

State of New Mexico

Village of Santa Clara
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S
REPORT THEREON

For The Fiscal Year Ended June 30, 2018

Village of Santa Clara
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State of New Mexico
Village of Santa Clara
OFFICIAL ROSTER
June 30, 2018

ELECTED OFFICIALS

Richard Bauch	Mayor
Albert Esparza	Mayor Pro-Tem
Harry Hildebrand	Trustee
Olga Amador	Trustee
Victor Arambula	Trustee

ADMINISTRATIVE STAFF

Sheila Hudman	Clerk/Treasurer
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MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: admin@stone-mcgee.com

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Mayor and Village Council
Village of Santa Clara
Santa Clara, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of Village of Santa Clara, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise Village of Santa Clara's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud

or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Santa Clara as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information related to the Village's pension plan presented on pages 44 to 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 evidence sufficient to express an opinion or provide any assurance.

Management has omitted 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.

Other Information

Our audit was conducted for the purpose of forming opinions on Village of Santa Clara's financial statements that collectively comprise the Village's basic financial statements. The other schedules presented as other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is 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, 2018, on our consideration of Village of Santa Clara's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is 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 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 Village of Santa Clara's internal control over financial reporting and compliance.

Stone, McGee & Co., CPAs

Silver City, New Mexico
December 12, 2018

Stone, McGee & Co.
Certified Public Accountants

Village of Santa Clara
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current:			
Cash and investments	\$ 649,091	\$ 26,800	\$ 675,891
Receivables, net	63,139	145,517	208,656
Interfund receivable	35,096		35,096
Total current assets	\$ 747,326	\$ 172,317	\$ 919,643
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -	\$ 229,478	\$ 229,478
Capital assets, net	4,753,393	6,753,963	11,507,356
Total noncurrent assets	\$ 4,753,393	\$ 6,983,441	\$ 11,736,834
Total assets	\$ 5,500,719	\$ 7,155,758	\$ 12,656,477
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	\$ 145,912	\$ 97,274	\$ 243,186
LIABILITIES			
Current:			
Cash overdraft	\$ -	\$ -	\$ -
Accounts payable	19,264	20,498	39,762
Accrued liabilities	10,253	15,118	25,371
Interfund payable		35,096	35,096
Interest payable	5	5,716	5,721
Current maturities of long-term debt	16,002	31,481	47,483
Total current liabilities	\$ 45,524	\$ 107,909	\$ 153,433
Noncurrent:			
Payable from restricted assets:			
Customer deposits	\$ -	\$ 94,669	\$ 94,669
Notes payable	16,018	298,197	314,215
Bonds payable		291,000	291,000
Net pension liability	226,724	151,149	377,873

Village of Santa Clara
STATEMENT OF NET POSITION (concluded)
June 30, 2018

	Governmental Activities	Business- Type Activities	Total
Compensated absences	\$ 5,736	\$ 1,241	\$ 6,977
Total noncurrent liabilities	\$ 248,478	\$ 836,256	\$ 1,084,734
Total liabilities	\$ 294,002	\$ 944,165	\$ 1,238,167
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	\$ 13,955	\$ 9,303	\$ 23,258
NET POSITION			
Net investment in capital assets	\$ 4,721,373	\$ 6,133,285	\$ 10,854,658
Restricted for:			
Capital projects	211,193	45,437	256,630
Debt service	305		305
Other purposes	300,437		300,437
Unrestricted	105,366	120,842	226,208
Total net position	\$ 5,338,674	\$ 6,299,564	\$ 11,638,238

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

Village of Santa Clara
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 215,894	\$ 1,935	\$ 131,704
Public safety	585,682	42,831	112,411
Public works	138,081		
Health and welfare	26,026	4,259	
Culture-recreation	36,861		
Unallocated interest expense	45		
Loan issue costs			
Total governmental activities	\$ 1,002,589	\$ 49,025	\$ 244,115
Business-type activities:			
Water and sewer	\$ 871,425	\$ 717,202	\$ 539,052
Solid waste	163,942	154,829	
Total business-type activities	\$ 1,035,367	\$ 872,031	\$ 539,052
Total government	\$ 2,037,956	\$ 921,056	\$ 783,167

General revenues:
Property taxes
Gross receipts taxes
Gas and motor vehicle taxes
Franchise taxes
Miscellaneous
Transfers

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expenses) Revenue
and Changes in Net Position

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
\$ -	\$ (82,255)	\$ -	\$ (82,255)
	(430,440)		(430,440)
313,432	175,351		175,351
	(21,767)		(21,767)
	(36,861)		(36,861)
	(45)		(45)
	-		-
<u>\$ 313,432</u>	<u>\$ (396,017)</u>	<u>\$ -</u>	<u>\$ (396,017)</u>
\$ -	\$ -	\$ 384,829	\$ 384,829
		(9,113)	(9,113)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,716</u>	<u>\$ 375,716</u>
<u>\$ 313,432</u>	<u>\$ (396,017)</u>	<u>\$ 375,716</u>	<u>\$ (20,301)</u>
	\$ 13,638	\$ -	\$ 13,638
	214,552	11,640	226,192
	9,722		9,722
	45,587		45,587
	30,315	10,652	40,967
	(44,376)	44,376	-
	<u>\$ 269,438</u>	<u>\$ 66,668</u>	<u>\$ 336,106</u>
	\$ (126,579)	\$ 442,384	\$ 315,805
	<u>5,465,253</u>	<u>5,857,180</u>	<u>11,322,433</u>
	<u>\$ 5,338,674</u>	<u>\$ 6,299,564</u>	<u>\$ 11,638,238</u>

Village of Santa Clara
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Street Improvements	Other Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 182,474	\$ 215,658	\$ 250,959	\$ 649,091
Taxes receivable	58,397		2,943	61,340
Due from other governments	1,799			1,799
Interfund receivable	35,096	3,104		38,200
	<u>\$ 277,766</u>	<u>\$ 218,762</u>	<u>\$ 253,902</u>	<u>\$ 750,430</u>
Liabilities				
Accounts payable	\$ 6,866	\$ 7,613	\$ 4,785	\$ 19,264
Interfund payable			3,104	3,104
Salaries payable	10,253			10,253
	<u>\$ 17,119</u>	<u>\$ 7,613</u>	<u>\$ 7,889</u>	<u>\$ 32,621</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ 1,031	\$ -	\$ -	\$ 1,031
	<u>\$ 1,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,031</u>
Fund balance:				
Restricted:				
General government	\$ 54,778	\$ -	\$ -	\$ 54,778
Public safety			210,728	210,728
Culture and recreation			173	173
Public works			25,581	25,581
Health and welfare			9,177	9,177
Debt Service			310	310
Capital projects		211,149	44	211,193
Unassigned	204,838			204,838
	<u>\$ 259,616</u>	<u>\$ 211,149</u>	<u>\$ 246,013</u>	<u>\$ 716,778</u>
	<u>\$ 277,766</u>	<u>\$ 218,762</u>	<u>\$ 253,902</u>	<u>\$ 750,430</u>

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

Village of Santa Clara
**RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF
GOVERNMENTAL ACTIVITIES**

June 30, 2018

Total governmental fund balances	\$	716,778
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,753,393
Income received sixty days after year-end is not considered revenue in the fund statements, but is recognized in the governmental activities:		
Property taxes receivable		1,031
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred inflows of resources related to pensions		(13,955)
Deferred outflows of resources related to pensions		145,912
Long-term liabilities are not reported in the funds:		
Net pension liability		(226,724)
Notes payable		(32,020)
Accrued interest payable		(5)
Compensated absences		(5,736)
		(5,736)
 <i>Net position of governmental activities</i>	 \$	 <u><u>5,338,674</u></u>

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

Village of Santa Clara
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2018

	General Fund	Street Improvements	Other Funds	Governmental Funds Total
Revenues:				
Property taxes	\$ 13,129	\$ -	\$ -	\$ 13,129
Gross receipts taxes	204,495		10,057	214,552
Licenses	1,826			1,826
Motor vehicle taxes	4,718		5,004	9,722
Franchise taxes	45,587			45,587
State intergovernmental	131,704	270,000	145,181	546,885
Federal intergovernmental			10,662	10,662
Fines, licenses and permits	33,216		9,615	42,831
Charges for services	109		4,259	4,368
Miscellaneous	28,357		1,958	30,315
Total revenues	\$ 463,141	\$ 270,000	\$ 186,736	\$ 919,877
Expenditures:				
Current:				
General government	\$ 159,269	\$ -	\$ -	\$ 159,269
Public safety	342,820		58,359	401,179
Public works	21,120		13,801	34,921
Health and welfare	4,421		3,178	7,599
Culture recreation	15,240		2,278	17,518
Debt service:				
Principal			15,986	15,986
Interest			48	48
Loan issue costs				-
Capital outlay	70,940	108,738	43,432	223,110
Total expenditures	\$ 613,810	\$ 108,738	\$ 137,082	\$ 859,630
Revenues over (under) expenditures	\$ (150,669)	\$ 161,262	\$ 49,654	\$ 60,247
Other financing sources (uses):				
Loan proceeds				-
Transfer in	32,000	18,779	607	51,386
Transfer out	(44,983)		(50,779)	(95,762)
Net change in fund balances	\$ (163,652)	\$ 180,041	\$ (518)	\$ 15,871
Fund balance July 1, 2017	423,268	\$ 31,108	246,531	700,907
Fund balance June 30, 2018	<u>\$ 259,616</u>	<u>\$ 211,149</u>	<u>\$ 246,013</u>	<u>\$ 716,778</u>

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

Village of Santa Clara
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

For the Fiscal Year Ended June 30, 2018

Net change in fund balances-total governmental funds \$ 15,871

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

Governmental funds report capital outlay as expenditures.
However, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense.

Capital outlay	223,110
Depreciation expense.	(322,376)

Governmental funds report pension contributions as expenditures. However
in the Statement of Activities, the cost of pension benefits earned net of
employee contributions is reported as pension expense

Pension contributions	13,065
Cost of benefits earned net of employee contributions	(70,554)

Governmental funds report revenue only if it is collected during the year or received
within 60 days of year-end. However, in the Statement of Activities, revenue is
recognized when earned. This is the net change for the year.

Property taxes	509
----------------	-----

Bond and loan proceeds are reported as financing sources
in the funds. In the Statement of Activities, however, issuing
debt increases long-term liabilities.

-

Repayment of debt is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
Statement of Net Assets.

15,986

In the Statement of Activities, interest is accrued on outstanding
bonds, whereas in governmental funds, an interest expenditure
is reported when due. This is the net change during the year.

3

Some expenses reported in the Statement of Activities, such as
compensated absences, do not require the use of current
financial resources and therefore are not reported as
expenditures in the funds. This is the net change during the year.

(2,193)

Change in Net Position of Governmental Activities

\$ (126,579)

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

Village of Santa Clara
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 257,711	\$ 257,711	\$ 249,541	\$ (8,170)
State sources	175,000	175,000	131,704	(43,296)
Federal sources				-
Fines, licenses and permits	37,150	37,150	35,042	(2,108)
Charges for services	280	280	109	(171)
Miscellaneous	207,882	(25,388)	28,357	53,745
Total revenues	\$ 678,023	\$ 444,753	\$ 444,753	\$ -
Expenditures:				
Current:				
General government	\$ 232,914	\$ 232,914	\$ 162,284	\$ 70,630
Public safety	392,175	392,175	339,025	53,150
Public works	22,500	22,500	21,118	1,382
Health and welfare	4,935	4,935	5,099	(164)
Culture recreation	4,815	4,815	4,048	767
Principle				-
Interest				-
Capital outlay				-
Total expenditures	\$ 657,339	\$ 657,339	\$ 531,574	\$ 125,765
Revenues over (under) expenditures	\$ 20,684	\$ (212,586)	\$ (86,821)	\$ 125,765
Other financing sources (uses):				
Transfer in	32,000	32,000	32,000	-
Transfer out	(44,983)	(44,983)	(44,983)	-
Net change in fund balance	\$ 7,701	\$ (225,569)	\$ (99,804)	\$ 125,765
Fund balance, July 1, 2017	621,641	593,481	360,593	(232,888)
Fund balance, June 30, 2018	\$ 629,342	\$ 367,912	\$ 260,789	\$ (107,123)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (163,652)
Revenue accruals (net)				(18,388)
Expenditure accruals (net)				82,236
Other financing sources (net)				-
Net change in fund balance, NON-GAAP budgetary basis				\$ (99,804)

Village of Santa Clara
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

Assets	<u>Water/Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Current:			
Cash and investments	\$ -	\$ 26,800	\$ 26,800
Receivables, net of allowances:			
Accounts	119,795	24,668	144,463
Taxes		1,054	1,054
Total current assets	<u>\$ 119,795</u>	<u>\$ 52,522</u>	<u>\$ 172,317</u>
Noncurrent assets:			
Restricted:			
Cash and investments	\$ 227,778	\$ 1,700	\$ 229,478
Capital assets (net)	6,740,963	13,000	6,753,963
Total noncurrent assets	<u>\$ 6,968,741</u>	<u>\$ 14,700</u>	<u>\$ 6,983,441</u>
Total assets	<u>\$ 7,088,536</u>	<u>\$ 67,222</u>	<u>\$ 7,155,758</u>
Deferred Outflows of Resources			
Related to pensions	<u>\$ 97,274</u>	<u>\$ -</u>	<u>\$ 97,274</u>
Liabilities			
Current:			
Accounts payable	\$ 15,400	\$ 5,098	\$ 20,498
Accrued liabilities	15,118		15,118
Interfund payable	35,096		35,096
Interest payable	5,716		5,716
Current maturities of long-term debt	31,481		31,481
Total current liabilities	<u>\$ 102,811</u>	<u>\$ 5,098</u>	<u>\$ 107,909</u>
Noncurrent liabilities:			
Payable from restricted assets			
Customer deposits	\$ 92,969	\$ 1,700	\$ 94,669
Net pension liability	151,149	-	151,149
Compensated absences	1,241		1,241
Notes payable	298,197		298,197
Bonds payable	291,000		291,000
Total noncurrent liabilities	<u>\$ 834,556</u>	<u>\$ 1,700</u>	<u>\$ 836,256</u>
Total liabilities	<u>\$ 937,367</u>	<u>\$ 6,798</u>	<u>\$ 944,165</u>

Village of Santa Clara
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (concluded)
June 30, 2018

	Water/Sewer	Solid Waste	Total
Deferred Inflows Of Resources			
Related to pensions	\$ 9,303	\$ -	\$ 9,303
Unavailable revenue			-
	\$ 9,303	\$ -	\$ 9,303
Net Position			
Net investment in capital assets	\$ 6,120,285	\$ 13,000	\$ 6,133,285
Restricted for:			
Debt service			-
Capital projects	45,437		45,437
Unrestricted	73,418	47,424	120,842
Total net position	\$ 6,239,140	\$ 60,424	\$ 6,299,564

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

Village of Santa Clara
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

	<u>Water & Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 717,202	\$ 154,829	\$ 872,031
Operating expenses:			
Personnel	\$ 252,049	\$ -	\$ 252,049
Operating	569,541	163,942	733,483
Depreciation	39,439		39,439
Total operating expenses	\$ 861,029	\$ 163,942	\$ 1,024,971
Net operating income	\$ (143,827)	\$ (9,113)	\$ (152,940)
Nonoperating revenue (expense):			
Investment income	\$ 45	\$ -	\$ 45
Gross receipts taxes		11,640	11,640
State grants	539,052		539,052
Federal grants			-
Miscellaneous revenue	10,607		10,607
Interest expense	(10,396)		(10,396)
Total nonoperating revenue (expense)	\$ 539,308	\$ 11,640	\$ 550,948
Net income before operating transfers	\$ 395,481	\$ 2,527	\$ 398,008
Transfers:			
In	44,376		44,376
Out			-
Change in net position	\$ 439,857	\$ 2,527	\$ 442,384
Net position, beginning of year,	5,799,283	57,897	5,857,180
Net position, end of year	<u>\$ 6,239,140</u>	<u>\$ 60,424</u>	<u>\$ 6,299,564</u>

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

Village of Santa Clara
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

	Water & Sewer	Solid Waste	Total
Cash flows from operating activities:			
Receipts from customers	\$ 707,069	\$ 156,378	\$ 863,447
Payments to suppliers	(768,694)	(164,293)	(932,987)
Payments to employees	(214,734)		(214,734)
Net cash provided (used) by operating activities	<u>\$ (276,359)</u>	<u>\$ (7,915)</u>	<u>\$ (284,274)</u>
Cash flows from noncapital financing activities:			
Dedicated tax receipts	\$ -	\$ -	\$ -
Intergovernmental grants	539,052	11,312	550,364
Collections of notes receivable			-
Interfund activity	(15,054)		(15,054)
Miscellaneous collections	10,607		10,607
Transfers from other funds	44,376		44,376
Transfers to other funds			-
Net cash provided (used) by noncapital financing activities	<u>\$ 578,981</u>	<u>\$ 11,312</u>	<u>\$ 590,293</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	\$ (566,911)	\$ (13,000)	\$ (579,911)
Borrowings on capital debt	89,431		89,431
Principal paid on capital debt	(20,871)		(20,871)
Interest paid on capital debt	(10,495)		(10,495)
Net cash provided (used) by capital and related financing activities	<u>\$ (508,846)</u>	<u>\$ (13,000)</u>	<u>\$ (521,846)</u>
Cash flows from investing activities:			
Earnings on investments	\$ 45	\$ -	\$ 45
Net cash provided (used) by investing activities	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 45</u>
Net increase (decrease) in cash and equivalents	\$ (206,179)	\$ (9,603)	\$ (215,782)
Cash and equivalents, beginning of year	<u>433,957</u>	<u>38,103</u>	<u>472,060</u>
Cash and equivalents, end of year	<u><u>\$ 227,778</u></u>	<u><u>\$ 28,500</u></u>	<u><u>\$ 256,278</u></u>

Village of Santa Clara
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (concluded)
For the Fiscal Year Ended June 30, 2018

	Water & Sewer	Solid Waste	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (143,827)	\$ (9,113)	\$ (152,940)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	39,439		39,439
(Increase) decrease in:			
Receivables, net	(12,549)	(151)	(12,700)
Deferred outflows	2,233		2,233
Increase (decrease) in:			
Accounts payable	(197,045)	(351)	(197,396)
Accrued expenses	(2,595)		(2,595)
Customer deposits	2,416	1,700	4,116
Deferred inflows	8,096		8,096
Net pension liability	29,581		29,581
Compensated absences	(2,108)		(2,108)
	<u>\$ (276,359)</u>	<u>\$ (7,915)</u>	<u>\$ (284,274)</u>
Net cash provided (used) by operating activities	<u>\$ (276,359)</u>	<u>\$ (7,915)</u>	<u>\$ (284,274)</u>

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

Village of Santa Clara
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2018

	Agency Funds
Assets	
Cash and investments	\$ 510
Receivables	
	510
Total assets	\$ 510
 Liabilities and Fund Equity	
Deposits held for others	\$ 510
Interfund payable	
	510
Total liabilities	\$ 510

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

Village of Santa Clara
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 Summary of Significant Accounting Policies

A. GENERAL

Village of Santa Clara, a political subdivision of the State of New Mexico, operates under the Council-mayor form of government. The Village provides the following authorized services: public safety, highways and streets, sanitation, health and welfare, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for State and Local Governments, through its pronouncements (Statements and Interpretations). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

B. FINANCIAL REPORTING ENTITY

The Village's basic financial statements include the accounts of all Village operations. The criteria for include organizations as component units within the Village's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Village holds the corporate powers of the organization
- the Village appoints a voting majority of the organization's board
- the Village is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Village
- there is fiscal dependency by the organization on the Village

Based on the aforementioned criteria, the Village has no component units. In prior years, the Village reported its Housing Authority as a component unit. The Village evaluated this reporting as disclosed in Note 16, and determined that the Housing Authority was a related organization under professional standards.

C. BASIS OF PRESENTATION

Governmental-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Village and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are not allocated, but are presented as separate functions. Program revenues include charges paid by recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which a program or business segment is self-financing or draws from the general revenues of the Village.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Village and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general obligation bonds of the Village other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the Village's general obligation bonds. The Village currently has no general obligation bonds outstanding.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Note included in government-wide statements)

Agency Funds

Agency funds account for assets held by the Village in a purely custodial capacity. The reporting entity includes four agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency funds are as follows:

Municipal Court Bond Fund – to account for the cash collected for bonds posted by defendants.

Major Funds

These funds classified as major are as follows:

General – accounts for all activities except those accounted for in other funds.

Street Improvements – to account for the revenues and expenditures associated with the improvement and construction of Village Streets funded by the local and government grants, and is a Capital Project Fund.

Non-major Funds

Fund description for all funds are included in the “Other Supplementary Information” section of this report.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item “b” below:

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or non-current) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from non-exchange transactions are recognized when the earnings process is complete. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Derived tax revenues are recognized when the exchange takes place, and grants are recognized when all eligibility requirements are met.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Revenues that are not available are recorded as deferred outflows of resources. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported when due.

All proprietary funds and fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

E. BUDGETS

Budgets for the General, Special Revenue, Capital Projects, and Enterprise Funds are prepared by management and approved by the local governing body and the New Mexico Department of Finance and Administration.

These budgets are prepared on the NON-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a by fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between “funds” or a budget increase is required, approval must also be obtained from the Department of Finance and Administration.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

F. CASH AND INVESTMENTS

For the purpose of the Statement of Net Position, “cash and investments” includes all demand, savings accounts, and certificates of deposits of the Village. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer’s investment pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Village. The pledged securities remain in the name of the financial institution.

G. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term inter-fund loans are reported as “inter-fund receivables or payables”. Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and periodic aging of accounts receivable. Major receivable balances for the governmental activities include gross receipts and use

taxes, franchise taxes, and grants. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as gross receipts tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

I. CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings 25-50 years
- Improvements 10-50 years
- Machinery and Equipment 03-10 years
- Infrastructure 25-75 years
- Software and Library 5-10 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements. Assets acquired with an original cost of \$5,000 or more are capitalized. Construction period interest is capitalized in proprietary funds.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government has deferred outflows related to pensions as discussed in Note 7.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government has deferred inflows of resources related to pensions as disclosed in Note 7.

In addition the Government has \$1,031 in property taxes that was not collected within 60 days and is therefore recorded as deferred outflows of resources in the fund statements.

K. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets acquired with the debt are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

L. COMPENSATED ABSENCES

The Village's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

M. EQUITY CLASSIFICATIONS

Government-wide Statements

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

The Village has implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Village Council establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Council. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Village Council through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures are normally made from the most highly constrained group first.

N. REVENUES, EXPENDITURES, AND EXPENSES

Gross Receipts Tax

The Village levies a gross receipts tax on taxable gross receipts within the Village. The rate includes both Village and State assessments. The tax is collected by the New Mexico Taxation and Revenue Department and remitted to the Village in the month following receipt by the Department. The Department receives the tax one month after collection by vendors. Included in this tax is amounts dedicated to

intercept agreements, and those dedicated amounts are recorded directly in those funds.

Gross receipts tax collected by the State in June and July (which represent May and June transactions) and received by the Village in July and August have been accrued and are included under the caption "Taxes Receivable".

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the Village by the County Treasurer, and are remitted to the Village in the month following collection. Because the Treasurer of the County in which the Village is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the Village.

The Village is permitted to levy taxes for general operating purposes based on a state formula, per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Village is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Village. The Village's total tax rate to finance general government services for the year ended June 30, 2018 was \$1.597 per \$1,000 for non-residential property and \$.666 for residential property. The Village's tax rate for debt service was \$.00 per \$1,000 for both residential and nonresidential property.

Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year-end are reported as deferred inflows of resources in the fund statements.

Operating Revenues and Expenses

Operating revenue of governmental funds includes fees to users and license fees. Operating grants include operating-specific and discretionary grants while capital grants reflect capital-specific appropriations.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Fund – By Character: Current (further classified by function)
 Debt Service
 Capital Outlay

Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

The Village first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The Village does not allocate indirect costs.

O. INTER-FUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity are classified as inter-fund transfers. For the purposes of the Statement of Activities, all inter-fund transfers between individual governmental funds have been eliminated.

P. USE OF ESTIMATES

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the Governments deposits may not be returned to it. The Village does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2018, \$284,422 of the Village’s bank balance of \$884,422 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ 284,422</u>
	<u>Bank</u>	<u>Carrying</u>
	<u>Balance</u>	<u>Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank’s agent in the Village’s name	350,000	350,000
Uninsured and uncollateralized	<u>284,422</u>	<u>238,637</u>
	<u>\$ 884,422</u>	<u>\$ 838,637</u>

The Village does not have a risk policy beyond that required by State Statute.

The cash on deposit with NMFA is, in effect, loan proceeds or payments made by the Village but not yet disbursed. Such deposits are subject to the collateral requirements of NMFA. Such deposits total \$45,747.

The Village invests in the State Treasurer Local Governmental Investment Pool, a New Mexico sponsored investment alternative.

The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer, with the advice and consent of the State Board of Finance, is authorized to invest money held in the short-term investment fund in accordance with Sections 6-10-10-10P and Sections 6-10-10.1 A and E, NMSA 1978. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, 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 amounts fund were invested.

Investments are valued at amortized cost.

Participation in the pool is voluntary. The Village has \$20,795 on deposit in the pool at June 30, 2018, which is AAAM rated with a weighted average maturity of 50 days (WAMLR) and 100 days (WAMLF).

Note 3 Receivables

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accounts receivable:		
Services (net)	\$ -0-	\$ 144,463
Franchise tax	\$ 14,877	\$
Property taxes	509	
Gross receipts tax	44,030	1,054
MVD Gas Tax	<u>1,924</u>	<u> </u>
Total taxes receivable	<u>\$ 61,340</u>	<u>\$ 1,054</u>
Intergovernmental grants	<u>\$ 1,799</u>	<u>\$ -0-</u>
Total	<u>\$ 63,139</u>	<u>\$ 145,517</u>

The Village believes all receivables are collectible, therefore, no allowance for doubtful accounts has been established.

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 53,754	\$ -0-	\$ -0-	\$ 53,754
Construction in progress	<u>650,403</u>	<u>108,738</u>	<u>690,539</u>	<u>68,602</u>
Total capital assets not being depreciated	<u>\$ 704,157</u>	<u>\$ 108,738</u>	<u>\$ 690,539</u>	<u>\$ 122,356</u>
Capital assets being depreciated:				
Buildings/Improvements/Infrastructure	\$ 5,388,139	\$ 804,911	\$	\$ 6,193,050
Equipment/vehicles/machinery	<u>1,258,649</u>	<u> </u>	<u> </u>	<u>1,258,649</u>
Total capital assets being depreciated	<u>\$ 6,646,788</u>	<u>\$ 804,911</u>	<u>\$ -0-</u>	<u>\$ 7,451,699</u>
Less accumulated depreciation for:				
Buildings/Improvements/Infrastructure	\$ (1,372,461)	\$ (305,218)	\$	\$ (1,677,679)
Equipment/vehicles/machinery	<u>(1,125,825)</u>	<u>(17,158)</u>	<u> </u>	<u>(1,142,983)</u>
Total accumulated depreciation	<u>\$ (2,498,286)</u>	<u>\$ (322,376)</u>	<u>\$ -0-</u>	<u>\$ (2,820,662)</u>
Total capital assets being depreciated, net	<u>\$ 4,148,502</u>	<u>\$ 482,535</u>	<u>\$ -0-</u>	<u>\$ 4,631,037</u>
Governmental activity, capital assets, net	<u>\$ 4,852,659</u>	<u>\$ 591,273</u>	<u>\$ (690,539)</u>	<u>\$ 4,753,393</u>

Other business-type activity programs:

	Balance <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land and land improvements	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Construction in progress	<u>1,867,899</u>	<u>566,911</u>	<u>2,357,813</u>	<u>76,997</u>
Total capital assets not being depreciated	<u>\$ 1,867,899</u>	<u>\$ 566,911</u>	<u>\$ 2,357,813</u>	<u>\$ 76,997</u>
Capital assets being depreciated:				
Equipment	\$ 443,004	\$ 13,000	\$	\$ 456,004
Buildings/Improvements	416,882			416,882
Infrastructure	<u>4,979,936</u>	<u>2,357,813</u>	<u> </u>	<u>7,337,749</u>
Total capital assets being depreciated	<u>\$ 5,839,822</u>	<u>\$ 2,370,813</u>	<u>\$ -0-</u>	<u>\$ 8,210,635</u>
Less accumulated depreciation:				
Equipment	\$ (339,186)	\$ (5,488)	\$	\$ (344,674)
Buildings/Improvements	(29,538)	(1,273)		(30,811)
Infrastructure	<u>(1,125,506)</u>	<u>(32,678)</u>	<u> </u>	<u>(1,158,184)</u>
Total accumulated depreciation	<u>\$ (1,494,230)</u>	<u>\$ (39,439)</u>	<u>\$ -0-</u>	<u>\$ (1,533,669)</u>
Total capital assets being depreciated, net	<u>\$ 4,345,592</u>	<u>\$ 2,331,374</u>	<u>\$ -0-</u>	<u>\$ 6,676,966</u>
Other business-type activity programs capital assets, net	<u>\$ 6,213,491</u>	<u>\$ 2,898,285</u>	<u>\$ (2,357,813)</u>	<u>\$ 6,753,963</u>

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 38,685
Public Safety	148,292
Public Works	103,160
Health and welfare	12,896
Culture-recreation	<u>19,343</u>
	<u>\$ 322,376</u>

Note 5 Accrued Expenses

At June 30, 2018, accrued expenses consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accruals payroll and benefits	\$ 10,253	\$ 15,118
	<u>\$ 10,253</u>	<u>\$ 15,118</u>

Note 6 Long-Term Debt

Changes in governmental activities long-term debt is as follows:

Governmental Activities

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Notes payable	\$ 48,006	\$ -0-	\$ 15,986	\$ 32,020	\$ 16,002

Law Enforcement – This loan is for police vehicles. The loan is secured by State Law Enforcement Allocations. The revenues pledged totaled \$32,068 at June 30, 2018, which is 75% of allocations at their current rate. Interest is .1%, and maturity rates range from 2019-2020. During the year ended June 30, 2018, the Village recognized \$22,400 in pledged revenues, and retired \$16,034 in loan principal and interest.

Business-Type Activities:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Rev Bond 2008	\$ 90,000	\$	\$ 1,000	\$ 89,000	\$ 1,000
Rev Bond 2010	211,000		4,000	207,000	4,000
NMFA Colonias	20,993	1,313	2,625	19,681	1,312
NMFA Water Meter	91,826	89,431		181,257	17,890
Water System	60,574		6,377	54,197	3,188
Wastewater Improvements	<u>77,725</u>		<u>8,182</u>	<u>69,543</u>	<u>4,091</u>
	<u>\$ 552,118</u>	<u>\$ 90,744</u>	<u>\$ 22,184</u>	<u>\$ 620,678</u>	<u>\$ 31,481</u>

Series 2008 and 2010 Revenue Bonds – These bonds were issued to make improvements to the Village Water and Sewer systems. The bonds are secured by water and sewer system revenues, and bear interest from 3% to 4.25%. These revenues pledged total \$493,295 at June 30, 2018, which is 2% of revenues at the current rate. Maturity dates range from 2019 through 2051. During the year ended June 30, 2018, the Village

recognized \$717,202 in pledged revenues, and retired \$32,679 in bond principal and interest. The Bond ordinances require that reserves of \$54,225 be established. The Village currently has \$89,372 reserved.

NMFA Loans – These loans were obtained to make improvements to the water and sewer systems. The loans are secured by water and sewer system revenues, and bear interest at rates ranging from 0% to .25%. The revenues pledged totaled \$330,453 at June 30, 2018, which is 2.6% of revenues at their current rate. Maturity dates range from 2019 to 2036. During the year ended June 30, 2018, the Village recognized \$717,202 in pledged revenues, and retired \$17,524 in loan principal and interest.

The annual debt service requirements are as follows:

Due in year ending:	<u>Governmental Activities</u>		<u>Proprietary Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 16,002	\$ 32	\$ 31,481	\$ 11,818
2020	16,018	16	22,569	10,243
2021			22,592	10,058
2022			23,614	9,873
2023			23,637	9,645
2024-2028			121,524	44,721
2029-2033			125,093	38,365
2034-2039			96,168	31,034
2040-2044			53,000	22,621
2045-2049			72,000	12,892
2050-2053			29,000	1,800
	<u>\$ 32,020</u>	<u>\$ 48</u>	<u>\$ 620,678</u>	<u>\$ 203,070</u>

Compensated absences in governmental activities were as follows:

	<u>Balance July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2018</u>	<u>Due in One Year</u>
Compensated absences	\$ 3,543	\$ 13,135	\$ 10,942	\$ 5,736	\$ -0-

Changes in Proprietary Funds Long-Term Debt were as follows during the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2018</u>	<u>Due in One Year</u>
Compensated absences	\$ 3,349	\$ 4,133	\$ 6,241	\$ 1,241	\$ -0-

All compensated absences are considered non-current. Compensated absences are paid out of the fund that salaries for the respective employee are paid out of provided there are funds available. Otherwise, they are paid out of the general fund.

Note 7 Pension Plan – Public Employees Retirement Association

Summary of Significant Accounting Policies

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 New Mexico 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.

General Information about the Pension Plan

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

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits Provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2017.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202017.pdf).

Contributions – The contribution requirements of defined benefit plan members and Village of Santa Clara are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 40 of the PERA FY17 annual audit at <http://osanm.org/media/audits/366PublicEmployeesRetirementAssociation2017.pdf>. The PERA coverage options that apply to the Village are the Municipal General. Statutorily

required contributions to the pension plan from the Village were \$21,775 for the year ended June 30, 2018.

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, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore the employer’s portion was established as of the measurement date June 30, 2017.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village’s proportion of the net pension liability for each member group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division – Municipal General, at June 30, 2018, the Village reported a liability of \$377,873 for its proportionate share of the net pension liability. At June 30, 2017, the Village’s proportion was .0275 percent, and was .0198 percent measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized PERA Fund Division Municipal General pension expense of \$119,174. At June 30, 2018, the Village reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,848	\$ 19,353
Changes of assumptions	17,426	3,905
Net difference between projected and actual earnings on pension plan investments	31,002	

Changes in proportion and differences between the Village's contributions and proportionate share of contributions	158,135	
The Village's contributions subsequent to the measurement date	<u>21,775</u>	<u>-0-</u>
Total	<u>\$ 243,186</u>	<u>\$ 23,258</u>

\$21,775 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date, June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 84,243
2020	94,882
2021	28,087
2022	(9,059)

Actuarial Assumptions – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2016 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value

Actuarial assumptions:

- Investment rate of return 7.48% annual rate, net of investment expense
- Payroll growth 2.25% for 10 years, then 2.75% thereafter
- Projected salary increases Up to 11.25%
- Includes inflation at 2.25% for 10 years and 2.75% thereafter

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to

produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	7.39%
Risk Reduction and Mitigation	21.5%	1.79%
Credit Oriented Fixed Income	15.0%	5.77%
Real Assets	<u>20.0%</u>	7.35%
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.51 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67.

Sensitivity of the Village’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Village’s net pension liability in each PERA Fund Division that the Village participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.

	1% Decrease	Current Discount Rate	1% Increase
PERA Fund Division Municipal General	<u>(6.51%)</u>	<u>(7.51%)</u>	<u>(8.51%)</u>
The Village’s proportionate share of the net pension liability	<u>\$ 592,252</u>	<u>\$ 377,873</u>	<u>\$ 199,587</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY17 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Note 8 Retiree Health Care Act Contributions

The Village does not participate in the Retiree Health Care Act.

Note 9 Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 10 Future Commitments

The Village has contracts and grant awards for construction projects in various stages of completion. Such contracts, funded principally by federal and state agencies, constitute future commitments, and approximate \$150,000 at June 30, 2018.

Note 11 Risk Management

The Village is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has joined together with other agencies in the State and obtained insurance through the New Mexico Self Insurers Fund, a public risk pool currently operating as a common risk management and insurance program for local governments. The Village pays an annual premium to New Mexico Self Insurers Fund for its general insurance coverage. No losses in excess of insurance coverage have been experienced.

Note 12 Expenditures in Excess of Budgetary Authority

The Village incurred no expenditures in excess of budgetary authority.

Note 13 Fund Balance Deficits

The Village had no fund balance deficits at June 30, 2018.

Note 14 Inter-fund Activity

Inter-fund balances at June 30, 2018, consisted of the following:

	<u>Governmental Activities</u>		<u>Business-Like Activities</u>	
	<u>Inter-Fund Payable</u>			
	<u>General Fund</u>	<u>Street Improvements</u>	<u>Water Sewer</u>	<u>Total</u>
<u>Inter-Fund Receivable</u>				
General	\$	\$	\$ 35,096	\$ 35,096
Street Improvements	_____	3,104	_____	3,104
	<u>\$ -0-</u>	<u>\$ 3,104</u>	<u>\$ 35,096</u>	<u>\$ 38,200</u>

These amounts are expected to be repaid within one year, and the advances were made to meet operating expenses.

Inter-fund transfers were as follows during the year ended June 30, 2018:

<u>Transfers To</u>	<u>Transfer From</u>		
	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Street Improvements	\$	\$ 18,779	\$ 18,779
General		32,000	32,000
Other Funds	607		607
Water Sewer	<u>44,376</u>	<u> </u>	<u>44,376</u>
	<u>\$ 44,983</u>	<u>\$ 50,779</u>	<u>\$ 95,762</u>

The transfers were made to fund construction projects and provide operating funds.

Note 15 Restricted Net Position

Net position restricted for other purposes consist of fund balances which are restricted by legislation to specific purposes. The restricting legislation is listed in the fund descriptions appearing at the beginning of Other Supplementary Information. Major restrictions are as follows:

General	\$ 54,778
Fire	182,833
Municipal Streets	18,288
Corrections	22,228
Other	<u>22,310</u>
	<u>\$ 300,437</u>

The Village reports \$557,372 in restricted assets, of which \$557,372 is restricted by enabling legislation.

Note 16 Related Organizations

The Village of Santa Clara appoints a voting majority of the Board of the Santa Clara Housing Authority.

The Village is not financially accountable for the Housing Authority, and no financial benefit/burden relationship exists.

No transactions, between the parties other than the payment of utility bills by the Housing Authority to the Village, exist.

Note 17 Evaluation of Subsequent Events

The Village has evaluated subsequent events through December 12, 2018, the date which the financial statements were available to be issued.

Special Revenue Funds

Fire Protection – to account for the revenues from the State Fire Allotment and the public safety related expenditure. Authority NMSA 59-15-1.

Correction Fees – to account for the fees collected by the Municipal Judge, which are legally restricted to expenditures for jail, related costs. Authority NMSA 33-3-25.

Law Enforcement Protection – to account for the State grant to be used for the repair and/or replacement of law enforcement equipment. Authority NMSA 23-13-1.

Animal Shelter – to account for the General Fund transfers to be used for animal shelter activity. This fund was authorized by Town resolution.

EMS Grant – to account for the operations and maintenance of medical service equipment for the Town. Authority is NMSA 24-10A-6.

Municipal Streets – to account for the gasoline tax distribution imposed by Chapter 7, Article 13 NMSA 1978.

Economic Development – to account for the State grant for Economic Development authorization is Village Council.

NMEMNRD – to account for Federal resources to be used to improve outdoor recreation. Authority is the Village Council.

Friends of Fort Bayard – to account for donations from private entities to develop the Fort Bayard Complex. Authorization is the Village Council.

Cemetery - to account for the operation of the Village Cemetery. Authorization is the Village Council.

Recreation – to account for the revenues generated by cigarette taxes that are restricted to expenditures for recreational purposes. Authority NMSA 33-3-25, and is a Special Revenue Fund.

Capital Projects Funds

CDBG/Colonias Projects – to account for federal funds passed through the State Department of Finance and Administration to be used for several infrastructure improvement projects. Authorized by Federal regulation.

RUS – to account for the Federal proceeds to improve Water and Wastewater distribution lines.

Street Improvement – to account for the Co-op agreement with the State Highway Department to improve Village streets. Authorized by Village Council.

Maintenance Building Improvements – to account for the legislative allocation from New Mexico to provide improvements to the Village maintenance facility. Authorized by State of New Mexico.

Enterprise Fund

Water and Sewer Fund – to account for the provisions of water and sewer services to applicable users. All activities necessary to provide such services are accounted for in this fund.

Solid Waste Fund – to account for the provisions of garbage collection services to applicable users. All activities necessary to provide such service are accounted for in this fund.

Village of Santa Clara
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
PERA FUND DIVISION MUNICIPAL GENERAL
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION)(PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village of Santa Clara's proportion of the net pension liability	.0275%	.0198%	.0060%	-0-
Village of Santa Clara's proportionate share of the net pension liability	\$ 377,873	\$ 316,337	\$ 61,175	\$ -
Village of Santa Clara's covered payroll	\$ 294,257	\$ 310,689	\$ 247,162	\$ 63,878
Village of Santa Clara's proportionate share of the net pension liability as a percentage of its covered payroll	128%	102%	25%	N/A
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69%	77%	81%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, The Village of Santa Clara will present information for those years for which information is available. The Village first participated in PERA in 2015.

Village of Santa Clara
**SCHEDULE OF CONTRIBUTIONS-PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION (PERA) PLAN-PERA FUND DIVISION MUNICIPAL GENERAL
*LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 21,775	\$ 22,991	\$ 18,290	\$ 4,727
Contributions in relation to contractually required contributions	<u>(21,775)</u>	<u>(22,991)</u>	<u>(18,290)</u>	<u>(4,727)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village of Santa Clara's covered payroll	\$ 294,257	\$ 310,689	\$ 247,162	\$ 63,878
Contributions as a percentage of covered payroll	7.40%	7.40%	7.40%	7.40%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Village of Santa Clara will present information for those years for which information is available.

Village of Santa Clara
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

Change in benefit terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2017.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202017.pdf).

Changes of valuation – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at:

http://www.pera.state.nm.us/pdf/Investment/RetirementFundValuationReports/6-30-2017%20PERA%20Valuation%20Report_FINAL.pdf.

The Summary of Financial Information for the PERA Fund states the return on the actuarial value of assets was 11.1% compared to the expected return of 7.48%. The report indicates the total decrease to the unfunded actuarial accrued liability is \$890,154,980 and results in an increase to the funded ratio from 69.18%% to 73.74%. For details about the actuarial assumptions, see the actuarial section of the report.

Village of Santa Clara
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	Special Revenue Funds			
	Corrections	EMS	Fire Protection	Law Enforcement Protection
Assets				
Cash and investments	\$ 22,561	\$ 5,068	\$ 184,749	\$ 909
Taxes receivable				
Interfund receivable				
Due from other governments				
Total assets	\$ 22,561	\$ 5,068	\$ 184,749	\$ 909
Liabilities				
Accounts payable	\$ 333	\$ -	\$ 1,916	\$ -
Interfund payable				
Total liabilities	\$ 333	\$ -	\$ 1,916	\$ -
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ -
Fund balances:				
Restricted:				
Public safety	\$ 22,228	\$ 5,068	\$ 182,833	\$ 599
Culture and recreation				
Public works				
Health and Welfare				
Debt service				310
Capital Projects				
Unassigned				
Total fund balance	\$ 22,228	\$ 5,068	\$ 182,833	\$ 909
Total liabilities, deferred inflows of resources and fund balances	\$ 22,561	\$ 5,068	\$ 184,749	\$ 909

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

Special Revenue Funds

<u>Municipal Streets</u>	<u>NM EMNRD</u>	<u>Friends of Ft. Bayard</u>	<u>Cemetary</u>	<u>Animal Shelter</u>
\$ 20,985 2,943	\$ 6,993	\$ 173	\$ 300	\$ 9,177
<u>\$ 23,928</u>	<u>\$ 6,993</u>	<u>\$ 173</u>	<u>\$ 300</u>	<u>\$ 9,177</u>
\$ 2,536 3,104	\$ -	\$ -	\$ -	\$ -
<u>\$ 5,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ - 18,288	\$ - 6,993	\$ - 173	\$ - 300	\$ - 9,177
<u>\$ 18,288</u>	<u>\$ 6,993</u>	<u>\$ 173</u>	<u>\$ 300</u>	<u>\$ 9,177</u>
<u>\$ 23,928</u>	<u>\$ 6,993</u>	<u>\$ 173</u>	<u>\$ 300</u>	<u>\$ 9,177</u>

Village of Santa Clara
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
June 30, 2018

	Capital Projects Funds		
	RUS Grant	Maintenance Building Improvements	Total
Assets			
Cash and investments	\$ 44	\$ -	\$ 250,959
Taxes receivable			2,943
Interfund receivable			-
Due from other governments			-
Total assets	\$ 44	\$ -	\$ 253,902
Liabilities			
Accounts payable	\$ -	\$ -	\$ 4,785
Interfund payable			3,104
Total liabilities	\$ -	\$ -	\$ 7,889
Deferred Inflows of Resources			
Unavailable revenue	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -
Fund balances:			
Restricted:			
Public safety	\$ -	\$ -	\$ 210,728
Culture and recreation			173
Public works			25,581
Health and Welfare			9,177
Debt service			310
Capital projects	44		44
Unassigned			-
Total fund balance	\$ 44	\$ -	\$ 246,013
Total liabilities, deferred inflows of resources and fund balances	\$ 44	\$ -	\$ 253,902

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

Village of Santa Clara
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2018

	Special Revenue Funds				
	Corrections	EMS	Fire Protection	NM EMNRD	Law Enforcement Protection
Revenues:					
GRT Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Gas taxes					
Charges for services					
State sources			79,349		22,400
Federal sources					
Fines, licenses and permits	9,615				
Miscellaneous			169		139
Total revenues	\$ 9,615	\$ -	\$ 79,518	\$ -	\$ 22,539
Expenditures:					
Current:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	4,029		46,321		8,009
Public works					
Health and welfare					
Culture recreation					
Debt service:					
Principal					15,986
Interest					48
Loan issue costs					
Capital outlay					
Total expenditures	\$ 4,029	\$ -	\$ 46,321	\$ -	\$ 24,043
Revenues over (under) expenditures	\$ 5,586	\$ -	\$ 33,197	\$ -	\$ (1,504)
Other financing sources (uses):					
Transfer in	-	-	-		-
Transfer out	(32,000)				
Loan proceeds					
Net change in fund balance	\$ (26,414)	\$ -	\$ 33,197	\$ -	\$ (1,504)
Fund balance, July 1, 2017	48,642	5,068	149,636	6,993	2,413
Fund balance, June 30, 2018	\$ 22,228	\$ 5,068	\$182,833	\$ 6,993	\$ 909

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

Special Revenue Funds				Capital Projects Funds		
Municipal Streets	Friends of Ft. Bayard	Cemetary	Animal Shelter	RUS Grant	Maintenance Bldg Improvements	Total
\$ 10,057	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,057
5,004						5,004
		650	3,609			4,259
					43,432	145,181
10,662						10,662
						9,615
	1,650					1,958
<u>\$ 25,723</u>	<u>\$ 1,650</u>	<u>\$ 650</u>	<u>\$ 3,609</u>	<u>\$ -</u>	<u>\$ 43,432</u>	<u>\$ 186,736</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13,801						58,359
		919	2,259			13,801
	2,278					3,178
						2,278
						15,986
						48
						-
					43,432	43,432
<u>\$ 13,801</u>	<u>\$ 2,278</u>	<u>\$ 919</u>	<u>\$ 2,259</u>	<u>\$ -</u>	<u>\$ 43,432</u>	<u>\$ 137,082</u>
\$ 11,922	\$ (628)	\$ (269)	\$ 1,350	\$ -	\$ -	\$ 49,654
		607				607
(18,779)						(50,779)
						-
<u>\$ (6,857)</u>	<u>\$ (628)</u>	<u>\$ 338</u>	<u>\$ 1,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (518)</u>
25,145	801	(38)	7,827	44	-	246,531
<u>\$ 18,288</u>	<u>\$ 173</u>	<u>\$ 300</u>	<u>\$ 9,177</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 246,013</u>

Village of Santa Clara
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Municipal Court Bond				
Cash and investments	\$ 110	\$ 863	\$ 463	\$ 510
Receivables				
Total assets	<u>\$ 110</u>	<u>\$ 863</u>	<u>\$ 463</u>	<u>\$ 510</u>
Liabilities				
Due to others	<u>\$ 110</u>	<u>\$ 863</u>	<u>\$ 463</u>	<u>\$ 510</u>

Village of Santa Clara
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2018

	First American	Total
Checking and CD's	\$ 884,422	\$ 884,422
Less: FDIC insurance	(250,000)	(250,000)
Total uninsured public funds	\$ 634,422	\$ 634,422
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 317,211	\$ 317,211
Pledged Securities:		
FHLB 550340EC3 8/1/25	350,000	350,000
Total pledged securities	\$ 350,000	\$ 350,000
Pledged securities over (under) requirement	\$ 32,789	\$ 32,789

Securities pledged are held by First American Bank, Artesia, NM.
 Safekeeping receipts are held by the Village.

Village of Santa Clara
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2018

	Type of Account	Bank Balance	Reconciled Balance
<u>First American</u>			
General	Checking	\$ 682,266	\$ 636,490
RUS Operation and Maintenance	Checking	25,565	25,565
RUS	Checking	57,742	57,742
RUS Debt	Checking	6,065	6,065
Municipal Court	Checking	519	510
Animal Shelter	Checking	9,128	9,128
Drinking Water	Checking		
Friends of Fort Bayard	Checking	174	174
Colonias	Checking	2	2
Street Improvement	Checking		
RUS Asset Management	Checking	43	43
Debt Service RUS	Checking		
Colonias	Checking		
CDBG	Checking		
CD	CD	102,918	102,918
CD	CD		
CD	CD		
Total First American		\$ 884,422	\$ 838,637
<u>LGIP</u>			
General	LGIP	\$ 20,795	\$ 20,795
Total LGIP		\$ 20,795	\$ 20,795
<u>NMFA</u>			
Cash on deposit with paying agent	NMFA	\$ 45,747	\$ 45,747
Cash on hand			\$ 700
Total cash and investments		\$ 950,964	\$ 905,879

Village of Santa Clara
SCHEDULE OF JOINT POWERS AGREEMENTS
For the Fiscal Year Ended June 30, 2018

Joint Wastewater Plant Agreement

Participants	Village of Santa Clara City of Bayard Fort Bayard Special District Town of Hurlay
Responsible party	City of Bayard
Description	Operation and maintenance of joint use sewer system
Dates of agreement	Agreement began September 11, 1963 and remains in effect until cancelled by the participating governments
Amount of project	Varies
Audit responsibility	City of Bayard
Fiscal agent	City of Bayard

Village of Santa Clara
SCHEDULE OF LEGISLATIVE ALLOCATIONS
 June 30, 2018

	Maintenance Building Improvements 15-0781	SCADA Well Improvements 14-1631-STB
	<u> </u>	<u> </u>
Original appropriation	\$ 150,000	\$ 174,000
Additions/Deletions	<u> </u>	<u> </u>
Amended appropriation	<u>\$ 150,000</u>	<u>\$ 174,000</u>
Expended through June 30, 2018	\$ 148,540	\$ 171,797
Encumbrances	<u> </u>	<u> </u>
Total committed	<u>\$ 148,540</u>	<u>\$ 171,797</u>
Project expiration date	6/30/2019	6/30/2020

Village of Santa Clara
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2018

Findings – Financial Statement Audit	<u>Current Status</u>
2017-001 Payroll reporting Inaccurate	Repeated
2017-002 Cash not reconciled to general ledger	Repeated

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: admin@stone-mcgee.com

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

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Mayor and Village Council
Village of Santa Clara
Santa Clara, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of Village of Santa Clara as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Village of Santa Clara's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Santa Clara's internal control over financial reporting (internal control) to determine the 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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Santa Clara'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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Santa Clara's financial statements are free of 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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2018-001 through 2018-003.

Village of Santa Clara's Responses to Findings

Village of Santa Clara's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Stone, McGee & Co., CPAs

Silver City, New Mexico
December 12, 2018

Stone, McGee & Co.
Certified Public Accountants

Village of Santa Clara
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2018

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Village of Santa Clara.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Village of Santa Clara, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Village of Santa Clara expended less than \$750,000 in federal funds.

FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001(2017-001) Payroll Reporting (Other Noncompliance)

Condition – The Village made payroll tax deposits of withholding taxes late, resulting in penalties of \$518 during the year ended June 30, 2018. In addition, the Internal Revenue Service erroneously refunded a payroll tax deposit to the Village, and the Village deposited the refund. Subsequently, the Internal Revenue Service made a claim for the monies, and the Village was required to repay the refund, with additional penalties and interest of \$2138.

The Village's corrective action plan was in place, but personnel turnover resulted in the reoccurrence of the late payroll tax deposits.

Criteria – Federal and state taxing authorities require the deposit of withheld taxes within a specified number of days after the payroll is run. Sound accounting policies require that a reconciliation be performed of any Internal Revenue Service refunds, and to take the appropriate measures, such as sending the erroneous refund check back, to avoid penalties and interest.

Effect – Penalties are assessed when the withholding deposits are not timely, or are refunded erroneously and the refund is deposited.

Cause – Turnover in personnel led to the late tax deposit, which was not reviewed by supervisory personnel. In addition, the refund from the Internal Revenue Service was not adequately investigated prior to depositing the check.

Recommendation – We recommend that the Village establish a procedure to ensure the timely deposit of withholding taxes, and that supervisory personnel be involved in the process. We further recommend that any time a refund check is received, the circumstances

be investigated to avoid incurring penalties and interest by erroneously depositing the refund check.

Agency Response – The Village has procedures to ensure the proper deposit of withheld taxes, and the Clerk-Treasurer is now tasked with oversight of the deposits. Further, procedures are now in place to investigate any refunds received from the Internal Revenue Service, which will be performed by the Clerk-Treasurer. These procedures are now in place.

2018-002(2017-002) Cash Reconciliation to General Ledger (Other Noncompliance)

Condition – The Villages reconciled cash in bank did not agree to general ledger amounts by fund.

The Village had a corrective action plan in place, and was executing it, but computer failure prevented the Village staff from performing the corrective action plan during latter stages of the year.

Criteria – Sound accounting policy and generally accepted accounting principles require that cash in bank reconcile to general ledger cash by fund.

Effect – There is an increased likelihood that the general ledger will not reflect the correct cash balances. In this instance, the cash amounts were not significantly different, however, the possibility exists that material differences could occur during later financial periods.

Cause – The Village experienced a complete failure of their computer system late in the year, and had to reconstruct the Village's financial records in a short period of time. During this period, working in conjunction with their software vendor, a deposit was inadvertently entered twice, causing the cash discrepancy.

Recommendation – We recommend that the Village continue their established procedure to ensure that the cash balances by fund are in agreement with the reconciled cash on a monthly basis.

Agency Response – We will continue to run the financial reports monthly and compare them to reconciled cash to ensure agreement. The Clerk-Treasurer will perform this function, and it will continue with the December 2018 reconciliation.

2018-003 Completion of Payroll Documents (Other Noncompliance)

Condition – In a total of 20 payroll files tested, we noted 11 instances where the I-9 documentation was incomplete.

Criteria – Federal regulations require that documentation be maintained regarding employee citizenship and authorization for withholding on each employee.

Effect – Federal regulations have been violated, and the Village has exposed itself to possible significant penalties if a federal agency audit is conducted.

Cause – The Village has not performed a review of its personnel files to ensure that all required information has been obtained.

Recommendation – The Village should conduct a review of all current employee files to ensure that the proper documentation is on file for each employee, and develop a process to ensure that new hires provide the required information.

Agency Response – The recommendation will be adopted, and the Clerk-Treasurer will be responsible for overseeing the receipt of appropriate documentation. The process has already begun, and it is expected to be complete by June 30, 2019.

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s. However, the management of Village of Santa Clara has acknowledged its responsibility for the financial statements and has taken responsibility for them.

EXIT CONFERENCE

The contents of this report were discussed December 10, 2018. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Richard Bauch	Mayor	Village of Santa Clara
Sheila Hudman	Clerk/Treasurer	Village of Santa Clara
Kay Stone, CPA	Shareholder	Stone, McGee & Co., CPAs