

STATE OF NEW MEXICO
CITY OF AZTEC
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024



PATTILLO, BROWN & HILL, LLP

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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**STATE OF NEW MEXICO
CITY OF AZTEC
OFFICIAL ROSTER
JUNE 30, 2024**

City Commission

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

Administration

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



INDEPENDENT AUDITOR'S REPORT

To Joseph M. Maestas, P.E.
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, 2024, 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 aggregate remaining fund information of the City as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue funds, 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 19 to the basic financial statements, during the year ended June 30, 2024, the City implemented Government Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. Our opinions are not modified with respect to this matter.

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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 one year after the date that the financial statements are available to be issued.

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 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 69-73 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 December 16, 2024, 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
December 16, 2024

City of Aztec, New Mexico
STATEMENT OF NET POSITION
June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
<i>Current:</i>			
Cash and cash equivalents	\$ 12,896,539	7,385,054	20,281,593
Investments	3,696,795	12,951,867	16,648,662
Receivables			
Taxes	2,069,069	20,653	2,089,722
Utility Receivable, net of allowance	-	1,504,866	1,504,866
Intergovernmental	203	15,000	15,203
Interest	-	-	-
Other receivables	25,420	25	25,445
Inventory	-	2,125,749	2,125,749
Prepaid expenses	9,354	4,955	14,309
<i>Total current assets</i>	<u>18,697,380</u>	<u>24,008,169</u>	<u>42,705,549</u>
<i>Noncurrent assets:</i>			
Capital Assets, not being depreciated	950,515	6,964,212	7,914,727
Capital Assets, being depreciated	47,182,470	60,436,766	107,619,236
Less Accumulated depreciation.	(29,460,858)	(34,355,200)	(63,816,058)
<i>Total noncurrent assets</i>	<u>18,672,127</u>	<u>33,045,778</u>	<u>51,717,905</u>
<i>Total assets</i>	<u>37,369,507</u>	<u>57,053,947</u>	<u>94,423,454</u>
DEFERRED OUTFLOWS			
Deferred outflows related to Net Pension Liability	2,262,665	722,676	2,985,341
Deferred outflows related to Net OPEB Liability	484,381	188,370	672,751
<i>Total deferred outflows</i>	<u>2,747,046</u>	<u>911,046</u>	<u>3,658,092</u>
<i>Total assets and deferred outflows</i>	<u>\$ 40,116,553</u>	<u>57,964,993</u>	<u>98,081,546</u>

City of Aztec, New Mexico
STATEMENT OF NET POSITION
June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	\$ 16,094	1,244,184	1,260,278
Accrued payroll	205,563	57,111	262,674
Other accrued liabilities	-	52,796	52,796
Customer deposits payable	1,835	536,895	538,730
Unearned revenue	1,267,552	319,718	1,587,270
Accrued Interest	-	130	130
Compensated absences, current	254,773	65,275	320,048
Long-term liabilities, current	232,428	388,465	620,893
<i>Total current liabilities</i>	<u>1,978,245</u>	<u>2,664,574</u>	<u>4,642,819</u>
<i>Noncurrent liabilities:</i>			
Long-term liabilities, net of current portion	1,683,248	3,708,642	5,391,890
Compensated absences, net of current portion	254,772	65,274	320,046
Net pension liability	8,383,939	2,677,760	11,061,699
Net OPEB Liability	1,156,841	449,882	1,606,723
<i>Total noncurrent liabilities</i>	<u>11,478,800</u>	<u>6,901,558</u>	<u>18,380,358</u>
<i>Total liabilities</i>	<u>13,457,045</u>	<u>9,566,132</u>	<u>23,023,177</u>
DEFERRED INFLOWS			
Deferred inflows related to Net Pension Liability	184,592	58,957	243,549
Deferred inflows related to Net OPEB Liability	1,387,441	539,560	1,927,001
<i>Total deferred inflows</i>	<u>1,572,033</u>	<u>598,517</u>	<u>2,170,550</u>
NET POSITION			
Net investment in capital assets	16,756,451	28,953,071	45,709,522
Nonspendable	9,354	-	9,354
Committed	907,010	-	907,010
Restricted			
Capital projects	50	-	50
Special revenue	5,638,872	-	5,638,872
Repair and replacement	-	716,676	716,676
Unrestricted (deficit)	1,775,738	18,130,597	19,906,335
<i>Total net position</i>	<u>25,087,475</u>	<u>47,800,344</u>	<u>72,887,819</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 40,116,553</u>	<u>57,964,993</u>	<u>98,081,546</u>

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,760,785	1,488,561	564,702	-
Public safety	6,128,498	81,399	1,450,657	-
Public works	2,411,889	-	786,601	1,083,517
Culture and recreation	2,046,307	-	174,442	-
Health and welfare	800,771	-	-	-
Capital Outlay	-	-	-	-
Interest relating to long-term debt	101,674	-	-	-
Total governmental activities	\$ 14,249,924	1,569,960	2,976,402	1,083,517
Business-type activities				
Joint Utility	9,899,494	10,279,148	-	1,523,506
Solid waste	1,195,598	1,397,009	-	-
Irrigation assessment	14,137	-	-	-
Stormwater	110,544	299,368	-	-
Interest relating to long-term debt	447	-	-	-
Total business-type activities	11,220,220	11,975,525	-	1,523,506
Total Primary Government	\$ 25,470,144	13,545,485	2,976,402	2,607,023

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

Ending net position

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
(707,522)	-	(707,522)
(4,596,442)	-	(4,596,442)
(541,771)	-	(541,771)
(1,871,865)	-	(1,871,865)
(800,771)	-	(800,771)
-	-	-
(101,674)	-	(101,674)
(8,620,045)	-	(8,620,045)
-	1,903,160	1,903,160
-	201,411	201,411
-	(14,137)	(14,137)
-	188,824	188,824
-	(447)	(447)
-	2,278,811	2,278,811
(8,620,045)	2,278,811	(6,341,234)
819,878	-	819,878
6,477,407	123,806	6,601,213
409,902	-	409,902
93,164	-	93,164
492,945	-	492,945
906,487	102,817	1,009,304
138,532	(1,817)	136,715
-	-	-
(3,520,828)	3,520,828	-
5,817,487	3,745,634	9,563,121
(2,802,558)	6,024,445	3,221,887
27,890,033	41,775,899	69,665,932
\$ 25,087,475	47,800,344	72,887,819

See Notes to Financial Statements

City of Aztec, New Mexico
BALANCE SHEET-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Intergovernmental Grants	American Rescue Plan
ASSETS			
<i>Current:</i>			
Cash and cash equivalents	\$ 6,059,399	261,823	1,227,912
Investments	3,696,795	-	-
Receivables			
Taxes	1,841,320	-	-
Intergovernmental	-	203	-
Other receivables	15,100	-	-
Prepaid expenses	9,304	50	-
Due from other funds	102,931	-	-
<i>Total current assets</i>	<u>\$ 11,724,849</u>	<u>262,076</u>	<u>1,227,912</u>
LIABILITIES AND FUND BALANCE			
<i>Current liabilities:</i>			
Accounts payable	\$ 16,094	-	-
Accrued payroll and other	201,562	4,001	-
Customer deposits	935	-	-
Unearned revenue	750	39,999	1,226,803
Due to other funds	-	75,530	-
<i>Total current liabilities</i>	<u>219,341</u>	<u>119,530</u>	<u>1,226,803</u>
DEFERRED INFLOWS			
Unavailable revenue - Property Taxes	912,219	-	-
<i>Total deferred inflows</i>	<u>912,219</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)			
Nonspendable	9,304	50	-
Restricted	-	142,496	1,109
Committed	834,184	-	-
Assigned	-	-	-
Unassigned	9,749,801	-	-
<i>Total fund balance (deficit)</i>	<u>10,593,289</u>	<u>142,546</u>	<u>1,109</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 11,724,849</u>	<u>262,076</u>	<u>1,227,912</u>

See Notes to Financial Statements

Airport Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
7,061	1,304,474	4,035,870	12,896,539
-	-	-	3,696,795
-	123,877	103,872	2,069,069
-	-	-	203
10,320	-	-	25,420
-	-	-	9,354
-	-	50	102,981
<u>17,381</u>	<u>1,428,351</u>	<u>4,139,792</u>	<u>18,800,361</u>
-	-	-	16,094
-	-	-	205,563
900	-	-	1,835
-	-	-	1,267,552
27,451	-	-	102,981
<u>28,351</u>	<u>-</u>	<u>-</u>	<u>1,594,025</u>
-	-	-	912,219
-	-	-	912,219
-	-	-	9,354
-	1,428,351	4,066,966	5,638,922
-	-	72,826	907,010
-	-	-	-
(10,970)	-	-	9,738,831
<u>(10,970)</u>	<u>1,428,351</u>	<u>4,139,792</u>	<u>16,294,117</u>
<u>17,381</u>	<u>1,428,351</u>	<u>4,139,792</u>	<u>18,800,361</u>

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, 2024

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

Fund balances - total governmental funds	\$ 16,294,117
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,672,127
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	912,219
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	2,262,665
Deferred outflow of resources- related to net OPEB liability	484,381
Deferred inflow of resources- related to net pension liability	(184,592)
Deferred inflow of resources- related to net OPEB liability	(1,387,441)
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	(509,545)
Notes payable	(1,915,676)
Net pension liability	(8,383,939)
Net OPEB liability	<u>(1,156,841)</u>
Total net position	\$ <u>25,087,475</u>

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, 2024

	General Fund	Intergovernmental Grants	American Rescue Plan
<i>Revenues:</i>			
Taxes			
Property	\$ 765,559	-	-
Gross receipts	5,464,396	-	-
Gasoline and motor vehicle	36,052	-	-
Other	64,059	-	-
Payment in lieu of tax	492,945	-	-
Intergovernmental revenue			
Federal operating grants	1,872	-	24,758
Federal capital grants	-	-	-
State operating grants	509,257	1,184,643	-
Local grants	1,000	27,815	-
Charges for services	1,417,097	4,420	-
Licenses and fees	29,426	-	-
Investment income	896,030	-	-
Miscellaneous	108,892	214	-
<i>Total revenues</i>	<u>9,786,585</u>	<u>1,217,092</u>	<u>24,758</u>
<i>Expenditures:</i>			
Current			
General government	2,233,003	-	-
Public safety	3,562,862	1,266,496	-
Public works	954,225	-	-
Culture and recreation	1,171,115	15,023	24,758
Health and welfare	507,214	228,790	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>8,428,419</u>	<u>1,510,309</u>	<u>24,758</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,358,166</u>	<u>(293,217)</u>	<u>-</u>
<i>Other financing sources (uses):</i>			
Transfers in	23,545	-	-
Transfers out	(50,000)	-	-
<i>Total other financing sources (uses)</i>	<u>(26,455)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,331,711	(293,217)	-
Fund balances (deficit)- beginning of year	<u>9,261,578</u>	<u>435,763</u>	<u>1,109</u>
Restatement, Note 19	-	-	-
Fund balances (deficit) - Beg of year Restated	<u>9,261,578</u>	<u>435,763</u>	<u>1,109</u>
Fund balances (deficit) - end of year	<u>\$ 10,593,289</u>	<u>142,546</u>	<u>1,109</u>

See Notes to Financial Statements

Airport Fund	Capitol Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
-	-	-	765,559
-	742,592	270,419	6,477,407
-	-	373,850	409,902
-	-	29,105	93,164
-	-	-	492,945
22,000	-	-	48,630
1,083,517	-	-	1,083,517
152,442	-	1,052,615	2,898,957
-	-	-	28,815
71,464	-	76,979	1,569,960
-	-	-	29,426
-	10,457	-	906,487
-	-	-	109,106
<u>1,329,423</u>	<u>753,049</u>	<u>1,802,968</u>	<u>14,913,875</u>
97,435	-	715	2,331,153
-	-	797,205	5,626,563
-	-	418,920	1,373,145
-	20,407	55,000	1,286,303
-	-	47,911	783,915
1,278,772	111,968	269,323	1,660,063
-	215,213	-	215,213
-	101,674	-	101,674
<u>1,376,207</u>	<u>449,262</u>	<u>1,589,074</u>	<u>13,378,029</u>
<u>(46,784)</u>	<u>303,787</u>	<u>213,894</u>	<u>1,535,846</u>
10,000	-	40,000	73,545
-	-	(23,545)	(73,545)
<u>10,000</u>	<u>-</u>	<u>16,455</u>	<u>-</u>
(36,784)	303,787	230,349	1,535,846
-	1,124,564	3,935,257	14,758,271
25,814	-	(25,814)	-
25,814	1,124,564	3,909,443	14,758,271
<u>(10,970)</u>	<u>1,428,351</u>	<u>4,139,792</u>	<u>16,294,117</u>

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, 2024

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

Net change in fund balances - total governmental funds	\$	1,535,846
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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.		54,319
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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		1,660,063
Depreciation expense		(2,050,292)
Capital assets transferred to Proprietary funds		(3,715,792)

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		(1,189,719)
OPEB contributions		85,902
OPEB benefit		323,594

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		(222,172)
Principal payments on loans payable		215,213

Change in net position	\$	<u>(2,802,558)</u>
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See Notes to Financial Statements.

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, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 714,555	714,555	765,559	51,004
Gross receipts	5,321,039	5,321,039	5,468,150	147,111
Gasoline and motor vehicle	38,400	38,400	39,848	1,448
Other	113,580	113,580	109,637	(3,943)
Payment in lieu of taxes	448,300	448,300	492,945	44,645
Intergovernmental				
Federal operating grants	-	-	1,872	1,872
State operating grants	412,610	412,610	509,257	96,647
Local grants	118,021	118,021	1,000	(117,021)
Charges for services	1,888,410	1,888,410	1,553,738	(334,672)
Licenses and fees	26,040	26,040	29,426	3,386
Investment income	12,985	12,985	960,783	947,798
Miscellaneous	200,045	200,045	109,769	(90,276)
Total revenues	9,293,985	9,293,985	10,041,984	747,999
Expenditures				
Current				
General government	2,480,112	2,480,112	2,123,431	356,681
Public safety	4,272,869	4,272,869	3,581,334	691,535
Public works	1,175,161	1,175,161	955,867	219,294
Culture and recreation	1,278,983	1,278,983	1,175,435	103,548
Health and welfare	680,076	680,076	508,081	171,995
Capital outlay	123,004	123,004	121,248	1,756
Total expenditures	10,010,205	10,010,205	8,465,396	1,544,809
Excess (deficiency) of revenues over expenditures	(716,220)	(716,220)	1,576,588	2,292,808
Other financing sources (uses):				
Transfers in	23,595	23,595	23,545	50
Transfers out	(172,498)	(172,498)	(50,000)	122,498
Total other financing sources (uses)	(148,903)	(148,903)	(26,455)	122,548
Net changes in fund balances	\$ (865,123)	(865,123)	1,550,133	2,415,256
Reconciliation to GAAP basis:				
Adjustments to revenues			(255,399)	
Adjustments to expenditures			36,977	
Net Change in Fund Balances (GAAP Basis)			\$ 1,331,711	

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- INTERGOVERNMENTAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental				
Federal operating grants	\$ -	-	-	-
Federal capital grants	-			
State operating grants	1,555,544	2,273,264	1,266,262	(1,007,002)
Local grants	27,500	27,500	27,815	315
Charges for services	17,222	17,222	20,626	3,404
Investment income	11	11	-	(11)
Miscellaneous	611	611	214	(397)
Total revenues	1,600,888	2,318,608	1,314,917	(1,003,691)
Expenditures				
Current				
General government	-	-	-	-
Public safety	953,432	953,432	504,895	448,537
Culture and recreation	41,930	41,930	15,023	26,907
Health and welfare	255,812	255,812	229,281	26,531
Capital outlay	884,903	1,602,623	762,442	840,181
Total expenditures	2,136,077	2,853,797	1,511,641	1,342,156
Excess (deficiency) of revenues over expenditures	(535,189)	(535,189)	(196,724)	338,465
Other financing sources (uses):				
Transfers in	2,080	321,705	-	321,705
Transfers out	-	-	-	-
Total other financing sources (uses)	2,080	321,705	-	321,705
Net changes in fund balances	\$ (533,109)	(213,484)	(196,724)	16,760
Reconciliation to GAAP basis:				
Adjustments to revenues			(97,825)	
Adjustments to expenditures			1,332	
Net Change in Fund Balances (GAAP Basis)			\$ (293,217)	

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, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental				
Federal operating grants	\$ -	-	-	-
State operating grants	-	-	-	-
Local grants	-	-	-	-
<i>Total revenues</i>	-	-	-	-
Expenditures				
Current				
Culture and recreation	-	636,771.00	24,758	612,013
<i>Total expenditures</i>	-	636,771.00	24,758	612,013
<i>Excess (deficiency) of revenues over expenditures</i>	-	(636,771.00)	(24,758)	612,013
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
Net changes in fund balances	\$ -	(636,771.00)	(24,758)	612,013
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			24,758	
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, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental				
Federal operating grants	\$ 22,000	22,000	22,000	-
Federal capital grants	1,109,976	1,109,976	1,083,517	(26,459)
State operating grants	197,248	197,248	152,442	(44,806)
Investment income	84,705	84,705	71,464	(13,241)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,413,929</u>	<u>1,413,929</u>	<u>1,329,423</u>	<u>(84,506)</u>
Expenditures				
Current				
General government	217,844	217,844	97,435	120,409
Capital outlay	1,297,565	1,297,565	1,278,772	18,793
<i>Total expenditures</i>	<u>1,515,409</u>	<u>1,515,409</u>	<u>1,376,207</u>	<u>139,202</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(101,480)</u>	<u>(101,480)</u>	<u>(46,784)</u>	<u>54,696</u>
Other financing sources (uses):				
Transfers in	62,498	62,498	10,000	
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Net changes in fund balances	<u>\$ (101,480)</u>	<u>(101,480)</u>	<u>(36,784)</u>	<u>64,696</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net Change in Fund Balances (GAAP Basis)			<u>\$ (36,784)</u>	

City of Aztec, New Mexico
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Enterprise Funds		
	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Irrigation Assessment</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 6,695,698	456,645	94,681
Investment	12,951,867	-	-
Receivables			
Taxes	20,653	-	-
Intergovernmental	15,000	-	-
Utility receivables, net of allowance	1,286,585	190,912	-
Interest	-	-	-
Other	25	-	-
Inventory	2,125,749	-	-
Prepaid expenses	4,955	-	-
Due from other funds	-	-	-
Total current assets	<u>23,100,532</u>	<u>647,557</u>	<u>94,681</u>
Noncurrent assets			
Capital Assets, not being depreciated	6,964,212	-	-
Capital Assets, being depreciated	60,157,629	50,407	204,024
Less Accumulated depreciation.	<u>(34,150,234)</u>	<u>(50,407)</u>	<u>(154,559)</u>
Total noncurrent assets	<u>32,971,607</u>	<u>-</u>	<u>49,465</u>
Total assets	<u>56,072,139</u>	<u>647,557</u>	<u>144,146</u>
Deferred outflows of resources			
Deferred outflows related to Net Pension Liability	722,676	-	-
Deferred outflows related to Net OPEB Liability	<u>188,370</u>	<u>-</u>	<u>-</u>
Total deferred outflows	<u>911,046</u>	<u>-</u>	<u>-</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 56,983,185</u>	<u>647,557</u>	<u>144,146</u>

Stormwater Utility	Total Proprietary Funds
138,030	7,385,054
-	12,951,867
-	20,653
-	15,000
27,369	1,504,866
-	-
-	25
-	2,125,749
-	4,955
-	-
<u>165,399</u>	<u>24,008,169</u>
-	6,964,212
24,706	60,436,766
-	(34,355,200)
<u>24,706</u>	<u>33,045,778</u>
<u>190,105</u>	<u>57,053,947</u>
-	722,676
-	188,370
-	911,046
<u>190,105</u>	<u>57,964,993</u>

City of Aztec, New Mexico
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Enterprise Funds		
	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Irrigation Assessment</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 1,083,955	158,948	-
Accrued payroll	56,674	437	-
Other accrued liabilities	52,796	-	-
Customer deposits payable	536,895	-	-
Unearned Revenues	319,718	-	-
Accrued interest	130	-	-
Compensated absences, current	65,275	-	-
Long-term liabilities, current	388,465	-	-
Total current liabilities	<u>2,503,908</u>	<u>159,385</u>	<u>-</u>
Noncurrent liabilities			
Compensated absences, net of current portion	65,274	-	-
Long-term liabilities, net of current portion	3,708,642	-	-
Net pension liability	2,677,760	-	-
Net OPEB Liability	449,882	-	-
Total noncurrent liabilities	<u>6,901,558</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>9,405,466</u>	<u>159,385</u>	<u>-</u>
Deferred inflows of resources			
Deferred inflows related to Net Pension Liability	58,957	-	-
Deferred inflows related to Net OPEB Liability	539,560	-	-
Total deferred inflows	<u>598,517</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	28,878,900	-	49,465
Restricted			
Repair and replacement	716,676	-	-
Unrestricted	<u>17,383,626</u>	<u>488,172</u>	<u>94,681</u>
Total net position	<u>46,979,202</u>	<u>488,172</u>	<u>144,146</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 56,983,185</u>	<u>647,557</u>	<u>144,146</u>

Stormwater Utility	Total Proprietary Funds
1,281	1,244,184
-	57,111
-	52,796
-	536,895
-	319,718
-	130
-	65,275
-	388,465
1,281	2,664,574
-	65,274
-	3,708,642
-	2,677,760
-	449,882
-	6,901,558
1,281	9,566,132
-	58,957
-	539,560
-	598,517
24,706	28,953,071
-	716,676
164,118	18,130,597
188,824	47,800,344
190,105	57,964,993

City of Aztec, New Mexico
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Enterprise Funds		
	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Irrigation Assessment</u>
OPERATING REVENUES			
Charges for services	\$ 10,234,446	1,397,009	-
Rent	44,702	-	-
Total operating revenues	<u>10,279,148</u>	<u>1,397,009</u>	<u>-</u>
OPERATING EXPENSES			
Personnel services	2,028,570	-	-
Utilities	425,979	-	-
Contractual services	937,604	-	-
Supplies and purchase power	2,347,136	-	1,021
Other costs	1,441,411	1,195,598	-
Depreciation expense	1,985,250	-	13,116
Repair and maintenance	697,399	-	-
Insurance expense	36,145	-	-
Total operating expenses	<u>9,899,494</u>	<u>1,195,598</u>	<u>14,137</u>
Operating income (loss)	<u>379,654</u>	<u>201,411</u>	<u>(14,137)</u>
NONOPERATING REVENUES (EXPENSES)			
Gross receipts taxes	123,806	-	-
State capital grants	1,523,506	-	-
Interest expense	(447)	-	-
Investment income	102,817	-	-
Miscellaneous income	876	(2,693)	-
Total nonoperating revenues (expenses)	<u>1,750,558</u>	<u>(2,693)</u>	<u>-</u>
Income (loss) before capital contributions and transfers	<u>2,130,212</u>	<u>198,718</u>	<u>(14,137)</u>
Capital contributions	3,520,828	-	-
Transfers in (out)	-	-	-
Change in net position	<u>5,651,040</u>	<u>198,718</u>	<u>(14,137)</u>
NET POSITION, BEGINNING OF YEAR	<u>41,328,162</u>	<u>289,454</u>	<u>158,283</u>
NET POSITION, END OF YEAR	<u>\$ 46,979,202</u>	<u>488,172</u>	<u>144,146</u>

See Notes to Financial Statements

Stormwater Utility	Total Proprietary Funds
299,368	11,930,823
-	44,702
299,368	11,975,525
-	2,028,570
-	425,979
-	937,604
-	2,348,157
6,030	2,643,039
-	1,998,366
104,514	801,913
-	36,145
110,544	11,219,773
188,824	755,752
-	123,806
-	1,523,506
-	(447)
-	102,817
-	(1,817)
-	1,747,865
188,824	2,503,617
-	3,520,828
-	-
188,824	6,024,445
-	41,775,899
188,824	47,800,344

See Notes to Financial Statements

City of Aztec, New Mexico
STATEMENT OF CASH FLOWS -PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Enterprise Funds		
	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Irrigation Assessment</u>
Cash flows from operating activities			
Cash received from user charges and others	\$ 12,129,005	1,363,550	-
Cash payments to employees for services	(2,165,192)	(5,014)	-
Cash payments to suppliers for goods and services	(4,924,447)	(1,142,948)	(1,021)
Net cash provided (used) by operating activities	<u>5,039,366</u>	<u>215,588</u>	<u>(1,021)</u>
Cash flows from noncapital financing activities			
Gross receipts taxes	123,806	-	-
Miscellaneous income	876	(2,693)	-
Transfers and interfund activity	-	-	-
Net cash provided by noncapital financing activities	<u>124,682</u>	<u>(2,693)</u>	<u>-</u>
Cash flows from investing activities			
Investment income	<u>102,817</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>102,817</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities			
Capital grants - state	1,668,165	-	-
Capital contributions	3,520,828	-	-
Acquisition of capital assets	(8,021,422)	-	-
Disposal of assets	53,976	-	-
Principal paid on notes payable	(388,481)	-	-
Interest paid on notes payable	(447)	-	-
Net cash provided (used) by capital financing activities	<u>(3,167,381)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>2,099,484</u>	<u>212,895</u>	<u>(1,021)</u>
Cash and cash equivalents, beginning of year	<u>4,596,214</u>	<u>243,750</u>	<u>95,702</u>
Cash and cash equivalents end of year	<u>\$ 6,695,698</u>	<u>456,645</u>	<u>94,681</u>

See Notes to Financial Statements

Stormwater Utility	Total Proprietary Funds
271,999	13,764,554
-	(2,170,206)
<u>(109,263)</u>	<u>(6,177,679)</u>
<u>162,736</u>	<u>5,416,669</u>
-	123,806
-	(1,817)
<u>-</u>	<u>-</u>
<u>-</u>	<u>121,989</u>
<u>-</u>	<u>102,817</u>
<u>-</u>	<u>102,817</u>
-	1,668,165
-	3,520,828
(24,706)	(8,046,128)
-	53,976
-	(388,481)
<u>-</u>	<u>(447)</u>
<u>(24,706)</u>	<u>(3,192,087)</u>
<u>138,030</u>	<u>2,449,388</u>
<u>-</u>	<u>4,935,666</u>
<u>138,030</u>	<u>7,385,054</u>

City of Aztec, New Mexico
STATEMENT OF CASH FLOWS -PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Enterprise Funds		
	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Irrigation Assessment</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 379,654	201,411	(14,137)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:			
Depreciation expense	2,039,226	-	13,116
Disposal of assets	(53,976)	-	-
Noncash Pension expense	220,137	-	-
Noncash OPEB benefit	(152,400)	-	-
Changes in Assets and Liabilities			
Receivable, net	1,818,210	(33,459)	-
Inventory	45,076	-	-
Prepays	813	52,650	-
Due from other funds	-	-	-
Accounts payable	902,729	-	-
Accrued payroll	34,612	(5,014)	-
Accrued compensated absences	(226,362)	-	-
Other accrued liabilities		-	-
Customer deposits	31,647	-	-
Net cash provided by operating activities	<u>\$ 5,039,366</u>	<u>215,588</u>	<u>(1,021)</u>

Stormwater Utility	Total Proprietary Funds
188,824	755,752
-	2,052,342
-	(53,976)
-	220,137
-	(152,400)
(27,369)	1,757,382
-	45,076
-	53,463
-	-
1,281	904,010
-	29,598
-	(226,362)
-	-
-	31,647
<u>162,736</u>	<u>5,416,669</u>

City of Aztec, New Mexico
STATEMENT OF FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2024

	Custodial Fund Balance <u>June 30, 2024</u>
ASSETS	
Cash and cash equivalents	\$ <u>7,594</u>
<i>Total assets</i>	\$ <u><u>7,594</u></u>
NET POSITION	
Net position	\$ <u>7,594</u>
<i>Total net position</i>	\$ <u><u>7,594</u></u>

City of Aztec, New Mexico
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2024

	Custodial Fund Employee Association Fund
Additions	
Contributions	\$ 7,051
<i>Total additions</i>	<u>7,051</u>
Deductions	
Food and beverage	<u>13,967</u>
<i>Total deductions</i>	<u>13,967</u>
<i>Net increase (decrease) in fiduciary net position</i>	(6,916)
Net position, beginning	<u>14,510</u>
Net position, ending	\$ <u><u>7,594</u></u>

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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.

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CITY OF AZTEC
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YEAR ENDED JUNE 30, 2024**

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

**STATE OF NEW MEXICO
CITY OF AZTEC
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YEAR ENDED JUNE 30, 2024**

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 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.

**STATE OF NEW MEXICO
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YEAR ENDED JUNE 30, 2024**

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.

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.

**STATE OF NEW MEXICO
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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 County and remitted monthly to the City.

Interfund Activities and Transactions

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

Inventory

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses

The City has entered into a contract to purchase power at an established rate over the period covering fiscal years 2017 through fiscal year 2024. 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.

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NOTES TO FINANCIAL STATEMENTS
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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:

<u>Assets</u>	<u>Years</u>
Building	10-45
Building and systems	10-45
Improvements	10-50
Machinery and equipment	5-30
Infrastructure	5-50

Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until that time. The City has several types of items that qualify for reporting in this category in both the governmental and business-type activities. These items include items related to pensions and other post-employment benefit (OPEB) obligations totaling \$2,985,341 and \$672,751, 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

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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 \$912,219 related to property taxes considered “unavailable”.

These items which arise from pension obligations and from OPEB obligations, \$243,549 and \$1,927,001, 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, 2024, 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, 2024.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued.

Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Pensions

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

Postemployment Benefits Other Than Pensions

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2024, the City had nonspendable fund balance categorized in the governmental funds balance sheet in the amount of \$9,354 as detailed on in Note 16.

Restricted and Committed Fund Balance – At June 30, 2024, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$5,638,922 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 \$907,010. 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 \$834,184 for the year ended June 30, 2024. 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, 2024.

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 \$9,738,831 in unassigned fund balances at June 30, 2024.

Net Position

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

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

Restricted Net Position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

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

Revenues and Expenditures/Expenses

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (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.

Recently Issued and Implemented Accounting Pronouncements

In April 2022, the GASB issued Statement No. 99, Omnibus 2022, with multiple effective dates as follows; (1) extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 24, as amended, and terminology updates related to Statement 53 and 63 are effective upon issuance. (2) The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (3) The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15,

**STATE OF NEW MEXICO
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2023, and all reporting periods thereafter. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of this Statement had no effect on the City's financial statements.

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections, effective for periods beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of this Statement had no effect on the City's financial statements.

In June 2023, the GASB issued Implementation Guide No. 2023-1, effective for periods beginning after June 15, 2023. The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This Implementation Guide amends Implementation Guide No. 2019-3, *Leases*, Question 4.16, and Implementation Guide No. 2021-1, *Implementation Guidance Update-2021*, Question 4.13.

New Accounting Pronouncements

The following GASB pronouncements have been issued but are not yet effective at June 30, 2024.

GASB Statement No. 101, Compensated Absences

GASB Statement No. 102, Certain Risks Disclosures

GASB Statement No. 103, Financial Reporting Model Improvements

GASB Statement No. 104, Disclosure of Certain Capital Assets

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

Subsequent Events

The City has evaluated subsequent events through December 16, 2024, the date which the financial statements were available to be issued. As of the report date, December 16, 2024, 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.

**STATE OF NEW MEXICO
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YEAR ENDED JUNE 30, 2024**

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

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

1. Prior to June, the City Manager submits to the City Commission a proposed operating budget for preliminary approval for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. The budget is prepared by fund, department, and function.
2. In late July, after there has been an opportunity for public comment, the City Commission adopts the budget as finalized.
3. Prior to September 1, the budget is legally enacted through passage of a resolution and the Local Government Division of the Department of Finance and Administration approves the final budget.
4. After the budget is adopted, any supplemental appropriations must be approved by the City Commission.

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

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

NOTE 3. DEPOSITS AND INVESTMENTS

Section 22-8-40, NMSA 1978 authorizes the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations and the state investment pool. All invested funds of the City properly followed State investment requirements as of June 30, 2024.

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-

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

63, NMSA 1978). At June 30, 2024, \$25,117,251 of the City's bank balance of \$25,857,993 was subject to custodial credit risk. \$13,949,982 was uninsured but collateralized by collateral held by the pledging bank's trust department, but not in the City's name, and \$11,461,315 of the City's deposits was uninsured and uncollateralized at June 30, 2024.

	Citizens Bank	Four Corners Community Bank	High Desert Credit Union	Total
Amount of deposits	\$ 24,573,704	1,043,547	240,742	25,857,993
FDIC coverage	(250,000)	(250,000)	(240,742)	(740,742)
Total uninsured public funds	24,323,704	793,547	-	25,117,251
Collateralized by securities held by pledging institutions or by its trust department or agent other than the City's name	12,862,389	1,087,593	-	13,949,982
Uninsured and uncollateralized	11,461,315	-	-	11,461,315
Collateral requirement (50%)	12,130,524	396,774	-	12,527,298
Pledged securities	12,862,389	1,087,593	-	13,949,982
Over (under) collateralized	\$ 700,537	690,819	-	3,380,599

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	\$ 20,281,593
Investments, statement of net position	16,648,662
Custodial funds cash and cash equivalents, statement of fiduciary net position	7,594
Total cash and cash equivalents and investments	36,937,849
Plus outstanding checks	2,371,194
Less outstanding deposits	(41,340)
Less cash and investments with NMFA	(531,143)
Less New MexiGROW LGIP	(12,876,867)
Less petty cash	(1,700)
Bank balance of deposits	\$ 25,857,993

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

Participation in the LGIP is voluntary.

The City's investments at June 30, 2024, were as follows:

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
New MexiGROW LGIP	30 Day WAM (R)	\$ 12,876,867	AAAm
	39 Day WAM (F)		
	Total	<u>\$ 12,876,867</u>	

** Based on Standard & Poor's rating

In addition, to the investments noted above, there are \$3,771,795 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.

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

The City's investment of \$12,876,867 with the *New MexiGROW LGIP* is valued at amortized cost. In addition, the investment of \$3,771,795 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, 2024, are as follows:

	General Fund	Inter- governmental Grants	Airport Fund	Nonmajor Governmental Funds	Total Governmental Funds
Taxes					
Property	\$ 922,071	-	-	-	922,071
Gross Receipts	912,711	203	-	221,400	1,134,314
Other Taxes	6,538	-	-	6,349	12,887
Intergovernmental					
State	-	-	-	-	-
Other					
Miscellaneous	15,100	-	-	-	15,100
Charges for services	-	-	10,320	-	10,320
Total	\$ 1,856,420	203	10,320	227,749	2,094,692

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 \$912,219, for the City as of June 30, 2024.

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE 4. RECEIVABLES (CONTINUED)

Proprietary fund receivables as of June 30, 2024, are as follows:

	Joint Utility Fund	Solid Waste Fund	Stormwater Utility Fund	Total Enterprise Funds
Utility receivables				
Charges for services	\$ 1,469,735	216,887	27,369	1,713,991
Taxes				
Gross receipts	20,653	-		20,653
Intergovernmental				
State	15,000	-		15,000
Other				
Miscellaneous	25	-		25
	<u>1,505,413</u>	<u>216,887</u>	<u>27,369</u>	<u>1,749,669</u>
Less allowance	<u>(183,150)</u>	<u>(25,975)</u>	<u>-</u>	<u>(209,125)</u>
Total	<u>\$ 1,322,263</u>	<u>190,912</u>	<u>27,369</u>	<u>1,540,544</u>

NOTE 5. TRANSFERS AND INTERFUND RECEIVABLES

Operating transfers were made to supplement other funding sources, as follows for the year ended June 30, 2024:

<u>Transfers Out</u>	<u>Transfer In</u>		
	Nonmajor Governmental		
General Fund	Funds	\$	40,000
General Fund	Airport		10,000
Nonmajor Governmental			
Funds	General Fund		<u>23,545</u>
		\$	<u>73,545</u>

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, 2024.

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

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE 6. CAPITAL ASSETS GOVERNMENT ACTIVITIES

A summary of capital assets and changes occurring during the year ended June 30, 2024 follows.
Land and construction in progress are not subject to depreciation.

	Balance June 30, 2023	Additions	Adjustments/ Transfers	Balance June 30, 2024
Capital assets not being depreciated				
Land	\$ 950,515	-		950,515
Construction in progress	3,520,828	-	(3,520,828)	-
Total capital assets not being depreciated	4,471,343	-	(3,520,828)	950,515
Capital assets being depreciated				
Buildings	11,123,436	-	-	11,123,436
Improvements	4,082,434	758,747	-	4,841,181
Machinery and equipment	6,597,853	901,316	-	7,499,169
Infrastructure	23,718,684	-	-	23,718,684
Total capital assets being depreciated	45,522,407	1,660,063	-	47,182,470
Total capital assets	49,993,750	1,660,063	(3,520,828)	48,132,985
Accumulated depreciation				
Buildings	(5,586,977)	(89,940)	-	(5,676,917)
Improvements	(3,295,507)	(134,981)	-	(3,430,488)
Machinery and equipment	(5,090,086)	(270,865)	-	(5,360,951)
Infrastructure	(13,243,032)	(1,554,506)	(194,964)	(14,992,502)
Total accumulated depreciation	(27,215,602)	(2,050,292)	(194,964)	(29,460,858)
Net capital assets	\$ 22,778,148	(390,229)	(3,715,792)	18,672,127

Depreciation expense for the year ended June 30, 2024, was charged to governmental activities as follows:

General government	\$ 128,136
Public safety	299,971
Public works	935,773
Culture and recreation	671,019
Public health and welfare	15,392
Total	\$ 2,050,291

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE 6. CAPITAL ASSETS GOVERNMENT ACTIVITIES (CONTINUED)

Business- Type Activities

	Balance June 30, 2023	Additions	Deletions/ Transfers	Balance June 30, 2024
Capital assets not being depreciated				
Land & water rights	\$ 1,445,661	-	(45,539)	1,400,122
Construction in progress	603,766	2,043,262	2,917,062	5,564,090
Total capital assets not being depreciated	<u>2,049,427</u>	<u>2,043,262</u>	<u>2,871,523</u>	<u>6,964,212</u>
Capital assets being depreciated				
Buildings and systems	51,535,330	1,654,613	649,305	53,839,248
Machinery and equipment	5,824,069	773,449	-	6,597,518
Total capital assets being depreciated	<u>57,359,399</u>	<u>2,428,062</u>	<u>649,305</u>	<u>60,436,766</u>
Total capital assets	<u>59,408,826</u>	<u>4,471,324</u>	<u>3,520,828</u>	<u>67,400,978</u>
Accumulated depreciation				
Buildings and systems	(27,814,134)	(1,696,021)	-	(29,510,155)
Machinery and equipment	(4,542,700)	(302,345)	-	(4,845,045)
Total accumulated depreciation	<u>(32,356,834)</u>	<u>(1,998,366)</u>	<u>-</u>	<u>(34,355,200)</u>
Net capital assets	<u>\$ 27,051,992</u>	<u>2,472,958</u>	<u>3,520,828</u>	<u>33,045,778</u>

Depreciation expense for the year ended June 30, 2024, was charged to business-type activities as follows:

Joint Utility	\$ 1,985,250
Irrigation Assessment	13,116
Total	<u>\$ 1,998,366</u>

NOTE 7. LONG-TERM LIABILITIES

During the year ended June 30, 2024, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Long-term liabilities:					
NMFA capital improvements	\$ 2,130,889	-	(215,213)	1,915,676	232,428
Compensated absences	287,373	500,085	(277,913)	509,545	254,773
Total long-term liabilities	<u>\$ 2,418,262</u>	<u>500,085</u>	<u>(493,126)</u>	<u>2,425,221</u>	<u>487,201</u>

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Notes outstanding for governmental activities at June 30, 2024, consisted of the following loans.

Description	Date of Issuance	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2024	Pledged Revenues
NMFA- PP			2.03-			Gross
2192 Loan	10/24/08	5/01/31	4.89%	\$ 3,367,380	1,915,676	Receipt Tax

The annual requirements to amortize the notes payable for governmental activities as of June 30, 2024, including interest payments are as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2025	\$ 232,428	90,005	322,433
2026	242,466	79,177	321,643
2027	260,069	55,389	315,458
2028	278,430	42,032	320,462
2029	293,923	27,816	321,739
2030-2031	608,360	25,782	634,142
	<u>\$ 1,915,676</u>	<u>320,201</u>	<u>2,235,877</u>

Business-Type Activities

During the year ended June 30, 2024, the following changes occurred in the liabilities reported in the proprietary funds' statement of net position:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Notes payable:					
NMED CWSRF 009R	\$ 1,651,643	-	(275,259)	1,376,384	275,232
NMED CWSRF 021	2,833,945	-	(113,222)	2,720,723	113,233
Total notes payable	4,485,588	-	(388,481)	4,097,107	388,465
Compensated absences	356,911	124,386	(350,748)	130,549	65,275
Total long-term liabilities	<u>\$ 4,842,499</u>	<u>124,386</u>	<u>(739,229)</u>	<u>4,227,656</u>	<u>453,740</u>

The City entered into a refinance long-term agreement with the New Mexico Environment Department (CWSRF009R) in the original amount of \$3,233,765 dated March 23, 2018. The loan is payable in annual payments of \$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.

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Notes outstanding for business-type activities at June 30, 2024, consists of the following loans:

Description	Date of Issuance	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2024	Pledged Revenues
CWSRF 009R Loan	3/23/18	6/30/29	1.20%	\$ 3,233,765	\$ 1,376,384	Net Joint Utility Fund Revenues
CWSRF 021 Loan	2/27/18	1/28/48	1.20%	3,324,802	2,720,723	Net Joint Utility Fund Revenues
				Total	\$ 4,097,107	

The annual requirements to amortize the notes payable for business-type activities as of June 30, 2024, including interest payments are as follows:

Year Ending June 30		Principal	Interest	Total Debt Service
2025	\$	388,465	410	388,875
2026		388,505	370	388,875
2027		388,543	332	388,875
2028		388,582	293	388,875
2029		388,519	356	388,875
2030-2034		566,619	963	567,582
2035-2039		566,952	680	567,632
2040-2045		567,186	247	567,433
2045-2048		453,736	265	454,001
	\$	4,097,107	3,916	4,101,023

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, 2024, compensated absences decreased by \$4,190 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, 2024, 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.

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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, 2024.
- 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, 2024.
- 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, 2024.

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

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

Benefits provided – *TIER I*. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan.

Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for postretirement survivors' annuities are also available.

TIER II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013. Under the new requirements (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 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

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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

adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 5 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee contribution increased 1.5% and effective July 1, 2014, employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions

See PERA's Annual Comprehensive Financial Report for contribution provided description.

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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

PERA Contribution Rates and Pension Factors in effect during FY23						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	10.42%	18.24%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	9.0%	8.15%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	11.15%	10.30%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	15.65%	10.30%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.65%	12.80%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 – 5						
Municipal Police Plan 1	7.0%	9.0%	11.15%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	9.0%	16.15%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	9.0%	19.65%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	14.35%	19.65%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	18.30%	19.65%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	11.50%	12.15%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	11.50%	18.65%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	11.50%	22.40%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	16.30%	22.40%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	19.70%	22.40%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.30%	3.0%	3.0%	90%
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%	90%
State Plan 3 - Peace Officer	7.42%	10.42%	18.74%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	7.78%	27.87%	3.0%	3.0%	90%

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2023 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2022. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2023. The County's proportion of the net pension liability was based on a projection of the County'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, 2024, the City reported a liability of \$7,378,996 for its proportionate share of the net pension liability. At June 30, 2023, the City's proportion was 0.34848%, which was a decrease of 0.01219% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City recognized PERA Municipal General Division pension expense of \$957,320. At June 30, 2023, 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	\$ 553,824	90,055
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	693,800	-
Changes in proportion and differences between County's contributions and proportionate share of contributions	177,254	153,494
County's contributions subsequent to the measurement date	426,558	-
Total	<u>\$ 1,851,436</u>	<u>243,549</u>

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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

\$426,558 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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	\$	412,368
2026		86,591
2027		619,196
2028		63,174
2029		-
Thereafter		-

For PERA Municipal Police Division, at June 30, 2024, the City reported a liability of \$3,682,703 for its proportionate share of the net pension liability. At June 30, 2023, the City's proportion was 0.38187%, which was an increase of 0.05297% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City recognized PERA Municipal Police Division pension expense of \$610,583. At June 30, 2024, 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	\$ 315,468	-
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	305,859	-
Changes in proportion and differences between County's contributions and proportionate share of contributions	280,609	-
County's contributions subsequent to the measurement date	231,969	-
Total	\$ 1,133,905	-

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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

\$231,969 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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	\$	346,615
2026		186,919
2027		340,477
2028		27,925
2029		-
Thereafter		-

Actuarial assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement date.

Actuarial valuation date	June 30, 2022
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% annual rate,
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
Mortality assumption	The mortality assumptions are based on the RPD-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008, to June 30, 2017 (demographic) and July 1, 2010 through June 20, 2017 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2022. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2023. These assumptions were adopted by the PERA Board for use in the June 30, 2022 actuarial valuation.

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

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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

major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38.00%	6.90%
Risk Reduction & Mitigation	17.00%	3.90%
Credit Oriented Fixed Income	19.00%	6.00%
Real Assets	18.00%	7.00%
Multi-Risk Allocation	8.00%	.61%
Total	<u>100.0%</u>	

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2023. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
PERA Municipal General Division			
City of Aztec's proportionate share of the net pension liability	\$ 10,698,441	7,378,996	4,619,141
PERA Municipal Police Division			
City of Aztec's proportionate share of the net pension liability	\$ 5,303,398	3,682,703	2,356,080

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued fiscal year 2023 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the Pension Plan

At June 30, 2024, there were no contributions due and payable to PERA for the City. Contractually required contributions are remitted to PERA monthly.

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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

Description

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

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

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2023, 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
	<u>159,125</u>
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
	<u>93,595</u>

Contributions

Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the City were \$112,339 for the year ended June 30, 2023.

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

At June 30, 2024, the City reported a liability of \$1,606,723 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2023. At June 30, 2023, the City's proportion was 0.09435%.

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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

For the year ended June 30, 2024, the City recognized OPEB income of \$446,857. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,162	290,898
Changes in assumptions	309,208	1,515,678
Changes in proportion	182,719	120,425
Net difference between projected and actual earnings on OPEB plan investments	34,354	-
Employer contributions subsequent to the measurement date	<u>119,308</u>	<u>-</u>
Total	\$ <u>672,751</u>	<u>1,927,001</u>

Deferred outflows of resources totaling \$119,308 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, 2024. 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:

2025	\$ (417,132)
2026	(301,763)
2027	(349,117)
2028	(222,397)
2029	<u>(83,149)</u>
Total	\$ <u>(1,373,558)</u>

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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	Fair 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% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 8.5% graded down to 4.5% 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, are used in the derivation of the long-term expected investment rate of return assumptions.

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	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	10.0%
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 Fund's total OPEB liability is 6.22% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2059. The 7.00% discount rate, which includes the assumed inflation rate of 2.30% for ERB members and 2.50% for PERA members, was used to calculate the net OPEB liability through 2052. Beyond 2059, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.54%) was applied. Thus, 6.22% is the blended discount rate.

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

The following presents the net OPEB liability, calculated using the discount rate of 6.22% as of June 30, 2023 of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

1% Decrease (5.22%)	Current Discount Rate (6.22%)	1% Increase (7.22%)
\$ 2025,681	1,606,723	1,267,118

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
\$ 1,330,203	1,606,723	1,924,298

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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

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, 2023.

Payable Changes in the Net OPEB Liability

At June 30, 2024, the City reported no outstanding contributions payable to NMRHCA for the year ended June 30, 2024.

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, 2024. 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, 2024, 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 \$5,638,922 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.

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE 16. FUND BALANCES

Fund balances on the modified accrual basis was classified as follows at June 30, 2024:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>
General fund				
Prepaid expenses	\$ 9,304	-	-	-
Minimum fund balance policy	-	-	834,184	-
Unassigned	-	-	-	9,749,801
Total	<u>9,304</u>	<u>-</u>	<u>834,184</u>	<u>9,749,801</u>
Intergovernmental grants				
Prepaid expense	50	-	-	-
Unassigned	-	142,496	-	-
Total	<u>50</u>	<u>142,496</u>	<u>-</u>	<u>-</u>
American rescue plan				
Restricted	-	1,109	-	-
Total	<u>-</u>	<u>1,109</u>	<u>-</u>	<u>-</u>
Airport fund				
Unassigned	-	-	-	(10,970)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,970)</u>
Nonmajor funds				
Prepaid expenses	-	-	-	-
Capital projects	-	1,428,401	-	-
Public safety	-	467,076	-	-
Public works	-	3,550,241	-	-
Culture and recreation	-	49,599	8,286	-
Economic development	-	-	64,540	-
Total	<u>-</u>	<u>5,495,317</u>	<u>72,826</u>	<u>-</u>
Total fund balances	\$ <u>9,354</u>	<u>5,638,922</u>	<u>907,010</u>	<u>9,738,831</u>

NOTE 17. TAX ABATEMENTS

The City had no tax abatements during the year ended June 30, 2024. 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.

**STATE OF NEW MEXICO
CITY OF AZTEC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

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:

	<u>6/30/2023 As Previously Reported</u>	<u>Change Within Financial Reporting Entity</u>	<u>6/30/2024 As Restated</u>
Governmental Funds			
Major Funds:			
General Fund - 101	\$ 9,261,578	-	9,261,578
Intergovernmental Grants- 218	435,763	-	435,763
American Rescue Plan-219	1,109	-	1,109
Career Technical Program - 27502	-	25,814	25,814
Capital Project Fund- 310	1,124,564	-	1,124,564
Nonmajor fund	<u>3,935,257</u>	<u>(25,814)</u>	<u>3,935,257</u>
Total governmental funds	\$ <u>14,758,271</u>	<u>-</u>	<u>14,758,271</u>

Required Supplementary Information

City of Aztec, New Mexico
SCHEDULE OF PROPRATIONATE SHARE OF THE NET PENSION LIABILITY
Public Employees Retirement Association (PERA)
Year Ended June 30, 2024

Pension Liability
For Last 10 Fiscal Years*

Fiscal Year Measurement Date	Jun-30									
	2024 2023	2023 2022	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
City of Aztec Proportion of the Net Pension Liability (Asset)										
Municipal general	0.3485%	0.3607%	0.3348%	0.3388%	0.3384%	0.3627%	0.3346%	0.3697%	0.3587%	0.3579%
Municipal police	0.3819%	0.3289%	0.3252%	0.3233%	0.3561%	0.3584%	0.3645%	0.3639%	0.4481%	0.4526%
City of Aztec Proportionate Share of Net Pension Liability (Asset)										
Municipal general	\$ 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	2,792,004
Municipal police	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	1,339,815
Total	<u>11,061,699</u>	<u>9,040,503</u>	<u>5,454,209</u>	<u>9,628,031</u>	<u>8,488,441</u>	<u>8,228,159</u>	<u>6,760,132</u>	<u>8,591,524</u>	<u>5,443,637</u>	<u>4,131,819</u>
City of Aztec Covered Payroll										
Municipal general	\$ 3,851,097	3,851,097	2,701,141	3,507,738	2,933,539	3,059,120	3,026,775	3,182,789	2,984,716	8,370,704
Municipal police	703,111	703,111	703,111	774,937	967,238	757,143	751,270	723,725	604,078	2,789,369
Total	<u>4,554,208</u>	<u>4,554,208</u>	<u>3,404,252</u>	<u>4,282,675</u>	<u>3,900,777</u>	<u>3,816,263</u>	<u>3,778,045</u>	<u>3,906,514</u>	<u>3,588,794</u>	<u>11,160,073</u>
City of Aztec Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll										
Municipal general	191.61%	166.11%	139.66%	195.32%	199.69%	189.03%	156.44%	185.58%	122.53%	33.35%
Municipal police	523.77%	375.94%	239.20%	358.32%	271.95%	322.97%	269.55%	370.99%	295.72%	48.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability										
Municipal general	67.26%	69.35%	44.48%	66.36%	70.53%	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal police	67.26%	69.35%	44.48%	66.36%	70.53%	71.13%	73.74%	69.18%	76.99%	81.29%

City of Aztec, New Mexico
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA)
Year Ended June 30, 2024

		Last Ten Fiscal Years*									
		2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution											
Municipal general	\$	426,558	390,449	329,788	257,959	334,989	280,153	292,146	289,057	302,365	283,548
Municipal police		231,969	195,574	228,368	132,888	146,463	182,808	143,100	141,990	136,784	137,609
Total		658,527	586,023	558,156	390,847	481,452	462,961	435,246	431,047	439,149	421,157
Contributions in Relation to the Statutory Required Contribution											
Municipal general		(426,558)	(390,449)	(329,788)	(257,959)	(334,989)	(280,153)	(292,146)	(289,057)	(302,365)	(283,548)
Municipal police		(231,969)	(195,574)	(228,368)	(132,888)	(146,463)	(182,808)	(143,100)	(141,990)	(136,784)	(137,609)
Total		(658,527)	(586,023)	(558,156)	(390,847)	(481,452)	(462,961)	(435,246)	(431,047)	(439,149)	(421,157)
Contribution Deficiency (Excess)*											
Municipal general	\$	-	-	-	-	-	-	-	-	-	-
Municipal police		-	-	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-	-	-
City of Aztec Covered-Employee Payroll											
Municipal general	\$	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	2,984,716
Municipal police		1,153,268	703,111	703,111	703,111	774,937	967,238	757,143	751,270	723,725	604,078
Total		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	3,588,794
Contributions as a percentage of covered payroll											
Municipal general		10.78%	10.14%	8.56%	9.55%	9.55%	9.55%	9.55%	9.55%	9.50%	9.50%
Municipal police		20.11%	27.82%	32.48%	18.90%	18.90%	18.90%	18.90%	18.90%	18.90%	22.78%

City of Aztec, New Mexico
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
New Mexico Retiree Health Care Authority (NMRHCA)
Year Ended June 30, 2024

Pension Liability
For Last 10 Fiscal Years*

		2024	2023	2022	Jun-30	2020	2019	2018
	Fiscal Year	2023	2022	2021	2021	2019	2018	2017
	Measurement Date				2020	2019	2018	2017
City of Aztec Proportion of the Net OPEB Liability (Asset)	\$	0.0944%	0.0940%	0.0885%	0.0893%	0.0953%	0.0933%	0.0951%
City of Aztec Proportionate Share of Net OPEB Liability (Asset)		1,606,723	2,172,355	2,912,289	3,748,785	3,089,023	4,056,144	4,311,434
City of Aztec Covered Payroll	\$	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		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		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, 2024

		Last Ten Fiscal Years*						
		2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$	119,308	112,339	95,466	85,763	87,950	84,356	79,661
Contributions in Relation to the Statutory Required Contribution		(119,308)	(112,339)	(95,466)	(85,763)	(87,950)	(84,356)	(79,661)
Contribution Deficiency (Excess)*	\$		-	-	-	-	-	-
City of Aztec Covered Payroll	\$	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		2.25%	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.

City of Aztec, New Mexico
NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION

Public Employees Retirement Association (PERA) Plan

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA ACFR available at <https://www.saonm.org>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 2023 report is available at <http://www.nmpera.org/>

New Mexico Retiree Health Care Authority

In the total OPEB liability measured as of June 30, 2023, changes in assumptions include adjustments resulting from an increase in the discount rate from 5.42% to 6.22%.

Supplementary Information

**STATE OF NEW MEXICO
CITY OF AZTEC
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
YEAR ENDED JUNE 30, 2024**

Special Revenue Funds

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

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

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

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

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

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

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

Cannabis Excise Tax Fund: To account for funds received from Cannabis Regulation Act. This fund was established by the City Commission.

Capital Projects Fund

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

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

City of Aztec, New Mexico
COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024

	Special Revenue Funds		
	Municipal Road Fund	Law Enforcement Protection Fund	Local Government Correction Fund
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 3,446,369	12,007	26,487
Investments	-	-	-
Receivables			
Taxes	103,872	-	-
Intergovernmental	-	-	-
Other	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
<i>Total current assets</i>	<u>\$ 3,550,241</u>	<u>12,007</u>	<u>26,487</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	\$ -	-	-
Accrued payroll	-	-	-
Due to other funds	-	-	-
Customer deposits	-	-	-
Unearned revenue	-	-	-
<i>Total current liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable	-	-	-
Restricted	3,550,241	12,007	26,487
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<i>Total fund balance</i>	<u>3,550,241</u>	<u>12,007</u>	<u>26,487</u>
<i>Total liabilities, deferred inflows, and fund balance</i>	<u>\$ 3,550,241</u>	<u>12,007</u>	<u>26,487</u>

Economic Development Fund	Impact Fees Fund	Lodger's Tax Fund
64,540	8,286	39,363
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
64,540	8,286	39,363
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
64,540	8,286	39,363
-	-	-
-	-	-
64,540	8,286	39,363
64,540	8,286	39,363

City of Aztec, New Mexico
COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024

	Special Revenue Funds		
	State Fire Fund	Cannabis Excise Tax	Airport Fund
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 428,582	10,236	
Investments	-	-	
Receivables			
Taxes	-	-	
Intergovernmental	-	-	
Other	-	-	
Prepaid expenses	-	-	
Due from other funds	-	-	
<i>Total current assets</i>	<u>\$ 428,582</u>	<u>10,236</u>	
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities:</i>			
Accounts payable	\$ -	-	
Accrued payroll	-	-	
Due to other funds	-	-	
Customer deposits	-	-	
Unearned revenue	-	-	
<i>Total current liabilities</i>	<u>-</u>	<u>-</u>	
<i>Fund balances</i>			
Nonspendable	-	-	
Restricted	428,582	10,236	
Committed	-	-	
Assigned	-	-	
Unassigned	-	-	
<i>Total fund balance</i>	<u>428,582</u>	<u>10,236</u>	
<i>Total liabilities, deferred inflows, and fund balance</i>	<u>\$ 428,582</u>	<u>10,236</u>	

<u>Capital Projects</u>	
<u>Community</u>	<u>Total</u>
<u>Development</u>	<u>Nonmajor</u>
<u>Block Grant Fund</u>	<u>Governmental</u>
	<u>Funds</u>
-	4,035,870
-	-
-	103,872
-	-
-	-
-	-
50	50
50	4,139,792
-	-
-	-
-	-
-	-
-	-
-	-
50	4,066,966
-	72,826
-	-
-	-
50	4,139,792
50	4,139,792

City of Aztec, New Mexico
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Special Revenue Funds		
	Municipal Road	Law	Local
	Fund	Enforcement	Government
		Protection Fund	Correction Fund
Revenues			
Taxes			
Gross receipts	\$ 247,617	-	-
Gasoline and motor vehicles	373,850	-	-
Other	-	-	-
Intergovernmental:			
State operating grants	663,101	123,500	-
Charges for services	-	-	76,979
Investment income	-	-	-
<i>Total revenues</i>	<u>1,284,568</u>	<u>123,500</u>	<u>76,979</u>
Expenditures			
Current			
General government	-	-	-
Public safety	-	135,034	96,569
Public works	418,920	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>418,920</u>	<u>135,034</u>	<u>96,569</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>865,648</u>	<u>(11,534)</u>	<u>(19,590)</u>
Other financing sources (uses):			
Transfers in	-	-	40,000
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>40,000</u>
Net changes in fund balances	865,648	(11,534)	20,410
Fund balances (deficit) - beginning of year	<u>2,684,593</u>	<u>23,541</u>	<u>6,077</u>
Restatement, Note 19	-	-	-
Fund balances (deficit) - Beg of year Restated	<u>2,684,593</u>	<u>23,541</u>	<u>6,077</u>
Fund balances - end of year	<u>\$ 3,550,241</u>	<u>12,007</u>	<u>26,487</u>

Special Revenue Funds

Economic Development Fund	Impact Fees Fund	Lodger's Tax Fund
-	-	-
-	-	-
-	-	29,105
-	-	-
-	-	-
-	-	-
-	-	29,105
-	-	-
-	-	-
-	-	-
55,000	-	-
-	-	47,911
-	-	-
-	-	-
-	-	-
55,000	-	47,911
(55,000)	-	(18,806)
-	-	-
-	-	-
-	-	-
(55,000)	-	(18,806)
119,540	8,286	58,169
-	-	-
119,540	8,286	58,169
64,540	8,286	39,363

City of Aztec, New Mexico
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Special Revenue Funds		
	State Fire Fund	Cannabis Excise Tax	Airport Fund
Revenues			
Taxes			
Gross receipts	\$ -	22,802	
Gasoline and motor vehicles	-	-	
Other	-	-	
Intergovernmental:			
State operating grants	266,014	-	
Charges for services	-	-	
Investment income	-	-	
<i>Total revenues</i>	<u>266,014</u>	<u>22,802</u>	
Expenditures			
Current			
General government	-	715	
Public safety	565,602	-	
Public works	-	-	
Culture and recreation	-	-	
Health and welfare	-	-	
Capital outlay	<u>269,323</u>	<u>-</u>	
Debt service			
Principal	-	-	
Interest	<u>-</u>	<u>-</u>	
<i>Total expenditures</i>	<u>834,925</u>	<u>715</u>	
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(568,911)</u>	<u>22,087</u>	
Other financing sources (uses):			
Transfers in	-	-	
Transfers out	<u>-</u>	<u>(19,200)</u>	
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(19,200)</u>	
Net changes in fund balances	(568,911)	2,887	
Fund balances (deficit) - beginning of year	<u>997,493</u>	<u>7,349</u>	<u>25,814</u>
Restatement, Note 19	-	-	(25,814)
Fund balances (deficit) - Beg of year Restated	<u>997,493</u>	<u>7,349</u>	<u>-</u>
Fund balances - end of year	<u>\$ 428,582</u>	<u>10,236</u>	<u>-</u>

Capital Projects Community Development Block Grant Fund	Total Nonmajor Governmental Funds
-	270,419
-	373,850
-	29,105
-	1,052,615
-	76,979
-	-
-	1,802,968
-	715
-	797,205
-	418,920
-	55,000
-	47,911
-	269,323
-	-
-	-
-	1,589,074
-	213,894
-	40,000
(4,345)	(23,545)
(4,345)	16,455
(4,345)	230,349
4,395	3,935,257
-	(25,814)
4,395	3,909,443
50	4,139,792

Supporting Schedules

City of Aztec, New Mexico
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2024

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	\$ 45,950	-	-	-	-			45,950
Demand- Interest bearing	Employee Association Account	7,594	-	-	-	-			7,594
Demand- Interest bearing	Motor Vehicle	9,375	-	-	-	-		(1,375)	8,000
Demand- Interest bearing	ST* POL Interest Checking	22,010,785	-	-	-	-	41,340	(2,369,819)	19,682,306
Demand- Interest bearing	Regular Share Account	-	-	12,494	-	-			12,494
CD- Interest bearing	Certificates of Deposits	2,500,000	1,043,547	228,248	-	-			3,771,795
LGIP- Interest bearing	NewMexiGROW-LGIP	-	-	-	12,876,867	-			12,876,867
NMFA- Interest bearing	NMFA Cash	-	-	-	-	205,611			205,611
NMFA- Interest bearing	NMFA Reserve Account	-	-	-	-	325,532			325,532
	Total cash and cash equivalents	\$ 24,573,704	1,043,547	240,742	12,876,867	531,143	41,340	(2,371,194)	36,936,149
	Total amount on deposit	24,573,704	1,043,547	240,742	Plus petty cash				1,700
	FDIC coverage	(250,000)	(250,000)	(240,742)	Less custodial cash and cash equivalents per statement of fiduciary net position				(7,594)
	Total uninsured public funds	24,323,704	793,547	-	Less investments per statement of net position				(16,648,662)
	50% collateral requirement	12,161,852	396,774	-	Cash and cash equivalents per statement of net position				20,281,593
	Pledge collateral	12,862,389	1,087,593	-					
	Amount (over)/under collateralized	\$ (700,537)	(690,819)	-					

City of Aztec, New Mexico
SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2024

Name of Depository	Description of Pledge Collateral	Maturity	CUSIP Number	Fair Value June 30, 2024
Citizens Bank				
	Federal Home Loan Bank	9/15/2031	3137AFP22	\$ 1,981,118
	Federal Home Loan Bank	6/15/2041	3137ACNK1	2,877,427
	Federal Home Loan Bank	3/20/2041	38377U2A5	1,426,324
	Federal Home Loan Bank	12/20/2039	38379WXJ6	438,618
	Federal Home Loan Bank	1/15/2032	3137AL3A5	4,283,944
	Federal Home Loan Bank	5/15/2045	3137BPGE3	1,040,608
	Federal Home Loan Bank	3/1/2052	3133B7TV0	814,350
				<u>\$ 12,862,389</u>
Name and location of safekeeper for above pledged collateral:				
Federal Home Loan Bank (FHLB) Dallas, TX				
Four Corners Community Bank				
	NMFA Rev	6/15/2045	64711PFU9	\$ 460,719
	NMFA Rev	6/1/2033	64711PHA1	<u>626,874</u>
				<u>\$ 1,087,593</u>
Name and location of safekeeper for above pledged collateral:				
The Independent Bankers Bank (TIB) Dallas, TX				
Total Pledge Collateral				<u>\$ 13,949,982</u>

City of Aztec, New Mexico
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC, AND CAPITAL OUTLAY APPROPRIATIONS
JUNE 30, 2024

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							
AZTEC OUTDOOR RECREATION MGF & RETAIL FCLTY	E2678	\$ 500,000	6/30/2024	54,833			-
AZTEC PARKS EQUIP PRCHS	G2951	255,000	6/30/2024	255,000			-
AZTEC POLICE VEH PRCHS	G2952	150,000	6/30/2024	149,998			-
AZTEC SENIOR CENTER-REN	A20E5274	363,000	6/30/2024	359,370			3,508,547
E ARTERIAL CONSTRUCTION	G4099	3,508,547	6/30/2024	-			144,534
NM HWY 173 WATER LINE RELOCATION AZTEC	E2180	1,500,000	6/30/2024	1,355,466			-
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
		<u>\$ 21,640,365</u>		<u>5,486,526</u>	<u>-</u>	<u>-</u>	<u>12,051,959</u>

City of Aztec, New Mexico
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2024

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	111,793	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	9,929	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	12,992	Cities of Bloomfield & Farmington; San Juan County
					Total	\$ 134,714	

Compliance

**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.
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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2024.

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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 not identify instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
December 16, 2024



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.
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, 2024. 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, 2024.

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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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
December 16, 2024

City of Aztec, New Mexico
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

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	\$ 1,872
Total U.S. Department of Justice			<u>1,872</u>
U.S. Department of Transportation			
Airport Improvement Programs			
Airport Rescue (ARPA Funds, FAA) (1)		20.106	22,000
Rwy 8-26 Lighting and Visual Aids (90%) (1)		20.106	1,083,517
			<u>1,105,517</u>
U.S. Department of Transportation			
<i>Passed through New Mexico Department of Finance and Administration</i>			
American Rescue Plan	FRF-AZTEC-005	21.027	24,758
Total U.S. Department of Transportation			<u>1,130,275</u>
Total Federal Financial Assistance			<u>\$ 1,132,147</u>

(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, 2024**

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, 2024. 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 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Summary of Significant Accounting Policies

Federal Operating Grants		
General Fund	\$	1,872
American Rescue Plan		24,758
Airport Fund		22,000
Federal Capital Grants		
Airport Fund		1,083,517
Total Federal Revenue		<u>1,132,147</u>

**STATE OF NEW MEXICO
CITY OF AZTEC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

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:
 Airport Improvement Programs – 20.106
 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, 2024

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**

None

**STATE OF NEW MEXICO
CITY OF AZTEC
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2024**

STATUS OF PRIOR YEAR FINDINGS

None

**STATE OF NEW MEXICO
CITY OF AZTEC
EXIT CONFERENCE
JUNE 30, 2024**

An exit conference was held on December 16, 2024. 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.