

**STATE OF NEW MEXICO**

City of Aztec  
**ANNUAL FINANCIAL REPORT  
FOR YEAR ENDED JUNE 30, 2023**



**PATTILLO, BROWN & HILL, LLP**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

## Table of Contents

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	PAGE
Official Roster	1
Report of Independent Auditors	2-5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	6-7
Statement of Activities	8
Fund Financial Statements	
Balance Sheet – Governmental Funds	9-10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12-13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Budgetary Basis) and Actual – General Fund	15
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Budgetary Basis) and Actual – Intergovernmental Grants	16
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Budgetary Basis) and Actual – American Rescue Plan	17
Statement of Net Position – Proprietary Funds	18-19
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21-22
Statement of Fiduciary Net Position	23
Statement of Changes in Fiduciary Net Position	24
Notes to Financial Statements	25
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of the Net Pension Liability – PERA	69
Schedule of Contributions – PERA	70
Schedule of Proportionate Share of the Net OPEB Liability – NMRHCA	71
Schedule of Contributions – NMRHCA	72
Notes to Required Supplementary Information	73
<b>Supplementary Information</b>	
Nonmajor Governmental Fund Descriptions	75
Combining Balance Sheet – Nonmajor Governmental Funds	76-79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	80-83

# Table of Contents

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	PAGE
<b>Supporting Schedules</b>	
Schedule of Deposit and Investment Accounts	85
Schedule of Collateral Pledged by Depository for Public Funds	86
Schedule of Special, Deficiency, Specific, and Capital Outlay Appropriations	87
Schedule of Joint Powers Agreements	88
<b>Compliance Section</b>	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	90-91
Schedule of Findings and Responses	92-93
Summary Schedule of Prior Audit Findings	94
Exit Conference	95

**City of Aztec, New Mexico  
Official Roster  
June 30, 2023**

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**City Commission**

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

**Administration**

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



## INDEPENDENT AUDITORS' 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, 2023, 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, 2023, 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.

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#### OFFICE LOCATIONS

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



## ***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 nonmajor governmental financial statements, schedule of deposits and investment accounts, schedule of collateral pledged by depository for public funds, schedule of special, deficiency, specific, and capital outlay appropriations, and schedule of joint powers agreements, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate to the directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the supporting schedules, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, 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 12, 2023



**City of Aztec, New Mexico**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
<i>Current:</i>			
Cash and cash equivalents	\$ 11,123,862	4,935,666	16,059,528
Investments	3,427,393	12,951,867	16,379,260
Receivables			
Taxes	2,104,040	21,952	2,125,992
Utility Receivable, net of allowance	-	1,206,090	1,206,090
Intergovernmental	265,749	2,028,265	2,294,014
Interest	-	19,894	19,894
Other receivables	213,055	21,725	234,780
Inventory	-	2,170,825	2,170,825
Prepaid expenses	4,803	5,768	10,571
Internal balances	-	-	-
<i>Total current assets</i>	<u>17,138,902</u>	<u>23,362,052</u>	<u>40,500,954</u>
<i>Noncurrent assets:</i>			
Capital Assets, not being depreciated	4,471,343	2,049,427	6,520,770
Capital Assets, being depreciated	45,522,407	57,359,399	102,881,806
Less Accumulated depreciation.	<u>(27,215,602)</u>	<u>(32,356,834)</u>	<u>(59,572,436)</u>
<i>Total noncurrent assets</i>	<u>22,778,148</u>	<u>27,051,992</u>	<u>49,830,140</u>
<i>Total assets</i>	<u>39,917,050</u>	<u>50,414,044</u>	<u>90,331,094</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred outflows related to Net Pension Liability	1,409,853	450,295	1,860,148
Deferred outflows related to Net OPEB Liability	<u>629,598</u>	<u>243,340</u>	<u>872,938</u>
<i>Total deferred outflows</i>	<u>2,039,451</u>	<u>693,635</u>	<u>2,733,086</u>
<i>Total assets and deferred outflows</i>	<u>\$ 41,956,501</u>	<u>51,107,679</u>	<u>93,064,180</u>

**City of Aztec, New Mexico**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>LIABILITIES</b>			
<i>Current liabilities:</i>			
Accounts payable	\$ 39,806	287,524	327,330
Accrued payroll	182,455	40,122	222,577
Other accrued liabilities	-	40,317	40,317
Customer deposits payable	3,810	505,248	509,058
Unearned revenue	1,296,660	175,059	1,471,719
Accrued Interest	-	-	-
Compensated absences, current	143,687	178,456	322,143
Long-term liabilities, current	215,213	388,427	603,640
<i>Total current liabilities</i>	<u>1,881,631</u>	<u>1,615,153</u>	<u>3,496,784</u>
<i>Noncurrent liabilities:</i>			
Long-term liabilities, net of current portion	1,915,676	4,097,161	6,012,837
Compensated absences, net of current portion	143,686	178,455	322,141
Net pension liability	6,852,024	2,188,479	9,040,503
Net OPEB Liability	1,567,137	605,218	2,172,355
<i>Total noncurrent liabilities</i>	<u>10,478,523</u>	<u>7,069,313</u>	<u>17,547,836</u>
<i>Total liabilities</i>	<u>12,360,154</u>	<u>8,684,466</u>	<u>21,044,620</u>
<b>DEFERRED INFLOWS</b>			
Deferred inflows related to Net Pension Liability	174,456	55,720	230,176
Deferred inflows related to Net OPEB Liability	1,531,858	591,594	2,123,452
<i>Total deferred inflows</i>	<u>1,706,314</u>	<u>647,314</u>	<u>2,353,628</u>
<b>NET POSITION</b>			
Net investment in capital assets	20,647,259	22,566,404	43,213,663
Nonspendable	4,803	-	4,803
Committed	940,160	-	940,160
Restricted			
Capital projects	1,128,959	-	1,128,959
Special revenue	4,239,898	-	4,239,898
Repair and replacement	-	716,676	716,676
Unrestricted ( deficit)	928,954	18,492,819	19,421,773
<i>Total net position</i>	<u>27,890,033</u>	<u>41,775,899</u>	<u>69,665,932</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 41,956,501</u>	<u>51,107,679</u>	<u>93,064,180</u>

City of Aztec, New Mexico  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 1,890,614	1,749,161	2,595,012	-	2,453,559	-	2,453,559
Public safety	4,075,270	-	-	-	(4,075,270)	-	(4,075,270)
Public works	1,152,746	-	-	-	(1,152,746)	-	(1,152,746)
Culture and recreation	1,503,354	-	-	-	(1,503,354)	-	(1,503,354)
Health and welfare	690,830	-	-	-	(690,830)	-	(690,830)
Capital Outlay	-	-	-	-	-	-	-
Interest relating to long-term debt	110,836	-	-	-	(110,836)	-	(110,836)
Total governmental activities	\$ 9,423,650	1,749,161	2,595,012	-	(5,079,477)	-	(5,079,477)
Business-type activities							
Joint Utility- O&M	9,486,690	9,455,566	-	2,208,204	-	2,177,080	2,177,080
Joint utility- water	-	-	-	-	-	-	-
Joint utility- wastewater	-	-	-	-	-	-	-
Joint utility- electricity	-	-	-	-	-	-	-
Joint utility- water rights	1,784	6,900	-	-	-	5,116	5,116
Solid waste	1,219,491	1,265,241	-	-	-	45,750	45,750
Irrigation assessment	6,640	-	-	-	-	(6,640)	(6,640)
Interest relating to long-term debt	541	-	-	-	-	(541)	(541)
Total business-type activities	10,715,146	10,727,707	-	2,208,204	-	2,220,765	2,220,765
<b>Total Primary Government</b>	<b>\$ 20,138,796</b>	<b>12,476,868</b>	<b>2,595,012</b>	<b>2,208,204</b>	<b>(5,079,477)</b>	<b>2,220,765</b>	<b>(2,858,712)</b>
<b>General Revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					791,484	-	791,484
Gross receipt taxes					6,558,799	125,262	6,684,061
Gasoline and motor vehicle taxes					608,951	-	608,951
Other taxes and fees					192,349	-	192,349
Payment in lieu of taxes					451,404	-	451,404
Investment income					775,278	23,489	798,767
Miscellaneous income					175,168	120,714	295,882
Gain on disposition of assets					15,470	-	15,470
Internal balance transfers					-	-	-
<b>Total general revenues, transfers, and special items</b>					<b>9,568,903</b>	<b>269,465</b>	<b>9,838,368</b>
Change in net position					4,489,426	2,490,230	6,979,656
Net position - beginning					23,400,607	39,285,669	62,686,276
Ending net position					\$ 27,890,033	41,775,899	69,665,932

**City of Aztec, New Mexico**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Intergovernmental Grants	American Rescue Plan
	101	218	219
<b>ASSETS</b>			
<i>Current:</i>			
Cash and cash equivalents	\$ 4,807,344	211,808	1,252,670
Investments	3,427,393	-	-
Receivables			
Taxes	1,870,139	-	-
Intergovernmental	-	265,749	-
Other receivables	206,551	-	-
Prepaid expenses	4,793	10	-
Due from other funds	-	-	-
<i>Total current assets</i>	<u>\$ 10,316,220</u>	<u>477,567</u>	<u>1,252,670</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<i>Current liabilities:</i>			
Accounts payable	\$ 9,882	-	-
Accrued payroll and other	180,650	1,805	-
Customer deposits	2,910	-	-
Unearned revenue	3,300	39,999	1,251,561
Due to other funds	-	-	-
<i>Total current liabilities</i>	<u>196,742</u>	<u>41,804</u>	<u>1,251,561</u>
<b>DEFERRED INFLOWS</b>			
Unavailable revenue- Property Taxes	857,900	-	-
<i>Total deferred inflows</i>	<u>857,900</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT)</b>			
Nonspendable	4,793	10	-
Restricted	-	435,753	1,109
Committed	812,334	-	-
Assigned	-	-	-
Unassigned	8,444,451	-	-
<i>Total fund balance (deficit)</i>	<u>9,261,578</u>	<u>435,763</u>	<u>1,109</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 10,316,220</u>	<u>477,567</u>	<u>1,252,670</u>

Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
310		
1,007,593	3,844,447	11,123,862
-	-	3,427,393
131,671	102,230	2,104,040
-	-	265,749
-	6,504	213,055
-	-	4,803
-	-	-
<u>1,139,264</u>	<u>3,953,181</u>	<u>17,138,902</u>
14,700	15,224	39,806
-	-	182,455
-	900	3,810
-	1,800	1,296,660
-	-	-
<u>14,700</u>	<u>17,924</u>	<u>1,522,731</u>
-	-	857,900
-	-	857,900
-	-	4,803
1,124,564	3,807,431	5,368,857
-	127,826	940,160
-	-	-
-	-	8,444,451
<u>1,124,564</u>	<u>3,935,257</u>	<u>14,758,271</u>
<u>1,139,264</u>	<u>3,953,181</u>	<u>17,138,902</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, 2023**

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

Fund balances - total governmental funds	\$	14,758,271
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		22,778,148
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		857,900
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		1,409,853
Deferred outflow of resources- related to net OPEB liability		629,598
Deferred inflow of resources- related to net pension liability		(174,456)
Deferred inflow of resources- related to net OPEB liability		(1,531,858)
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		(287,373)
Notes payable		(2,130,889)
Net pension liability		(6,852,024)
Net OPEB liability		<u>(1,567,137)</u>
Total net position	\$	<u><u>27,890,033</u></u>

**City of Aztec, New Mexico**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Intergovernmental Grants	American Rescue Plan
<i>Revenues:</i>			
Taxes			
Property	\$ 774,412	-	-
Gross receipts	5,503,149	-	-
Gasoline and motor vehicle	39,437	-	-
Other	151,532	-	-
Payment in lieu of tax	451,404	-	-
Intergovernmental revenue			
Federal operating grants	-	177,300	-
Federal capital grants	-	-	-
State operating grants	18,726	784,425	-
State capital grants	-	-	-
Local grants	330,205	16,000	-
Charges for services	1,585,885	38,037	-
Licenses and fees	24,450	-	-
Investment income	760,069	14	-
Miscellaneous	150,718	-	-
<b>Total revenues</b>	<u>9,789,987</u>	<u>1,015,776</u>	<u>-</u>
<i>Expenditures:</i>			
Current			
General government	2,161,168	-	-
Public safety	3,495,758	387,910	-
Public works	456,872	-	-
Culture and recreation	1,082,376	49,026	-
Health and welfare	452,930	195,679	-
Capital outlay	405,070	707,955	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<b>Total expenditures</b>	<u>8,054,174</u>	<u>1,340,570</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,735,813</u>	<u>(324,794)</u>	<u>-</u>
<i>Other financing sources (uses):</i>			
Proceeds from debt	-	-	-
Proceeds from sale of capital assets	15,470	-	-
Transfers in	17,000	679,525	-
Transfers out	(431,600)	-	-
<b>Total other financing sources (uses)</b>	<u>(399,130)</u>	<u>679,525</u>	<u>-</u>
<b>Net change in fund balances</b>	1,336,683	354,731	-
<b>Fund balances (deficit)- beginning of year</b>	<u>7,924,895</u>	<u>81,032</u>	<u>1,109</u>
<b>Fund balances (deficit) - end of year</b>	<u>\$ 9,261,578</u>	<u>435,763</u>	<u>1,109</u>

Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
-	-	774,412
780,189	275,461	6,558,799
-	569,514	608,951
-	40,817	192,349
-	-	451,404
-	-	177,300
-	-	-
949,320	319,036	2,071,507
-	-	-
-	-	346,205
-	125,239	1,749,161
-	-	24,450
15,195	-	775,278
-	-	150,718
<u>1,744,704</u>	<u>1,330,067</u>	<u>13,880,534</u>
-	115,032	2,276,200
-	240,932	4,124,600
-	52,324	509,196
-	-	1,131,402
-	55,087	703,696
853,708	688,582	2,655,315
207,162	-	207,162
110,836	-	110,836
<u>1,171,706</u>	<u>1,151,957</u>	<u>11,718,407</u>
<u>572,998</u>	<u>178,110</u>	<u>2,162,127</u>
-	-	-
-	-	15,470
76,635	75,080	848,240
(323,005)	(93,635)	(848,240)
<u>(246,370)</u>	<u>(18,555)</u>	<u>15,470</u>
326,628	159,555	2,177,597
797,936	3,775,702	12,580,674
<u>1,124,564</u>	<u>3,935,257</u>	<u>14,758,271</u>



**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, 2023**

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

Net change in fund balances - total governmental funds	\$	2,177,597
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Deferred inflows of resources related to property taxes to be recognized to be collected in future periods and reported in funds and deferred inflows.		17,072
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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		2,593,964
Depreciation expense		(1,482,144)

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		586,023
Pension expense		(339,803)
OPEB contributions		81,041
OPEB benefit		341,009

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		307,505
Principal payments on loans payable		207,162

Change in net position	\$	<u><u>4,489,426</u></u>
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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, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Property	\$ 688,074	688,074	774,761	86,687
Gross receipts	5,266,905	5,266,905	5,499,531	232,626
Gasoline and motor vehicle	37,304	37,304	35,641	(1,663)
Payment in lieu of taxes	447,000	447,000	451,404	4,404
Intergovernmental				
State operating grants	477,853	477,853	18,726	(459,127)
Local grants	-	-	330,205	330,205
Charges for services	1,352,033	1,352,033	1,449,244	97,211
Licenses and fees	360,675	360,675	24,450	(336,225)
Investment income	6,500	6,500	651,769	645,269
Miscellaneous	160,090	160,090	256,843	96,753
<b>Total revenues</b>	<b>8,796,434</b>	<b>8,796,434</b>	<b>9,492,574</b>	<b>696,140</b>
<b>Expenditures</b>				
Current				
General government	2,808,146	2,917,659	2,152,095	765,564
Public safety	3,876,382	4,005,611	3,477,046	528,565
Public works	676,749	692,222	455,230	236,992
Culture and recreation	1,409,667	1,551,825	1,078,056	473,769
Health and welfare	238,033	299,245	451,223	(151,978)
Capital outlay	532,992	532,992	405,070	127,922
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>9,541,969</b>	<b>9,999,554</b>	<b>8,018,720</b>	<b>1,980,834</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(745,535)</b>	<b>(1,203,120)</b>	<b>1,473,854</b>	<b>2,676,974</b>
<b>Other financing sources (uses):</b>				
Required fund balance ( budgeted increase)				
Proceeds from sale of capital assets	-	500	15,470	(14,970)
Transfers in	-	708,487	17,000	691,487
Transfers out	-	(175,920)	(431,550)	(255,630)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>533,067</b>	<b>(399,080)</b>	<b>420,887</b>
<b>Net changes in fund balances</b>	<b>\$ (745,535)</b>	<b>(670,053)</b>	<b>1,074,774</b>	<b>1,744,827</b>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			297,363	
Adjustments to expenditures			(35,454)	
<b>Net Change in Fund Balances (GAAP Basis)</b>			<b>\$ 1,336,683</b>	

**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, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Property	\$ -	-	-	-
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Payment in lieu of taxes	-	-	-	-
Intergovernmental				
Federal operating grants	167,828	177,782	133,775	(44,007)
Federal capital grants	-	-	-	-
State operating grants	125,694	436,787	746,331	309,544
State capital grants	1,263,000	1,283,154	-	(1,283,154)
Local grants	19,000	16,000	16,000	-
Charges for services	19,907	19,907	21,831	1,924
Licenses and fees	-	-	-	-
Investment income	10	10	-	(10)
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>1,595,439</b>	<b>1,933,640</b>	<b>917,937</b>	<b>(1,015,703)</b>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Public safety	111,572	411,572	387,069	24,503
Public works	-	-	-	-
Culture and recreation	190,288	255,201	49,026	206,175
Health and welfare	70,666	62,301	195,174	(132,873)
Capital outlay	1,676,159	1,676,159	707,955	968,204
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>2,048,685</b>	<b>2,405,233</b>	<b>1,339,224</b>	<b>1,066,009</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(453,246)</b>	<b>(471,593)</b>	<b>(421,287)</b>	<b>50,306</b>
<b>Other financing sources (uses):</b>				
Required fund balance ( budgeted increase)				
Proceeds from sale of capital assets				
Transfers in	2,080	419,525	679,525	(260,000)
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>2,080</b>	<b>419,525</b>	<b>679,525</b>	<b>(260,000)</b>
<b>Net changes in fund balances</b>	<b>\$ (451,166)</b>	<b>(52,068)</b>	<b>258,238</b>	<b>310,306</b>
<b>Reconciliation to GAAP basis:</b>				
Adjustments to revenues			97,839	
Adjustments to expenditures			(1,346)	
<b>Net Change in Fund Balances (GAAP Basis)</b>			<b>\$ 354,731</b>	

**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, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Property	\$ -	-	-	-
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Payment in lieu of taxes	-	-	-	-
Intergovernmental				
Federal operating grants	788,057	788,057	-	(788,057)
State operating grants	-	-	-	-
Local grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>788,057</u>	<u>788,057</u>	<u>-</u>	<u>(788,057)</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>788,057</u>	<u>788,057</u>	<u>-</u>	<u>(788,057)</u>
<b>Other financing sources (uses):</b>				
Required fund balance ( budgeted increase)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(1,035,145)	(1,252,670)	-	1,252,670
<i>Total other financing sources (uses)</i>	<u>(1,035,145)</u>	<u>(1,252,670)</u>	<u>-</u>	<u>1,252,670</u>
<b>Net changes in fund balances</b>	<u>\$ (247,088)</u>	<u>(464,613)</u>	<u>-</u>	<u>464,613</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
<b>Net Change in Fund Balances (GAAP Basis)</b>			<u>\$ -</u>	

**City of Aztec, New Mexico**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	<b>Enterprise Funds</b>			Total Proprietary Funds
	Joint Utility	Solid Waste	Irrigation Assessment	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 4,596,214	243,750	95,702	4,935,666
Investment	12,951,867	-	-	12,951,867
Receivables				
Taxes	21,952	-	-	21,952
Intergovernmental	2,028,265	-	-	2,028,265
Utility receivables, net of allowance	1,048,637	157,453	-	1,206,090
Interest	19,894	-	-	19,894
Other	21,725	-	-	21,725
Inventory	2,170,825	-	-	2,170,825
Prepaid expenses	5,768	-	-	5,768
Due from other funds	-	-	-	-
Total current assets	<u>22,865,147</u>	<u>401,203</u>	<u>95,702</u>	<u>23,362,052</u>
Noncurrent assets				
Capital Assets, not being depreciated	2,049,427	-	-	2,049,427
Capital Assets, being depreciated	57,104,968	50,407	204,024	57,359,399
Less Accumulated depreciation.	<u>(32,164,984)</u>	<u>(50,407)</u>	<u>(141,443)</u>	<u>(32,356,834)</u>
Total noncurrent assets	<u>26,989,411</u>	<u>-</u>	<u>62,581</u>	<u>27,051,992</u>
Total assets	<u>49,854,558</u>	<u>401,203</u>	<u>158,283</u>	<u>50,414,044</u>
Deferred outflows of resources				
Deferred outflows related to Net Pension Liability	450,295	-	-	450,295
Deferred outflows related to Net OPEB Liability	243,340	-	-	243,340
Total deferred outflows	<u>693,635</u>	<u>-</u>	<u>-</u>	<u>693,635</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 50,548,193</u>	<u>401,203</u>	<u>158,283</u>	<u>51,107,679</u>

**City of Aztec, New Mexico**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	<b>Enterprise Funds</b>			Total Proprietary Funds
	Joint Utility	Solid Waste	Irrigation Assessment	
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 181,226	106,298	-	287,524
Accrued payroll	34,671	5,451	-	40,122
Other accrued liabilities	40,317	-	-	40,317
Customer deposits payable	505,248	-	-	505,248
Unearned Revenues	175,059	-	-	175,059
Accrued interest	-	-	-	-
Compensated absences, current	178,456	-	-	178,456
Long-term liabilities, current	388,427	-	-	388,427
<b>Total current liabilities</b>	<b>1,503,404</b>	<b>111,749</b>	<b>-</b>	<b>1,615,153</b>
Noncurrent liabilities				
Compensated absences, net of current portion	178,455	-	-	178,455
Long-term liabilities, net of current portion	4,097,161	-	-	4,097,161
Net pension liability	2,188,479	-	-	2,188,479
Net OPEB Liability	605,218	-	-	605,218
<b>Total noncurrent liabilities</b>	<b>7,069,313</b>	<b>-</b>	<b>-</b>	<b>7,069,313</b>
<b>Total liabilities</b>	<b>8,572,717</b>	<b>111,749</b>	<b>-</b>	<b>8,684,466</b>
Deferred inflows of resources				
Deferred inflows related to Net Pension Liability	55,720	-	-	55,720
Deferred inflows related to Net OPEB Liability	591,594	-	-	591,594
<b>Total deferred inflows</b>	<b>647,314</b>	<b>-</b>	<b>-</b>	<b>647,314</b>
<b>NET POSITION</b>				
Net investment in capital assets	22,503,823	-	62,581	22,566,404
Restricted				
Repair and replacement	716,676	-	-	716,676
Unrestricted	18,107,663	289,454	95,702	18,492,819
<b>Total net position</b>	<b>41,328,162</b>	<b>289,454</b>	<b>158,283</b>	<b>41,775,899</b>
<i>Total liabilities, deferred inflows, and net position</i>	<b>\$ 50,548,193</b>	<b>401,203</b>	<b>158,283</b>	<b>51,107,679</b>

**City of Aztec, New Mexico**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Enterprise Funds</b>			Total Proprietary Funds
	Joint Utility	Solid Waste	Irrigation Assessment	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 9,408,768	1,265,241	-	10,674,009
Rent	53,698	-	-	53,698
Total operating revenues	<u>9,462,466</u>	<u>1,265,241</u>	<u>-</u>	<u>10,727,707</u>
<b>OPERATING EXPENSES</b>				
Personnel services	2,159,071	-	-	2,159,071
Utilities	410,877	-	-	410,877
Contractual services	592,251	-	-	592,251
Supplies and purchase power	2,466,229	-	678	2,466,907
Other costs	1,388,597	1,219,491	-	2,608,088
Depreciation expense	1,852,370	-	5,962	1,858,332
Repair and maintenance	551,349	-	-	551,349
Insurance expense	67,730	-	-	67,730
Total operating expenses	<u>9,488,474</u>	<u>1,219,491</u>	<u>6,640</u>	<u>10,714,605</u>
<b>Operating income (loss)</b>	<u>(26,008)</u>	<u>45,750</u>	<u>(6,640)</u>	<u>13,102</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gross receipts taxes	125,262	-	-	125,262
State capital grants	2,208,204	-	-	2,208,204
Interest expense	(541)	-	-	(541)
Investment income	23,489	-	-	23,489
Miscellaneous income	117,988	2,726	-	120,714
<b>Total nonoperating revenues (expenses)</b>	<u>2,474,402</u>	<u>2,726</u>	<u>-</u>	<u>2,477,128</u>
<b>Income (loss) before contributions and transfers</b>	<u>2,448,394</u>	<u>48,476</u>	<u>(6,640)</u>	<u>2,490,230</u>
Transfers in (out)	-	-	-	-
<b>Change in net position</b>	2,448,394	48,476	(6,640)	2,490,230
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>38,879,768</u>	<u>240,978</u>	<u>164,923</u>	<u>39,285,669</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 41,328,162</u>	<u>289,454</u>	<u>158,283</u>	<u>41,775,899</u>

**City of Aztec, New Mexico**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Enterprise Funds</b>			Total Proprietary Funds
	Joint Utility	Solid Waste	Irrigation Assessment	
<b>Cash flows from operating activities</b>				
Cash received from user charges and others	\$ 7,403,510	1,234,816	-	8,638,326
Cash payments to employees for services	(2,092,422)	(2,329)	-	(2,094,751)
Cash payments to suppliers for goods and services	(6,951,135)	(1,203,360)	(678)	(8,155,173)
Net cash provided (used) by operating activities	<u>(1,640,047)</u>	<u>29,127</u>	<u>(678)</u>	<u>(1,611,598)</u>
<b>Cash flows from noncapital financing activities</b>				
Gross receipts taxes	125,262	-	-	125,262
Miscellaneous income	117,988	2,726	-	120,714
Transfers and interfund activity	-	-	-	-
Net cash provided by noncapital financing activities	<u>243,250</u>	<u>2,726</u>	<u>-</u>	<u>245,976</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of investments	-	126,942	63,980	190,922
Purchases of investments	(766,400)	-	-	(766,400)
Investment income	23,489	-	-	23,489
Net cash provided (used) by investing activities	<u>(742,911)</u>	<u>126,942</u>	<u>63,980</u>	<u>(551,989)</u>
<b>Cash flows from capital and related financing activities</b>				
Capital grants - state	2,383,263	-	-	2,383,263
Acquisition of capital assets	(1,519,367)	-	-	(1,519,367)
Disposal of assets	53,976	-	-	53,976
Principal paid on notes payable	(388,388)	-	-	(388,388)
Interest paid on notes payable	(541)	-	-	(541)
Net cash provided (used) by capital financing activities	<u>528,943</u>	<u>-</u>	<u>-</u>	<u>528,943</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,610,765)</u>	<u>158,795</u>	<u>63,302</u>	<u>(1,388,668)</u>
Cash and cash equivalents, beginning of year	<u>6,206,979</u>	<u>84,955</u>	<u>32,400</u>	<u>6,324,334</u>
Cash and cash equivalents end of year	<u>\$ 4,596,214</u>	<u>243,750</u>	<u>95,702</u>	<u>4,935,666</u>



**City of Aztec, New Mexico**  
**STATEMENT OF CASH FLOWS -PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Enterprise Funds</b>			Total Proprietary Funds
	Joint Utility	Solid Waste	Irrigation Assessment	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (26,008)	45,750	(6,640)	13,102
Adjustments to reconcile operating income to net cash provided (used) in operating activities:				
Depreciation expense	1,906,346	-	5,962	1,912,308
Disposal of assets	(53,976)	-	-	(53,976)
Noncash Pension expense	36,642	-	-	36,642
Noncash OPEB benefit	(162,991)	-	-	(162,991)
Changes in Assets and Liabilities				
Receivable, net	(2,072,370)	(30,425)	-	(2,102,795)
Inventory	(41,544)	-	-	(41,544)
Prepays	(1,599)	16,131	-	14,532
Due from other funds	135,000	-	-	135,000
Accounts payable	(1,363,050)	-	-	(1,363,050)
Accrued payroll	(231,194)	(2,329)	-	(233,523)
Accrued compensated absences	221,283	-	-	221,283
Other accrued liabilities	-	-	-	-
Customer deposits	13,414	-	-	13,414
Net cash provided by operating activities	<u>\$ (1,640,047)</u>	<u>29,127</u>	<u>(678)</u>	<u>(1,611,598)</u>

**City of Aztec, New Mexico**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**YEAR ENDED JUNE 30, 2023**

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	Balance <u>June 30, 2023</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 14,510
<i>Total assets</i>	\$ <u>14,510</u>
<b>NET POSITION</b>	
Net position	\$ 14,510
<i>Total net position</i>	\$ <u>14,510</u>

**City of Aztec, New Mexico**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**YEAR ENDED JUNE 30, 2023**

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		Employee Association Fund
<b>Additions</b>		
Contributions	\$	10,280
<i>Total additions</i>		10,280
<b>Deductions</b>		
Food and beverage		9,188
<i>Total deductions</i>		9,188
<i>Net increase (decrease) in fiduciary net position</i>		1,092
<b>Net position, beginning</b>		13,418
<b>Net position, ending</b>	\$	14,510

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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**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.

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**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GAAP. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

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

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government can exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the City has no component units required to be reported under GAAP.

**Government-wide and Fund Financial Statements**

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

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and a fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, net of estimated refunds, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

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**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Gross receipts, taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place, and the revenues are measurable and are subject to the availability criterion. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. The business-type activities column incorporates data from proprietary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

**Fund Financial Statements**

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

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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.

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

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

The City reports the following proprietary funds:

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

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

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

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.



**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Local Government Investment Pool (LGIP).

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

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

**Receivables and Payables**

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

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

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.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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

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

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

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

**Inventory**

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

**Prepaid Expenses**

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

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**Restricted Assets**

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

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The historical cost of infrastructure assets are included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**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 \$1,860,148 and \$872,938, respectively. See details of these items at Note 10 and Note 11. Accordingly, the items are reported on the statement of net position. These amounts will be deferred and recognized as outflows of resources the appropriate subsequent periods.

**Deferred Inflows of Resources**

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The City has one item, which arises under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City has recorded \$857,900 related to property taxes considered “unavailable”.

These items which arise from pension obligations and from OPEB obligations, \$230,176 and \$2,123,452, 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, 2023, along with applicable FICA, Medicare, PERA, retiree health care, and other benefit expenses.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**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, 2023.

**Long-term Obligations**

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

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

**Pensions**

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

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**Postemployment Benefits Other Than Pensions**

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

**Fund Balance Classification Policies and Procedures**

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

*Nonspendable* – At June 30, 2023, the City had nonspendable fund balance categorized in the governmental funds balance sheet in the amount of \$4,803 as detailed on in Note 16.

*Restricted and Committed Fund Balance* – At June 30, 2023, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$5,368,857 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 \$940,160. 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 \$812,334 for the year ended June 30, 2023. 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, 2023.

*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 \$8,444,451 in unassigned fund balances at June 30, 2023.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**Net Position**

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

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

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

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

**Revenues and Expenditures/Expenses**

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

- (a) charges for services, which include revenues collected for fees and use of City facilities, etc.,
- (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and
- (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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

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

**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 March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, to be implemented for fiscal years beginning after June 15, 2022. The objective of this Statement is to improve financial reporting by addressing issues related to public private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets, for a period of time I exchange or exchange-like transactions.



**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

The implementation of this Statement had no effect on the City’s financial statements.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, effective for periods beginning after June 15, 2022. GASB No. 96 defines a SBITA (subscription-based information technology arrangements); establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; provides that capitalization criteria for outlays other than subscription payment including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The implementation of this Statement had no material effect on the City’s financial statements.

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, 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.

**New Accounting Pronouncements**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2023.

GASB Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62

GASB Statement No. 101, Compensated Absences

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

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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**Note 2 – Stewardship, Compliance, and Accountability Budgetary Information**

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

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

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

1. Prior to June, the City Manager submits to the City Commission a proposed operating budget for preliminary approval for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. The budget is prepared by fund, department, and function.
2. In late July, after there has been an opportunity for public comment, the City Commission adopts the budget as finalized.
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.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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**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, 2023.

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

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

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

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

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2023, \$19,773,043 of the City's bank balance of \$20,503,693 was subject to custodial credit risk. \$13,109,515 was uninsured but collateralized by collateral held by the pledging bank's trust department, but not in the City's name, and \$6,663,537 of the City's deposits was uninsured and uncollateralized at June 30, 2023.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

	Citizens Bank	Four Corners Community Bank	High Desert Credit Union	Total
Amount of deposits	\$ 19,270,649	1,002,394	230,650	20,503,693
FDIC coverage	(250,000)	(250,000)	(230,650)	(730,650)
Total uninsured public funds	<u>19,020,649</u>	<u>752,394</u>	<u>-</u>	<u>19,773,043</u>
Collateralized by securities held by pledging institutions or by its trust department or agent other than the City's name	<u>12,357,121</u>	<u>752,394</u>	<u>-</u>	<u>13,109,515</u>
Uninsured and uncollateralized	<u><u>6,663,537</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>6,663,537</u></u>
Collateral requirement (50%)	9,510,325	376,197	-	9,886,522
Pledged securities	<u>12,357,121</u>	<u>910,000</u>	<u>-</u>	<u>13,267,121</u>
Over (under) collateralized	<u><u>\$ 2,846,796</u></u>	<u><u>533,803</u></u>	<u><u>-</u></u>	<u><u>3,380,599</u></u>

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

**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	\$	16,059,528
Investments, statement of net position		16,379,260
Custodial funds cash and cash equivalents, statement of fiduciary net position		<u>14,510</u>
Total cash and cash equivalents and investments		32,453,298
Plus outstanding checks		1,515,217
Less outstanding deposits		(51,854)
Less cash and investments with NMFA		(534,401)
Less New MexiGROW LGIP		(12,876,867)
Less petty cash		<u>(1,700)</u>
Bank balance of deposits	\$	<u><u>20,503,693</u></u>

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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**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.

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

The City’s investments at June 30, 2023, were as follows:

Investment Type	Weighted Average Maturities	Fair Value	Rating
New MexiGROW LGIP	22 Day WAM (R)	\$ 12,876,867	AAAm
	86 Day WAM (F)		
	Total	\$ 12,876,867	

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

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

In addition, to the investments noted above, there are \$3,733,021 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.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

*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.

**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 \$3,733,021 in certificates of deposit are valued at cost.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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, 2023, are as follows:

	General Fund	Inter- governmental Grants	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Taxes					
Property	\$ 882,712	-	-	-	882,712
Gross Receipts	980,196	-	131,671	43,905	1,155,772
Other Taxes	7,231	-	-	58,325	65,556
Intergovernmental					
State	-	265,749	-	-	265,749
Other					
Miscellaneous	206,551	-	-	-	206,551
Charges for services	-	-	-	6,504	6,504
Total	<u>\$ 2,076,690</u>	<u>265,749</u>	<u>131,671</u>	<u>108,734</u>	<u>2,582,844</u>

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 \$857,900, for the City as of June 30, 2023.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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**Note 4 – Receivables (continued)**

Proprietary fund receivables as of June 30, 2023, are as follows:

	<u>Joint Utility Fund</u>	<u>Solid Waste Fund</u>	<u>Total Enterprise Funds</u>
Utility receivables			
Charges for services	\$ 1,048,637	157,453	1,206,090
Less allowances			
Taxes			
Gross receipts	21,952	-	21,952
Intergovernmental			
State	2,028,265	-	2,028,265
interest			
Investment Income	19,894	-	19,894
Other			
Miscellaneous Income	21,725	-	21,725
Total	<u>\$ 3,140,473</u>	<u>157,453</u>	<u>3,297,926</u>

**Note 5 – Transfers and Interfund Receivables**

Operating transfers were made to supplement other funding sources, as follows for the year ended June 30, 2023:

<u>Transfers Out</u>	<u>Transfer In</u>	
General Fund	Nonmajor Governmental Funds	\$ 75,080
General Fund	Intergovernmental Grants	356,520
Nonmajor Governmental Funds	General Fund	17,000
Nonmajor Governmental Funds	Capital Projects	76,635
Capital Projects Fund	Intergovernmental Grants	<u>323,005</u>
		<u>\$ 848,240</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, 2023.

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



**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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**Note 6 – Capital Assets Governmental Activities**

A summary of capital assets and changes occurring during the year ended June 30, 2023 follows. Land and construction in progress are not subject to depreciation.

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 950,515	-	-	950,515
Construction in progress	<u>2,810,372</u>	<u>710,456</u>	-	<u>3,520,828</u>
Total capital assets not being depreciated	<u>3,760,887</u>	<u>710,456</u>	-	<u>4,471,343</u>
Capital assets being depreciated				
Buildings	9,577,360	1,546,076	-	11,123,436
Improvements	4,082,434	-	-	4,082,434
Machinery and equipment	6,300,437	337,432	(40,016)	6,597,853
Infrastructure	<u>23,718,684</u>	<u>-</u>	<u>-</u>	<u>23,718,684</u>
Total capital assets being depreciated	<u>43,678,915</u>	<u>1,883,508</u>	<u>(40,016)</u>	<u>45,522,407</u>
Total capital assets	<u>47,439,802</u>	<u>2,593,964</u>	<u>(40,016)</u>	<u>49,993,750</u>
Accumulated depreciation				
Buildings	(5,288,216)	(298,761)	-	(5,586,977)
Improvements	(3,190,164)	(105,343)	-	(3,295,507)
Machinery and equipment	(4,801,507)	(328,595)	40,016	(5,090,086)
Infrastructure	<u>(12,493,587)</u>	<u>(749,445)</u>	<u>-</u>	<u>(13,243,032)</u>
Total accumulated depreciation	<u>(25,773,474)</u>	<u>(1,482,144)</u>	<u>40,016</u>	<u>(27,215,602)</u>
Net capital assets	<u>\$ 21,666,328</u>	<u>1,111,820</u>	<u>-</u>	<u>22,778,148</u>

Depreciation expense for the year ended June 30, 2023, was charged to governmental activities as follows:

General government	\$ 92,629
Public safety	216,847
Public works	676,465
Culture and recreation	485,076
Public health and welfare	11,127
Total	<u>\$ 1,482,144</u>

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

Business- Type Activities

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2023</u>
Capital assets not being depreciated				
Land & water rights	\$ 1,445,661	-	-	1,445,661
Construction in progress	<u>452,357</u>	<u>244,183</u>	<u>(92,774)</u>	<u>603,766</u>
Total capital assets not being depreciated	<u>1,898,018</u>	<u>244,183</u>	<u>(92,774)</u>	<u>2,049,427</u>
Capital assets being depreciated				
Buildings and systems	50,233,725	1,208,831	92,774	51,535,330
Machinery and equipment	<u>5,811,692</u>	<u>66,353</u>	<u>(53,976)</u>	<u>5,824,069</u>
Total capital assets being depreciated	<u>56,045,417</u>	<u>1,275,184</u>	<u>38,798</u>	<u>57,359,399</u>
Total capital assets	<u>57,943,435</u>	<u>1,519,367</u>	<u>(53,976)</u>	<u>59,408,826</u>
Accumulated depreciation				
Buildings and systems	(26,208,646)	(1,605,488)	-	(27,814,134)
Machinery and equipment	<u>(4,289,855)</u>	<u>(306,821)</u>	<u>53,976</u>	<u>(4,542,700)</u>
Total accumulated depreciation	<u>(30,498,501)</u>	<u>(1,912,309)</u>	<u>53,976</u>	<u>(32,356,834)</u>
Net capital assets	\$ <u>27,444,934</u>	<u>(392,942)</u>	<u>-</u>	<u>27,051,992</u>

Depreciation expense for the year ended June 30, 2023, was charged to business-type activities as follows:

Joint Utility	\$	1,906,347
Irrigation Assessment		5,962
Total	\$	<u>1,912,309</u>

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 7 – Long-Term Liabilities**

During the year ended June 30, 2023, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Long-term liabilities					
NMFA capital					
improvements	\$ 2,338,051	-	(207,162)	2,130,889	215,213
Compensated absences	<u>594,878</u>	<u>338,694</u>	<u>(646,199)</u>	<u>287,373</u>	<u>143,687</u>
Total long-term liabilities	<u>\$ 2,932,929</u>	<u>339,694</u>	<u>(853,361)</u>	<u>2,418,262</u>	<u>358,900</u>

Notes outstanding for governmental activities at June 30, 2023, consisted of the following loans.

Description	Date of Issuance	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2023	Pledged Revenues
NMFA- PP 2192 Loan	10/24/08	5/01/31	2.03- 4.89%	\$ 3,367,380	\$ 2,130,889	Gross Receipt Tax

The annual requirements to amortize the notes payable for governmental activities as of June 30, 2023, including interest payments are as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2024	\$ 215,213	100,027	316,656
2025	230,999	90,005	315,240
2026	239,572	79,177	321,004
2027	256,934	67,76	318,749
2028	275,743	57,590	333,333
2029-2031	<u>912,428</u>	<u>90,137</u>	<u>1,002,565</u>
	<u>\$ 2,130,889</u>	<u>492,045</u>	<u>2,622,934</u>

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**Business-Type Activities**

During the year ended June 30, 2023, the following changes occurred in the liabilities reported in the proprietary funds' statement of net position:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Notes payable					
NMED CWSRF 009R	\$ 1,926,820	-	(275,177)	1,651,643	275,205
NMED CWSRF 021	2,947,156	-	(113,211)	2,833,945	113,222
Total notes payable	<u>4,873,976</u>	<u>-</u>	<u>(388,388)</u>	<u>4,485,588</u>	<u>388,427</u>
Compensated absences	<u>135,628</u>	<u>316,273</u>	<u>(94,990)</u>	<u>356,911</u>	<u>178,456</u>
Total long-term liabilities	<u>\$ 5,009,604</u>	<u>316,273</u>	<u>(483,378)</u>	<u>4,842,499</u>	<u>566,883</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.

Notes outstanding for business-type activities at June 30, 2023, consists of the following loans:

Description	Date of Issuance	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2023	Pledged Revenues
CWSRF 009R Loan	3/23/18	6/30/29	1.20%	\$ 3,233,765	\$ 2,833,945	Net Joint Utility Fund Revenues
CWSRF 021 Loan	2/27/18	1/28/48	1.20%	3,324,802	1,651,643	Net Joint Utility Fund Revenues
				Total	<u>\$ 4,485,588</u>	

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

The annual requirements to amortize the notes payable for business-type activities as of June 30, 2023, including interest payments are as follows:

Year Ending June 30		Principal	Interest	Total Debt Service
2024	\$	388,427	448	388,875
2025		388,465	410	388,875
2026		388,505	371	388,876
2027		388,544	331	388,875
2028		388,582	293	388,875
2029-2033		841,849	1048	842,897
2034-2038		566,788	737	567,525
2039-2043		567,072	454	567,526
2044-2048		567,356	171	567,527
	\$	<u>4,485,588</u>	<u>4,263</u>	<u>4,489,851</u>

**Compensated Absences**

Employees of the City may accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2023, compensated absences decreased by \$86,222 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, 2023, no unpaid claims have been filed which exceed the policy limits and to the best of management’s knowledge and belief all known and unknown claims will be covered by insurance.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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**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, 2023.
- 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, 2023.
- 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, 2023.

**Note 10 – Pension Plan – Public Employees Retirement Association General**

**Information about the Pension Plan**

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

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

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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

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

**Contributions**

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

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

<b>PERA Contribution Rates and Pension Factors in effect during FY22</b>						
	<b>Employee Contribution Percentage</b>		<b>Employer Contribution Percentage</b>	<b>Pension Factor per year of Service</b>		<b>Pension Maximum as a Percentage of the Final Average Salary</b>
	<b>Annual Salary less than \$20,000</b>	<b>Annual Salary greater than \$20,000</b>		<b>TIER 1</b>	<b>TIER 2</b>	
<b>Coverage Plan</b>						
<b>STATE PLAN</b>						
State Plan 3	7.42%	9.42%	17.74%	3.0%	2.5%	90%
<b>MUNICIPAL PLANS 1 - 4</b>						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.65%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.80%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.80%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.30%	3.0%	2.5%	90%
<b>MUNICIPAL POLICE PLANS 1 – 5</b>						
Municipal Police Plan 1	7.0%	8.5%	10.65%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.65%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	19.15%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	19.15%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	19.15%	3.5%	3.0%	90%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
Municipal Fire Plan 1	8.0%	9.5%	11.65%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	18.15%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.90%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.90%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.90%	3.5%	3.0%	90%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>						
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%	8.92%	17.24%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.37%	3.0%	3.0%	90%



**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2021. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2021, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date 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, 2021.

*For PERA Municipal General Division, at June 30, 2023, the City reported a liability of \$6,397,234 for its proportionate share of the net pension liability. At June 30, 2021, the City’s proportion was 0.3607%, which was an increase of 0.0259% from its proportion measured as of June 30, 2022.*

For the year ended June 30, 2023, the City recognized PERA Municipal General Division pension income of \$616,827. 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 25,645	155,578
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	633,107	-
Changes in proportion and differences between County’s contributions and proportionate share of contributions	292,182	28,918
County’s contributions subsequent to the measurement date	390,449	-
<b>Total</b>	<b>\$ 1,341,383</b>	<b>184,496</b>

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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:		
2024	\$	238,247
2025		182,082
2026		(153,774)
2027		499,883
2028		-
Thereafter		-

**For PERA Municipal Police Division**, at June 30, 2023, the City reported a liability of \$2,643,269 for its proportionate share of the net pension liability. At June 30, 2021, the City’s proportion was 0.3289%, which was an increase of 0.0037% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the City recognized PERA Municipal Police Division pension income of \$256,945. At June 30, 2023, the City reported PERA Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 68,853	-
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	230,963	45,680
Changes in proportion and differences between County’s contributions and proportionate share of contributions	23,375	-
County’s contributions subsequent to the measurement date	195,574	-
<b>Total</b>	<b>\$ 518,765</b>	<b>45,680</b>

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**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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:		
2024	\$	78,269
2025		76,927
2026		(61,377)
2027		183,692
2028		-
Thereafter		-

**Actuarial assumptions**

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement date.

Actuarial valuation date	June 30, 2021
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)

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2022. These assumptions were adopted by the PERA Board for use in the June 30, 2021 actuarial valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.50%	6.35%
Risk Reduction & Mitigation	19.50%	1.90%
Credit Oriented Fixed Income	15.00%	4.45%
Real Assets	20.00%	5.10%
Multi-Risk Allocation	10.00%	6.65%
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, 2022. 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.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**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	\$ 9,680,386	6,397,234	3,669,803
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
PERA Municipal Police Division			
City of Aztec's proportionate share of the net pension liability	\$ 3,965,702	2,643,269	1,561,270

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued fiscal year 2022 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Payables to the Pension Plan**

At June 30, 2023, there were no contributions due and payable to PERA for the City. Contractually required contributions are remitted to PERA monthly.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**Description**

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

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

**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, 2022, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	53,092
Inactive and eligible for deferred benefit	11,759
Current active members	92,520
	<u>157,371</u>
Active membership	
State general	18,691
State police and corrections	1,919
Municipal general	20,357
Municipal police	1,573
Municipal fire	756
Educational Retirement Board	49,224
	<u>92,520</u>

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**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, 2023, the City reported a liability of \$2,172,355 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to June 30, 2022. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2022. At June 30, 2022, the City’s proportion was 0.0940%.

For the year ended June 30, 2023, the City recognized OPEB benefit of \$472,701. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 36,133	321,989
Changes in assumptions	463,529	1,610,343
Changes in proportion	230,982	191,120
Net difference between projected and actual earnings on OPEB plan investments	29,955	-
Employer contributions subsequent to the measurement date	112,339	-
<b>Total</b>	<b>\$ 872,938</b>	<b>2,123,452</b>

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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:		
2024	\$	(448,555)
2025		(322,793)
2026		(207,925)
2027		(254,892)
2028		<u>(128,688)</u>
Total	\$	<u>(1,362,853)</u>

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions:

Valuation date	June 30, 2021
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	3.25% to 13.00%, based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs



**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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%.
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**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.

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

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

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**Discount Rate**

The discount rate used to measure the Fund’s total OPEB liability is 5.42% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2052. Thus, the 7.00% discount rate was used to calculate the net OPEB liability through 2052. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used beyond 2040, resulting in a blended discount rate of 5.42%.

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

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.42%) or percentage-point higher (6.42 %) than the current discount rate:

1% Decrease (4.42%)	Current Discount Rate (5.42%)	1% Increase (6.42%)
\$ 2,703,363	2,172,355	1,748,984

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
\$ 1,740,622	2,172,355	2,540,305

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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**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, 2022.

**Payable Changes in the Net OPEB Liability**

At June 30, 2023, the City reported no outstanding contributions payable to NMRHCA for the year ended June 30, 2023.

**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, 2023. 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, 2023, were:

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

**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.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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**Note 15 – Restricted Net Position**

The government-wide statement of net position reports \$5,368,857 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.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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**Note 16 – Fund Balances**

Fund balances on the modified accrual basis was classified as follows at June 30, 2023:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>
General fund				
Prepaid expenses	\$ 4,793	-	-	-
Minimum fund balance policy	-	-	812,334	-
Unassigned	-	-	-	8,444,451
Total general fund	<u>4,793</u>	<u>-</u>	<u>812,334</u>	<u>8,444,451</u>
Intergovernmental grants				
Prepaid expense	10	-	-	-
Unassigned	-	435,753	-	-
Total intergovernmental grants	<u>10</u>	<u>435,753</u>	<u>-</u>	<u>-</u>
American rescue plan Unassigned	-	1,109	-	-
Total american rescue plan	<u>-</u>	<u>1,109</u>	<u>-</u>	<u>-</u>
Capital projects fund				
Capital projects	-	1,124,564	-	-
Total Capital projects	<u>-</u>	<u>1,124,564</u>	<u>-</u>	<u>-</u>
All other governmental funds				
Prepaid expenses	-	-	-	-
Capital projects	-	4,395	-	-
Public safety	-	1,027,111	-	-
Public works	-	2,684,593	-	-
Culture and recreation	-	91,332	8,286	-
Economic development	-	-	119,540	-
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>127,826</u>	<u>-</u>
Total fund balances	<u>\$ 4,803</u>	<u>5,368,857</u>	<u>940,160</u>	<u>8,444,451</u>

**Note 17 – Tax Abatements**

The City had no tax abatements during the year ended June 30, 2023. The City is not subject to any tax abatement agreements entered into by other government entities.

**City of Aztec, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2023**

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**Note 18 – Concentrations**

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

## **Required Supplementary Information**

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**City of Aztec, New Mexico**  
**SCHEDULE OF PROPRATIONATE SHARE OF THE NET PENSION LIABILITY**  
**Public Employees Retirement Association (PERA)**  
**Year Ended June 30, 2023**

**Pension Liability**  
**For Last 10 Fiscal Years\***

Fiscal Year Measurement Date	Jun-30									
	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	0.3607%	0.3348%	0.3388%	0.3384%	0.3627%	0.3346%	0.3697%	0.3587%	0.3579%	
Municipal police	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	\$ 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	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>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-Employee Payroll										
Municipal general	\$ 3,797,255	3,851,097	3,507,738	2,933,539	3,059,120	3,026,775	3,182,789	2,984,716	8,370,704	
Municipal police	996,096	703,111	774,937	967,238	757,143	751,270	723,725	604,078	2,789,369	
Total	<u>4,793,351</u>	<u>4,554,208</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-Employee Payroll										
Municipal general	168.47%	97.96%	195.32%	199.69%	189.03%	156.44%	185.58%	122.53%	33.35%	
Municipal police	265.36%	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	69.35%	44.48%	66.36%	70.53%	71.13%	73.74%	69.18%	76.99%	81.29%	
Municipal police	69.35%	44.48%	66.36%	70.53%	71.13%	73.74%	69.18%	76.99%	81.29%	

\*Governmental Accounting Standards Board Statement 68 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 2015, the year the statement's requirements became effective.



**City of Aztec, New Mexico**  
**SCHEDULE OF CONTRIBUTIONS**  
**Public Employees Retirement Association (PERA)**  
**Year Ended June 30, 2023**

	<b>Last Ten Fiscal Years*</b>									
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	
Contractually required contribution										
Municipal general	\$ 390,449	329,788	257,959	334,989	280,153	292,146	289,057	302,365	283,548	
Municipal police	195,574	228,368	132,888	146,463	182,808	143,100	141,990	136,784	137,609	
<b>Total</b>	<b>586,023</b>	<b>558,156</b>	<b>390,847</b>	<b>481,452</b>	<b>462,961</b>	<b>435,246</b>	<b>431,047</b>	<b>439,149</b>	<b>421,157</b>	
Contributions in Relation to the Statutory Required Contribution										
Municipal general	(390,449)	(329,788)	(257,959)	(334,989)	(280,153)	(292,146)	(289,057)	(302,365)	(283,548)	
Municipal police	(195,574)	(228,368)	(132,888)	(146,463)	(182,808)	(143,100)	(141,990)	(136,784)	(137,609)	
<b>Total</b>	<b>(586,023)</b>	<b>(558,156)</b>	<b>(390,847)</b>	<b>(481,452)</b>	<b>(462,961)</b>	<b>(435,246)</b>	<b>(431,047)</b>	<b>(439,149)</b>	<b>(421,157)</b>	
Contribution Deficiency (Excess)*										
Municipal general	\$ -	-	-	-	-	-	-	-	-	
Municipal police	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
City of Aztec Covered-Employee Payroll										
Municipal general	\$ 3,797,255	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	996,096	703,111	703,111	774,937	967,238	757,143	751,270	723,725	604,078	
<b>Total</b>	<b>4,793,351</b>	<b>4,554,208</b>	<b>3,404,252</b>	<b>4,282,675</b>	<b>3,900,777</b>	<b>3,816,263</b>	<b>3,778,045</b>	<b>3,906,514</b>	<b>3,588,794</b>	
Contributions as a percentage of covered payroll										
Municipal general	10.28%	8.56%	9.55%	9.55%	9.55%	9.55%	9.55%	9.50%	9.50%	
Municipal police	19.63%	32.48%	18.90%	18.90%	18.90%	18.90%	18.90%	18.90%	22.78%	

\*Governmental Accounting Standards Board Statement 68 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 2015, the year the statement's requirements became effective.

**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, 2023**

	<b>Pension Liability For Last 10 Fiscal Years*</b>						
	<b>Fiscal Year Measurement Date</b>	<b>Jun-30</b>					
		<b>2023 2022</b>	<b>2022 2021</b>	<b>2021 2020</b>	<b>2020 2019</b>	<b>2019 2018</b>	<b>2018 2017</b>
City of Aztec Proportion of the Net OPEB Liability (Asset)	\$ 0.0940%	0.0885%	0.0893%	0.0953%	0.0933%	0.0951%	
City of Aztec Proportionate Share of Net OPEB Liability (Asset)	2,172,355	2,912,289	3,748,785	3,089,023	4,056,144	4,311,434	
City of Aztec Covered-Employee Payroll	\$ 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-Employee Payroll	41.01%	71.88%	91.64%	73.24%	102.35%	114.19%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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, 2023**

		<b>Last Ten Fiscal Years*</b>					
		<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$	112,339	95,466	85,763	87,950	84,356	79,661
Contributions in Relation to the Statutory Required Contribution		(112,339)	(95,466)	(85,763)	(87,950)	(84,356)	(79,661)
Contribution Deficiency (Excess)*	\$	-	-	-	-	-	-
City of Aztec Covered-Employee Payroll	\$	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		2.12%	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 Required Supplementary Information**

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Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA's ACFR. That report is available at <https://www.nmpera.org/financial-overview/>.

Assumptions: The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2022, is available at <http://www.nmpera.org/>

Retiree Health Care Authority (RHCA). In the total OPEB liability measured as of June 30, 2022, changes in assumptions include adjustment resulting from an increase in the discount rate from 3.62% to 5.42%.

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## **Supplementary Information**

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**City of Aztec, New Mexico**  
**Nonmajor Governmental Fund Descriptions**  
**Year Ended June 30, 2023**

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**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.

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

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

**Capital Projects Fund**

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

**City of Aztec, New Mexico**  
**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	Special Revenue Funds		
	Municipal Road Fund	Law Enforcement Protection Fund	Local Government Correction Fund
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 2,587,070	23,541	21,301
Investments	-	-	-
Receivables			
Taxes	97,523	-	-
Intergovernmental	-	-	-
Other	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
<i>Total current assets</i>	<u>\$ 2,684,593</u>	<u>23,541</u>	<u>21,301</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>			
<i>Current liabilities:</i>			
Accounts payable	\$ -	-	15,224
Accrued payroll	-	-	-
Due to other funds			
Customer deposits	-	-	-
Unearned revenue	-	-	-
<i>Total current liabilities</i>	<u>-</u>	<u>-</u>	<u>15,224</u>
<i>Fund balances</i>			
Nonspendable	-	-	-
Restricted	2,684,593	23,541	6,077
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<i>Total fund balance</i>	<u>2,684,593</u>	<u>23,541</u>	<u>6,077</u>
<i>Total liabilities, deferred inflows, and fund balance</i>	<u>\$ 2,684,593</u>	<u>23,541</u>	<u>21,301</u>

Special Revenue Funds

Economic Development Fund	Impact Fees Fund	Lodger's Tax Fund
119,540	8,286	58,169
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>119,540</u>	<u>8,286</u>	<u>58,169</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>119,540</u>	<u>8,286</u>	<u>58,169</u>
<u>119,540</u>	<u>8,286</u>	<u>58,169</u>



**City of Aztec, New Mexico**  
**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	Special Revenue Funds		
	State Fire Fund	Airport Fund	Cannabis Excise Tax
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 997,493	22,010	2,642
Investments	-	-	-
Receivables			
Taxes	-	-	4,707
Intergovernmental	-	-	-
Other	-	6,504	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
<i>Total current assets</i>	<u>\$ 997,493</u>	<u>28,514</u>	<u>7,349</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>			
<i>Current liabilities:</i>			
Accounts payable	\$ -	-	-
Accrued payroll	-	-	-
Due to other funds			
Customer deposits	-	900	-
Unearned revenue	-	1,800	-
<i>Total current liabilities</i>	<u>-</u>	<u>2,700</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable	-	-	-
Restricted	997,493	25,814	7,349
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<i>Total fund balance</i>	<u>997,493</u>	<u>25,814</u>	<u>7,349</u>
<i>Total liabilities, deferred inflows, and fund balance</i>	<u>\$ 997,493</u>	<u>28,514</u>	<u>7,349</u>

<u>Capital Projects</u> Community Development Block Grant Fund	<u>Total</u> Nonmajor Governmental Funds
4,395	3,844,447
-	-
-	102,230
-	-
-	6,504
-	-
-	-
<u>4,395</u>	<u>3,953,181</u>
-	15,224
-	-
-	-
-	900
-	1,800
<u>-</u>	<u>17,924</u>
-	-
4,395	3,807,431
-	127,826
-	-
-	-
<u>4,395</u>	<u>3,935,257</u>
<u>4,395</u>	<u>3,953,181</u>

**City of Aztec, New Mexico**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Special Revenue Funds		
	Municipal Road Fund	Law Enforcement Protection Fund	Local Government Correction Fund
<b>Revenues</b>			
Taxes			
Gross receipts	\$ 250,528	-	-
Gasoline and motor vehicles	569,514	-	-
Other	-	-	-
Intergovernmental:			
Federal operating grants	-	-	-
Federal capital grants	-	-	-
State operating grants	-	67,000	-
State capital grants	-	-	-
Local grants	-	-	-
Charges for services	-	-	68,110
Licenses and permits	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>820,042</u>	<u>67,000</u>	<u>68,110</u>
<b>Expenditures</b>			
Current			
General government	-	-	-
Public safety	-	39,526	132,619
Public works	52,324	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital outlay	684,010	4,572	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>736,334</u>	<u>44,098</u>	<u>132,619</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>83,708</u>	<u>22,902</u>	<u>(64,509)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	-	75,030
Transfers out	(76,635)	-	-
<i>Total other financing sources (uses)</i>	<u>(76,635)</u>	<u>-</u>	<u>75,030</u>
<b>Net changes in fund balances</b>	7,073	22,902	10,521
<b>Fund balances (deficit) - beginning of year</b>	<u>2,677,520</u>	<u>639</u>	<u>(4,444)</u>
<b>Fund balances - end of year</b>	<u>\$ 2,684,593</u>	<u>23,541</u>	<u>6,077</u>

See Notes to Financial Statements

Special Revenue Funds

Economic Development Fund	Impact Fees Fund	Lodger's Tax Fund
-	-	-
-	-	-
-	-	40,817
-	-	-
-	-	-
-	-	-
-	-	-
-	1,500	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>1,500</u>	<u>40,817</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	55,087
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>55,087</u>
-	-	-
<u>-</u>	<u>1,500</u>	<u>(14,270)</u>
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>1,500</u>	<u>(14,270)</u>
<u>119,540</u>	<u>6,786</u>	<u>72,439</u>
<u>119,540</u>	<u>8,286</u>	<u>58,169</u>

See Notes to Financial Statements

**City of Aztec, New Mexico**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Special Revenue Funds		
	State Fire Fund	Airport Fund	Cannabis Excise Tax
<b>Revenues</b>			
Taxes			
Gross receipts	\$ -	-	24,933
Gasoline and motor vehicles	-	-	-
Other	-	-	-
Intergovernmental:			
Federal operating grants	-	-	-
Federal capital grants	-	-	-
State operating grants	252,036	-	-
State capital grants	-	-	-
Local grants	-	-	-
Charges for services	-	55,629	-
Licenses and permits	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>252,036</b>	<b>55,629</b>	<b>24,933</b>
<b>Expenditures</b>			
Current			
General government	-	114,448	584
Public safety	68,787	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<b>Total expenditures</b>	<b>68,787</b>	<b>114,448</b>	<b>584</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<b>183,249</b>	<b>(58,819)</b>	<b>24,349</b>
<b>Other financing sources (uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	(17,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(17,000)</b>
<b>Net changes in fund balances</b>	<b>183,249</b>	<b>(58,819)</b>	<b>7,349</b>
<b>Fund balances (deficit) - beginning of year</b>	<b>814,244</b>	<b>84,633</b>	<b>-</b>
<b>Fund balances - end of year</b>	<b>\$ 997,493</b>	<b>25,814</b>	<b>7,349</b>

See Notes to Financial Statements

<u>Capital Projects</u> Community Development Block Grant Fund	<u>Total Nonmajor Governmental Funds</u>
-	275,461
-	569,514
-	40,817
-	-
-	-
-	319,036
-	-
-	-
-	125,239
-	-
-	-
-	-
-	-
<u>-</u>	<u>1,330,067</u>
-	115,032
-	240,932
-	52,324
-	-
-	55,087
-	688,582
<u>-</u>	<u>688,582</u>
-	-
-	-
<u>-</u>	<u>1,151,957</u>
-	178,110
<u>-</u>	<u>178,110</u>
50	75,080
-	(93,635)
<u>50</u>	<u>(18,555)</u>
50	159,555
<u>4,345</u>	<u>3,775,702</u>
<u>4,395</u>	<u>3,935,257</u>

See Notes to Financial Statements

## **Supporting Schedules**

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City of Aztec, New Mexico  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
**JUNE 30, 2023**

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	\$ 35,480	-	-	-	-	-	-	35,480
Demand- Interest bearing	CDBG Project Account	4,295	-	-	-	-	-	-	4,295
Demand- Interest bearing	Employee Association Account	14,510	-	-	-	-	-	-	14,510
Demand- Interest bearing	Motor Vehicle	9,750	-	-	-	-	38,433	-	48,183
Demand- Interest bearing	ST* POL Interest Checking	16,706,614	-	-	-	-	13,421	(1,515,217)	15,204,818
Demand- Interest bearing	Regular Share Account	-	-	23	-	-	-	-	23
CD- Interest bearing	Certificates of Deposits- Interest bearing	2,500,000	1,002,394	230,627	-	-	-	-	3,733,021
LGIP- Interest bearing	NewMexiGROW-LGIP	-	-	-	12,876,867	-	-	-	12,876,867
NMFA- Interest bearing	NMFA Cash	-	-	-	-	189,528	-	-	189,528
NMFA- Interest bearing	NMFA Reserve Account	-	-	-	-	344,873	-	-	344,873
	Total cash and cash equivalents	\$ 19,270,649	1,002,394	230,650	<u>12,876,867</u>	<u>534,401</u>			<u>32,451,598</u>
	Total amount on deposit	19,270,649	1,002,394	230,650	Plus petty cash				1,700
	FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(230,650)</u>	Less custodial cash and cash equivalents per statement of fiduciary net position				(14,510)
	Total uninsured public funds	<u>19,020,649</u>	<u>752,394</u>	-	Less investments per statement of net position				<u>(16,379,260)</u>
	50% collateral requirement	9,510,325	376,197	-	Cash and cash equivalents per statement of net position				<u>16,059,528</u>
	Pledge collateral	<u>12,357,121</u>	<u>910,000</u>	-					
	Amount (over)/under collateralized	\$ <u>(2,846,796)</u>	<u>(533,803)</u>	<u>-</u>					



**City of Aztec, New Mexico**  
**SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY FOR PUBLIC FUNDS**  
**JUNE 30, 2023**

Name of Depository	Description of Pledge Collateral	Maturity	CUSIP Number	Fair Value June 30, 2023
<b>Citizens Bank</b>				
	Federal Home Loan Bank	9/15/2031	3137AFP22	\$ 2,412,214
	Federal Home Loan Bank	6/15/2041	3137ACNK1	3,305,742
	Federal Home Loan Bank	3/20/2041	38377U2A5	1,538,845
	Federal Home Loan Bank	2/15/2030	9128283Z1	2,406,050
	Federal Home Loan Bank	6/30/2023	91282CCJ8	<u>2,694,270</u>
				\$ <u><u>12,357,121</u></u>
Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank (FHLB) Dallas, TX				
<b>Four Corners Community Bank</b>				
	NMFA Rev	6/15/2045	64711PFU9	\$ 410,000
	NMFA Rev	6/1/2023	64711PHA1	<u>500,000</u>
				\$ <u><u>910,000</u></u>
Name and location of safekeeper for above pledged collateral: The Independent Bankers Bank (TIB) Dallas, TX				
Total Pledge Collateral				\$ <u><u>13,267,121</u></u>

**City of Aztec, New Mexico**  
**SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC, AND CAPITAL OUTLAY APPROPRIATIONS**  
**JUNE 30, 2023**

Description	Share Identifier No.	Original Appropriation	Appropriation Period	Expenditures to Date	Outstanding Encumbrances	Reverted to State	Unencumbered Balances
<b>SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC, AND CAPITAL OUTLAY APPROPRIATIONS</b>							
Aztec Senior Center - Code Comply	D2049	\$ 53,800	2019-6/30/2023	\$ 53,800	-	-	-
E Aztec Arterial Route Construct San Juan Co	D3387	3,158,000	2019-6/30/2023	-	-	3,158,000	-
N Main Ave Extend Aztec	D3388	2,500,000	2019-6/30/2023	2,500,000	-	-	-
Reauth-East Aztec Arterial Route Construction	D4075	1,190,413	2019-6/30/2023	-	-	1,190,413	-
NM HWY 173 Water Line Relocation Aztec	E2180	1,500,000	6/29/2020-6/30/2024	1,351,892	-	-	148,108
Aztec Outdoor Recreation Mft & Retain Facility	E2678	500,000	10/27/2020-6/30/2024	41,186	-	-	458,814
AZTEC PARKS EQUIP PRCHS	G2951	255,000	11/17/22 - 06/30/24	177,693	-	-	77,307
AZTEC POLICE VEH PRCHS	G2952	150,000	12/19/22 - 06/30/24	149,998	-	-	2
E Arterial Construction- Extend Time-Severance Tax Bonds	G4099	3,508,547	2022 - 06/30/24	-	-	-	3,508,547
Paving McWilliams Road	D19199	698,000	11/09/21 - 06/30/25	43,900	-	-	654,100
Reservoir 1 Repair	A21F2294	2,000,000	11/05/21 - 06/30/25	879,932	-	-	1,120,068
S Aztec Water System (Utility System Construction)	SAP 21-F2357-STB	200,000	03/07/22 - 06/30/25	9,577	-	-	190,423
Emergency Freezer Repairs	A22G2019-527	37,268	10/05/22 - 06/30/26	36,807	-	-	461
Kitchen Renovation	A20E5274	363,000	10/18/21 - 60/30/24	245,855	-	-	117,145
Plumbing Repairs	A22G2019-G545	5,320	10/18/21 - 60/30/26	5,320	-	-	-
Main Ave Improvements (Plaza)	F3040	100,000	04/22/22 - 06/30/25	-	-	-	100,000
		<u>\$ 16,219,348</u>		<u>5,495,960</u>	<u>-</u>	<u>4,348,413</u>	<u>6,374,975</u>

City of Aztec, New Mexico  
SCHEDULE OF JOINT POWERS AGREEMENTS  
JUNE 30, 2023

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% \$86.45/day/prisoner through 6/30/21; rate recalculated July 1 in subsequent years	\$ -	San Juan Communication Authority
County Jail Operations	San Juan County	San Juan County	County Jail Operations	Variable		143,138	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	9,000	Cities of Bloomfield & Farmington; San Juan County
Water Rights Protection/Acquisition distribution	Cities of Bloomfield & Farmington; San Juan County; Rural Water Associations	San Juan Water Commission	Water rights protection/acquisition distribution	Variable	.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	MPO (operational and special projects)	12,992	Cities of Bloomfield & Farmington; San Juan County
Total						\$ <u>165,130</u>	

## **Compliance**

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**INDEPENDENT AUDITORS' 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, 2023, 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 12, 2023.

***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 may exist that have not

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been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 that we consider to be significant deficiencies.

### ***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*.

### ***City of Aztec's Response to Findings***

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

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 12, 2023

**City of Aztec, New Mexico**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2023**

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

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**Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

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**Section II – Financial Statement Findings**

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**2023-001 CAPITAL ASSETS- Reconciliation ( Significant Deficiency)**

**CONDITION**

During our test work over the City’s Fixed Asset and Depreciation Records for capital asset, it was noted that the depreciation records were not adequately maintained; detailed records did not agree to the trial balance and had not been properly updated and adjusted during the year.

**CRITERIA**

Pursuant to 2.20.1.8 (A) NMAC, Agencies should implement systematic and well documented methods for accounting for their fixed assets.

**EFFECT**

Depreciation for assets capitalized by the county are not being properly calculated and monitored. City is at higher risk of misstatement underreporting expenses related to the depreciation of Capital Assets.

**CAUSE**

The City’s previous Finance Director has not updated depreciation module for additions and disposals in prior year and this was not discovered until reconciliation to financials was being performed during year end procedures to record depreciation by the current Finance Director

**RECOMMENDATION**

We recommend the City update their Fixed Assets and Depreciation Records to agree to financials and establish procedures to monitor and update these records for additions and deletions during the year.

**MANAGEMENT RESPONSE:** The City will appoint a current employee to the position of Asset Manager and that employee will work with the Finance Director to identify and tag each asset and make sure it is properly recorded in both the general ledger and the fixed asset module. The prior years additions and disposals will be reconciled, and a procedure will be put into place to make sure this is an ongoing duty that is performed throughout the year.

**City of Aztec, New Mexico**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2023**

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**RESPONSIBLE PARTY/TIMELINE TO CORRECT:**  
Finance Director/June 2024

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

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None Noted



**City of Aztec, New Mexico**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2023**

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

**2022-002** – Late Audit Report – Other Noncompliance – Resolved

**City of Aztec, New Mexico**  
**Exit Conference**  
**Year Ended June 30, 2023**

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An exit conference was held on December 12, 2023. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

**City of Aztec**

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

**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.