTEC
EXIT CONFERENCE
JUNE 30, 2025

An exit conference was held on January 20, 2026 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

Pattillo Brown, & Hill LLP
Chris Garner, Partner

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.