

State of New Mexico

VILLAGE OF MAGDALENA



FOR YEAR ENDED JUNE 30, 2016

ANNUAL FINANCIAL REPORT

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

VILLAGE OF MAGDALENA

AUDIT REPORT

For The Year Ended June 30, 2016

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
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STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Official Roster
Year Ended June 30, 2016

Village Council

<u>Name</u>	<u>Title</u>
VACANT	Mayor
Mr. Joseph T Scartaccini	Mayor Pro-Tem
Ms. Lynda Middleton	Member
Ms. Donna Dawson	Member
Mr. Richard Rumph	Member

Village Administration

Ms. Kayla Scartaccini	Municipal Judge
Ms. Stephanie Finch	Clerk/Treasurer
Ms. Carleen Gomez	Deputy Clerk

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller
New Mexico State Auditor
and
Honorable Mayor and Village Council
Village of Magdalena
Magdalena, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General and Fire Protection Funds of the Village of Magdalena, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Village of Magdalena's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village of Magdalena's non-major governmental funds and non-major enterprise funds and the budgetary comparisons for the non-major governmental and enterprise funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016 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 of 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 the risks of material misstatement of the financial

assessment of the 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 the Village of Magdalena, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General and Fire Protection Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and non-major enterprise funds of the Village of Magdalena, as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the non-major governmental and non-major enterprise funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require the Schedules I, II, III and IV and the notes to the Required Supplementary Information 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 inquires 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 obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Village of Magdalena's financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The budgetary comparison for the non-major governmental and enterprise funds are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparisons for the non-major governmental and enterprise funds are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison for the enterprise fund fairly states, in all material respects, in relation to the basic financial statements as a whole.

Schedule VII, the Schedule of Vendor Information, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2017 on our consideration of the Village of Magdalena's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Magdalena's internal control over financial reporting and compliance.

Road & Associates, LLP

Albuquerque, New Mexico
February 15, 2017

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Statement of Net Position
June 30, 2016

Statement 1
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 387,224	\$ 135,754	\$ 522,978
Accounts receivable (net of uncollectible accounts)	<u>20,392</u>	<u>49,202</u>	<u>69,594</u>
Total current assets	<u>407,616</u>	<u>184,956</u>	<u>592,572</u>
Non-current assets			
Restricted assets (cash)	-	29,056	29,056
Customer Meter Deposits	<u>-</u>	<u>13,671</u>	<u>13,671</u>
Total non-current assets	<u>-</u>	<u>42,727</u>	<u>42,727</u>
Land	268,889	6,025	274,914
Land improvements	-	-	-
Buildings and improvements	2,539,786	11,500	2,551,286
Vehicles	133,401	81,436	214,837
Heavy equipment	126,751	-	126,751
Equipment	-	10,459	10,459
Airport	352,953	235,734	588,687
Plant/Infrastructure	<u>212,023</u>	<u>4,321,789</u>	<u>4,533,812</u>
Total capital assets	<u>3,633,803</u>	<u>4,666,943</u>	<u>8,300,746</u>
Less accumulated depreciation	(2,475,029)	(3,847,261)	(6,322,290)
Total capital assets (net of accumulated depreciation)	<u>1,158,774</u>	<u>819,682</u>	<u>1,978,456</u>
Deferred outflows of resources			
Employer contributions subsequent to measurement date	<u>31,768</u>	<u>-</u>	<u>31,768</u>
Total assets	<u>\$ 1,598,158</u>	<u>\$ 1,047,365</u>	<u>\$ 2,645,523</u>

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Statement of Net Position
June 30, 2016

Statement 1
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 8,139	\$ 63,022	\$ 71,161
Current portion revenue bonds payable	-	3,000	3,000
Current portion of loan payable	13,018	14,967	27,985
Accrued interest payable	-	6,075	6,075
Customer meter deposits payable from restricted assets	-	14,807	14,807
Total current liabilities	21,157	101,871	123,028
Non-Current Liabilities			
Compensated absences payable	4,827	13,326	18,153
Revenue bonds payable	-	132,000	132,000
Loan payable	52,270	59,869	112,139
Net pension liability	210,214	-	210,214
Total non-current liabilities	267,311	205,195	472,506
Total liabilities	288,468	307,066	595,534
Deferred Inflows			
Change in assumptions	3,432	-	3,432
Net difference between expected and actual earnings	3,479	-	3,479
Total deferred inflows	6,911	-	6,911
Net Position			
Net investment in capital assets	1,093,486	603,771	1,697,257
Restricted for:			
State mandated cash balance	31,442	-	31,442
Special revenue fund	38,297	-	38,297
Repair and replacement	-	5,000	5,000
Debt service	-	22,920	22,920
Unrestricted	139,554	108,608	248,162
Total net position	1,302,779	740,299	2,043,078
Total liabilities and net position	\$ 1,598,158	\$ 1,047,365	\$ 2,645,523

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Statement of Activities
Year Ended June 30, 2016

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 101,959	\$ 4,002	\$ 63,686	\$ -	\$ (34,271)	\$ -	\$ (34,271)
Highways and streets	26,838	-	-	-	(26,838)	-	(26,838)
Public safety	360,289	-	120,982	-	(239,307)	-	(239,307)
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	118,754	183	10,236	-	(108,335)	-	(108,335)
Depreciation - unallocated	93,958	-	-	-	(93,958)	-	(93,958)
Total governmental activities	701,798	4,185	194,904	-	(502,709)	-	(502,709)
Business-type activities:							
Water/Sewer services	332,587	262,459	52,022	-	-	(18,106)	(18,106)
Solid waste services	143,188	115,361	-	-	-	(27,827)	(27,827)
Ambulance	11,320	912	-	-	-	(10,408)	(10,408)
Total business-type activities	487,095	378,732	52,022	-	-	(56,341)	(56,341)
Total all activities	<u>\$ 1,188,893</u>	<u>\$ 382,917</u>	<u>\$ 246,926</u>	<u>\$ -</u>	(502,709)	(56,341)	(559,050)
General Revenues:							
Property taxes					11,483	-	11,483
Gross receipts taxes					172,531	-	172,531
Environmental gross receipts taxes					4,254	-	4,254
Franchise taxes					17,747	-	17,747
Gasoline taxes					6,512	-	6,512
Motor vehicle taxes					2,258	-	2,258
State aid not restricted to special purpose							
General					185,154	-	185,154
Investment earnings					48	-	48
Total general revenues					399,987	-	399,987
Change in net position					(102,722)	(56,341)	(159,063)
Net position - beginning of year					1,405,501	796,640	2,202,141
Net position - ending					<u>\$ 1,302,779</u>	<u>\$ 740,299</u>	<u>\$ 2,043,078</u>

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Balance Sheet
Governmental Funds
June 30, 2016

Statement 3

	General	Fire Protection Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash on deposit	\$ 348,053	\$ 17,549	\$ 21,622	\$ 387,224
Accounts receivable	19,766	-	626	20,392
Total assets	\$ 367,819	\$ 17,549	\$ 22,248	\$ 407,616
LIABILITIES				
Accounts payable	\$ 6,639	\$ -	\$ 1,500	\$ 8,139
Total liabilities	6,639	-	1,500	8,139
FUND BALANCE				
Restricted for:				
Fire protection	-	17,549	-	17,549
Corrections	-	-	5,342	5,342
Recreation services	-	-	7,269	7,269
Public safety	-	-	48	48
Solid waste	-	-	8,089	8,089
Reserves	31,442	-	-	31,442
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	329,738	-	-	329,738
Total fund balance	361,180	17,549	20,748	399,477
Total liabilities and fund balance	\$ 367,819	\$ 17,549	\$ 22,248	\$ 407,616

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2016

Statement 4

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

Total fund balances - governmental funds		\$ 399,477
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds		
The cost of capital assets	3,633,803	
Accumulated depreciation	(2,475,029)	
		1,158,774
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:		
Compensated absences	(4,827)	
Loans payable	(65,288)	
		(70,115)
Some liabilities, including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds		
Net pension liability		(210,214)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows of resources related to employer contributions subsequent to the measurement date		31,768
Deferred inflows of resources related to changes in proportion		(3,432)
Deferred inflows or resources related to investment experience		(3,479)
Net position of governmental activities		\$ 1,302,779

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

Statement 5

	General	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,660	\$ -	\$ 3,823	\$ 11,483
Franchise taxes	17,747	-	-	17,747
Gas tax	6,512	-	-	6,512
MVD	2,258	-	-	2,258
Charges for services	1,657	-	183	1,840
Fines and forfeitures	13,347	-	4,308	17,655
Licenses and permits	2,345	-	-	2,345
Local sources	3,207	1,185	198	4,590
State sources	245,633	77,852	30,554	354,039
Federal sources	3,774	-	-	3,774
State shared taxes	172,531	-	4,254	176,785
Earnings from investments	-	-	48	48
	<u>476,671</u>	<u>79,037</u>	<u>43,368</u>	<u>599,076</u>
EXPENDITURES				
Current:				
General government	117,881	-	-	117,881
Highways and streets	26,838	-	-	26,838
Public safety	199,490	122,028	38,771	360,289
Culture and recreation	71,950	-	46,804	118,754
Capital outlay	-	-	65,288	65,288
	<u>416,159</u>	<u>122,028</u>	<u>150,863</u>	<u>689,050</u>
Excess (deficiency) of revenue over expenditures	60,512	(42,991)	(107,495)	(89,974)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	20,000	20,000
Transfers out	(20,000)	-	-	(20,000)
Loan proceeds	-	-	64,798	64,798
	<u>(20,000)</u>	<u>-</u>	<u>84,798</u>	<u>64,798</u>
Net change in fund balances	40,512	(42,991)	(22,697)	(25,176)
Fund balance beginning of year	320,668	60,540	43,445	424,653
Fund balance end of year	<u>\$ 361,180</u>	<u>\$ 17,549</u>	<u>\$ 20,748</u>	<u>\$ 399,477</u>

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA

Statement 6

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ (25,176)

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

Capital outlays to purchase or build capital
assets are reported in governmental funds as
expenditures. However, for governmental
activities those costs are shown in the statement
of net assets and allocated over their estimated
useful lives as annual depreciation expenses in the
statement of activities. This is the amount by which
depreciation expense exceeds capital outlays in the period.

Depreciation expense	(93,958)
Capital outlays	<u>65,288</u>

Excess of capital outlay over depreciation expense (28,670)

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	15,484
Pension expense	(10,833)

The issuance of long-term debt (e.g. loans) provides
current financial resources to governmental funds
while the repayment of the principal of long-term debt
consumes the current financial resources of governmental
funds.

Loan proceeds	(64,798)
Repayment of long-term debt	<u>-</u>

(64,798)

In the Statement of Activities, certain operating
expenses are measured by the amount incurred
during the year. In the fund financial statements
however, expenditures are measured by the amount
of financial resources used (essentially the amounts
actually paid). The (increase) decrease in the
liabilities for the year were:

Compensated absences payable	<u>11,271</u>
------------------------------	---------------

Change in net position of governmental activities \$ (102,722)

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
General Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 6,914	\$ 7,530	\$ 7,530	\$ -
Franchise taxes	13,702	15,187	15,187	-
Gas taxes	4,051	6,938	6,938	-
MVD	2,101	2,311	2,311	-
Charges for services	-	910	1,657	747
Fines and forfeitures	4,500	13,262	13,347	85
Licenses and permits	2,182	2,385	2,345	(40)
Local sources	1,300	11,209	3,207	(8,002)
State sources	152,371	242,638	245,633	2,995
Federal sources	-	-	3,774	3,774
State shared taxes	145,663	169,104	169,104	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 332,784</u>	<u>\$ 471,474</u>	<u>\$ 471,033</u>	<u>\$ (441)</u>
EXPENDITURES				
General government	\$ 117,644	\$ 120,144	\$ 120,793	\$ (649)
Public safety	221,715	221,715	199,490	22,225
Highways & Streets	25,247	25,247	26,838	(1,591)
Culture and recreation	12,696	45,321	71,950	(26,629)
Total expenditures	<u>\$ 377,302</u>	<u>\$ 412,427</u>	<u>\$ 419,071</u>	<u>\$ (6,644)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ -
Total other financing sources (uses)	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 64,518</u>	<u>\$ 39,047</u>		

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

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 Special Revenue - Fire Protection Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Local sources	\$ -	\$ 1,199	\$ 1,185	\$ (14)
State sources	55,051	77,852	77,852	-
Earnings from investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 55,051</u>	<u>\$ 79,051</u>	<u>\$ 79,037</u>	<u>\$ (14)</u>
EXPENDITURES				
Public safety	<u>\$ 116,875</u>	<u>\$ 122,875</u>	<u>\$ 122,861</u>	<u>\$ 14</u>
Total expenditures	<u>\$ 116,875</u>	<u>\$ 122,875</u>	<u>\$ 122,861</u>	<u>\$ 14</u>
BUDGETED CASH BALANCE	<u>\$ 61,824</u>	<u>\$ 43,824</u>		

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Proprietary Funds
Statement of Net Position
June 30, 2016

Statement 9

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
ASSETS				
Current Assets				
Cash on deposit	\$ 43,239	\$ 33,573	\$ 58,942	\$ 135,754
Accounts receivable (net)	36,824	12,378	-	49,202
Total Current Assets	<u>80,063</u>	<u>45,951</u>	<u>58,942</u>	<u>184,956</u>
Non-Current Assets				
Restricted Assets (Cash)	29,056	-	-	29,056
Customer meter deposits	13,671	-	-	13,671
Total Non-Current Assets	<u>42,727</u>	<u>-</u>	<u>-</u>	<u>42,727</u>
Capital Assets				
Land	6,025	-	-	6,025
Land improvements	-	-	-	-
Buildings and Improvements	11,500	-	-	11,500
Equipment	-	-	10,459	10,459
Heavy equipment	122,458	113,276	-	235,734
Vehicles	23,002	-	58,434	81,436
Plant/infrastructure	4,321,789	-	-	4,321,789
Accumulated depreciation	(3,665,092)	(113,276)	(68,893)	(3,847,261)
Total Capital Assets	<u>819,682</u>	<u>-</u>	<u>-</u>	<u>819,682</u>
Total Assets	<u>\$ 942,472</u>	<u>\$ 45,951</u>	<u>\$ 58,942</u>	<u>\$ 1,047,365</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 40,223	\$ 22,799	\$ -	\$ 63,022
Accrued interest	6,075	-	-	6,075
Current portion revenue bonds payable	3,000	-	-	3,000
Current portion loan payable	14,967	-	-	14,967
Customer meter deposits/utility aid payable from Restricted Assets	14,807	-	-	14,807
Total Current Liabilities	<u>79,072</u>	<u>22,799</u>	<u>-</u>	<u>101,871</u>
Long-Term Liabilities				
Compensated absences payable	13,326	-	-	13,326
Loan payable	59,869	-	-	59,869
Revenue bonds payable	132,000	-	-	132,000
Total Long-Term Liabilities	<u>205,195</u>	<u>-</u>	<u>-</u>	<u>205,195</u>
Total Liabilities	<u>284,267</u>	<u>22,799</u>	<u>-</u>	<u>307,066</u>
NET POSITION				
Net investment in capital assets	603,771	-	-	603,771
Restricted for repair and replacement	5,000	-	-	5,000
Restricted for debt service	22,920	-	-	22,920
Unrestricted	26,514	23,152	58,942	108,608
Total Net Position	<u>658,205</u>	<u>23,152</u>	<u>58,942</u>	<u>740,299</u>
Total Liabilities and Net Position	<u>\$ 942,472</u>	<u>\$ 45,951</u>	<u>\$ 58,942</u>	<u>\$ 1,047,365</u>

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Proprietary Funds
Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2016

Statement 10

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
OPERATING REVENUES				
Sales and services	\$ 262,459	\$ 115,361	\$ 912	\$ 378,732
Local source	2,022	-	-	2,022
State shared taxes	-	-	-	-
Total operating revenue	264,481	115,361	912	380,754
OPERATING EXPENSES				
Personal services	116,386	28,999	-	145,385
Maintenance and operations	148,523	25,208	11,320	185,051
Major contractual services	-	88,981	-	88,981
Other operating expenses	-	-	-	-
Depreciation	58,498	-	-	58,498
Total operating expenses	323,407	143,188	11,320	477,915
Operating income (loss)	(58,926)	(27,827)	(10,408)	(97,161)
NON-OPERATING REVENUE (EXPENSE)				
Investment income	-	-	-	-
Investment expense	(9,180)	-	-	(9,180)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
State grant	50,000	-	-	50,000
Federal grant	-	-	-	-
Total Non-Operating Revenue (Expense)	40,820	-	-	40,820
Change in Net Position	(18,106)	(27,827)	(10,408)	(56,341)
Total net position, beginning of year	676,311	50,979	69,350	796,640
Total net position, end of year	\$ 658,205	\$ 23,152	\$ 58,942	\$ 740,299

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2016

Statement 11

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 252,208	\$ 118,875	\$ 912	\$ 371,995
Cash received from local sources	2,022	-	-	2,022
Cash payments to employees and to suppliers for goods and services	<u>(281,243)</u>	<u>(120,389)</u>	<u>(11,320)</u>	<u>(412,952)</u>
Net cash provided by operating activities	<u>(27,013)</u>	<u>(1,514)</u>	<u>(10,408)</u>	<u>(38,935)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Loan proceeds	74,836	-	-	74,836
Principal paid	(3,000)	-	-	(3,000)
Interest paid	(3,276)	-	-	(3,276)
Adquisition of capital assets	<u>(82,304)</u>	<u>-</u>	<u>-</u>	<u>(82,304)</u>
Net cash provided (used) by capital and related financing activities	<u>(13,744)</u>	<u>-</u>	<u>-</u>	<u>(13,744)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from state grants	50,000	-	-	50,000
Cash received from federal grants	-	-	-	-
Operating transfers from other funds	-	-	-	-
Operating transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	9,243	(1,514)	(10,408)	(2,679)
Cash, beginning of year	<u>61,916</u>	<u>35,087</u>	<u>69,350</u>	<u>166,353</u>
Cash, end of year	<u>\$ 71,159</u>	<u>\$ 33,573</u>	<u>\$ 58,942</u>	<u>\$ 163,674</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (58,926)	\$ (27,827)	\$ (10,408)	\$ (97,161)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	58,498	-	-	58,498
Changes in assets and liabilities:				
(Increase) decrease in receivables	(15,250)	3,514	-	(11,736)
Increase (decrease) in accounts payable	(12,207)	22,799	-	10,592
Increase (decrease) in compensated absences	(4,128)	-	-	(4,128)
Allowance for doubtful accounts	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Net cash provided (used) by operating activities	<u>\$ (27,013)</u>	<u>\$ (1,514)</u>	<u>\$ (10,408)</u>	<u>\$ (38,935)</u>

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2016

Statement 12

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>1,142</u>
Total Assets	<u>\$ 1,142</u>
LIABILITIES	
Due to other agencies	\$ 180
Deposits held for others	<u>962</u>
Total Liabilities	<u>\$ 1,142</u>

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Notes to Financial Statements
Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Magdalena is incorporated under Section 3, Article 2, New Mexico State Statutes Annotated 1978 Compilation operating under a Mayor-Council form of government and provides the following services as authorized: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the Village of Magdalena have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village had no component units.

Notes to Financial Statements (continued)

B. Government-wide and fund financial statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Notes to Financial Statements (continued)

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

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and susceptible to accrual criteria have been met.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Protection Fund* (Special Revenue Fund) is to account for the operations and maintenance of the Fire Department. It is financed by a specific allotment from the State Fire Marshall's Office. The authority is NMSA 59A-53-1.

The Village reports the following Proprietary Fund types:

Enterprise Fund - Water/Sewer Fund - To account for the provision of water and sewer services to the residents of Magdalena, New Mexico. All activities necessary to provide these services are accounted for in this fund.

Enterprise Fund - Solid Waste Fund - To account for the revenue and expenditures for the maintenance of the solid waste operations. All activities necessary to provide these services are accounted for in this fund.

Enterprise Fund - Ambulance Fund - To account for the operations of the Village's ambulance services.

The Village also reports additional Governmental funds as non-major.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Notes to Financial Statements (continued)

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues include: 1) charges for services to taxpayers or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions and 3) program specific capital grants and contributions including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund is charged to customers for sales and services. The enterprise fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments. The original budget that was adopted in July, 1998 was amended during the fiscal year in a legally permissible manner.

Notes to Financial Statements (continued)

3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Project Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principals. Throughout the year the accounting records are maintained on the Non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for General and Special Revenue Funds in this report are on the Non-GAAP budgetary basis and actual (cash basis). The budget of the Enterprise Fund is adopted on a Non-GAAP cash basis.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such 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.

F. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

G. Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The Village has two types of items, which arise due to the implementation of

Notes to Financial Statements (continued)

GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

H. Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Village has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated Capital Assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	20
Building improvements	20
Public domain infrastructure	25
System infrastructure	25
Vehicles	5
Equipment	5
Heavy equipment	10

Notes to Financial Statements (continued)

The Village does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

J. Compensated Absences

It is the policy of the Village of Magdalena to permit certain employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the Village's service. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Sick pay does not vest and is recorded as an expenditure when it is paid.

K. Long-Term Obligations

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

L. Taxes

Franchise Taxes - By authority of Chapter 3, Article 42, NMSA 1978 and various ordinances, the Village imposes a franchise tax on certain public utilities operating within the municipality.

Motor Vehicle Registration Fees - Under the provisions of Chapter 66, Article 6, NMSA 1978, the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, certain specified amounts are distributed to various governmental agencies with the State, including; the Motor Vehicle Division, State Road fund, municipalities, and counties. After certain priority payments, as detailed in 66-6-23 NMSA 2978 have been made, a portion of the remaining fees held in the motor vehicle suspense fund are distributed as required in 66-6-23 B (4) and 66-6-23 B (5). These distributions are commonly referred to as the 10% and 15% motor vehicle tax distributions.

Gasoline Tax - The State of New Mexico, by authority of Chapter 7, Article 13 NMSA 1978, imposed an excise tax on \$0.17 on each gallon of gasoline received in New Mexico. Of the total gasoline taxes received, a portion is distributed to the various municipalities within the State pursuant to Chapter 7, Article 1-6.9 NMSA 1978 and Chapter 7, Article 1-6.27 NMSA 1978.

Municipal Gross Receipts Tax - Under authority of Chapter 7, Articles 19 and 19D, NMSA 1978, the Village adopted gross receipts taxing through ordinance. Said ordinances provide for the imposition of gross receipts taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the State of New Mexico and remitted to the Village after deducting certain administrative costs.

Notes to Financial Statements (continued)

State Gross Receipts Tax - Under authority of Chapter 7, Article 1, NMSA 1978, the State of New Mexico imposes a gross receipts tax on all businesses within the State. Of the total collected, 1.225% of the taxable gross receipts are distributed to the municipality reporting the taxable receipts.

M. Restricted Assets

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purpose such as "deposits held in trust for others".

N. Net Assets

The governmental activities and business-type activities financial statements utilize a net position presentation. Net assets are categorized as follows:

Net investment in capital assets - This category reflects the portion of net assets that are associates with capital assets less outstanding capital asset related debt.

Restricted net position - This category reflects the portion of net assets that have third party limitation on their use.

Unrestricted net position - This category reflects net assets of the Village not restricted for any project or other purposes.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Village ordinances).

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposed specified by the legislation.

Notes to Financial Statements (continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable.

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by the Village Council or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Estimates

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

Q. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current fiscal year.

Notes to Financial Statements (continued)

R. Surety Coverage

The officials and certain employees of the Village are covered by a surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule NMAC 2.2.

S. Pensions

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

2. DEPOSITORY COLLATERAL

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village's Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

The following is the Cash on Deposit at each financial institution.

Wells Fargo	General	Checking	\$ 514,622
Wells Fargo	Enterprise	Checking	119,085
Wells Fargo	Agency	Checking	962
Wells Fargo	Meter	Checking	<u>14,276</u>
			<u>\$ 648,945</u>
NM Finance Authority			<u>\$ 48</u>
Total amount on deposit			\$ 648,993
Deposit in transit			8,825
Petty cash			100
Outstanding checks			<u>(91,071)</u>
Total per financial statements			<u>\$ 566,847</u>

Notes to Financial Statements (continued)

The following schedule details the public money held by Wells Fargo and the pledged collateral provided for the Village follows:

	<u>Wells Fargo</u>
Cash on deposit at June 30	\$ 648,945
Less <u>FDIC</u>	<u>(250,000)</u>
Uninsured funds	398,945
Funds needing collateralization at 50% (required by State Law)	199,473
Pledged collateral at June 30	<u>263,619</u>
Excess of Pledged Collateral	<u>\$ 64,146</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, \$398,945 of the Village's bank balance \$648,945 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ 135,326
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Village's name	<u>263,619</u>
Total	<u>\$ 398,945</u>

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the cooperative for at least one half of the amount on deposit with the institution.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

<u>Bank of New York Mellon</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FNMA #3138ATDD9	11-1-26	<u>\$ 263,619</u>

The amount held at the New Mexico Finance Authority totaling \$48 is collateralized within the NMFA guidelines. This information is not available by individual Agency but the financial statements for the NMFA are available by writing to New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

Notes to Financial Statements (continued)

3. ACCOUNTS RECEIVABLES

Receivables as of June 30, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables from customers	\$ -	\$ 66,202
Less allowance for uncollectible accounts	<u>-</u>	<u>(17,000)</u>
Subtotal	-	49,202
Franchise taxes	3,184	-
Gross receipts taxes receivable	16,192	-
Property taxes receivable	390	-
Lodger's tax	219	-
Environmental gross receipts tax	<u>407</u>	<u>-</u>
Total	<u>\$ 20,392</u>	<u>\$ 49,202</u>

4. 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 semi-annual installments by November 10 and April 10 of the subsequent year. 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 for 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 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 accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The Village has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Villages financial records.

Notes to Financial Statements (continued)

5. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Governmental Funds

During the year ended June 30, the following changes occurred in the liabilities reported in the Governmental Funds:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Compensated absences payable	\$ 16,098	\$ 0	\$ 11,271	\$ 4,827	\$ -
NMFA loan payable	-	65,288	-	65,288	13,018
	<u>\$ 16,098</u>	<u>\$ 65,288</u>	<u>\$ 11,271</u>	<u>\$ 70,115</u>	<u>\$ 13,018</u>

The compensated absences payable will be liquidated by the General Fund. The loan will be liquidated by the Law Enforcement Protection Fund.

The Village entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the Village to pay a principal amount of \$65,288 and interest for the purpose of defraying the cost of purchasing two police vehicles. The yearly payments are to be redirected from the Village's Law Enforcement Protection Funds allotted each year. The interest rate is 0.100%. The maturity date is May 1, 2021.

Due Year Ending June 30	Principal	Interest	Total
2017	\$ 13,018	\$ 82	\$ 13,100
2018	13,048	52	13,100
2019	13,061	39	13,100
2020	13,074	26	13,100
2021	13,087	13	13,100
	<u>\$ 65,288</u>	<u>\$ 212</u>	<u>\$ 65,500</u>

Enterprise Fund

During the year ended June 30, the following changes occurred in certain long-term liabilities reported in the Enterprise Fund:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Compensated absences payable	\$ 17,454	\$ -	\$ 4,128	\$ 13,326	\$ -
Revenue bonds payable	138,000	-	3,000	135,000	3,000
Capital lease payable	-	74,835	-	74,835	14,967
	<u>\$ 155,454</u>	<u>\$ 74,835</u>	<u>\$ 7,128</u>	<u>\$ 223,161</u>	<u>\$ 17,967</u>

The Village issued revenue bonds for the purpose of improving the waste water treatment systems. The bonds are to be retired from the income from operations of the utility system. The original issue was for \$175,000, dated April 7, 1999. The interest rate is 4.5%. The maturity date is April 7, 2039.

Notes to Financial Statements (continued)

The debt service requirement to maturity, including interest is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,000	\$ 6,075	\$ 9,075
2018	3,000	5,940	8,940
2019	4,000	5,805	9,805
2020	4,000	5,625	9,625
2021	4,000	5,445	9,445
2022-2026	22,000	24,480	46,480
2027-2031	27,000	19,080	46,080
2032-2036	33,000	12,465	45,465
2037-2039	35,000	3,645	38,645
	<u>\$ 135,000</u>	<u>\$ 88,560</u>	<u>\$ 223,560</u>

The Village entered into a Capital Lease Agreement evidencing a special limited obligation of the Village to pay a principal amount of \$74,836 and interest for the purpose of defraying the cost of purchasing a Jetter for the Sewer Fund. The yearly payments are to be paid from the income from operations of the Utility System. The interest rate is 4.00%. The maturity date is December 1, 2020.

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 14,967	\$ 2,480	\$ 17,447
2018	14,967	2,019	16,986
2019	14,967	1,542	16,509
2020	14,967	1,046	16,013
2021	14,967	533	15,500
	<u>\$ 74,835</u>	<u>\$ 7,620</u>	<u>\$ 82,455</u>

6. CAPITAL ASSETS

The amount of property, plant and equipment in the Business-Type Activities consists of the following:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Land	\$ 6,025	\$ -	\$ -	\$ 6,025
Total capital assets not being depreciated	<u>6,025</u>	<u>-</u>	<u>-</u>	<u>6,025</u>
Heavy equipment	153,430	82,304	-	235,734
Buildings	11,500	-	-	11,500
Infrastructure	4,321,789	-	-	4,321,789
Vehicles	81,436	-	-	81,436
Equipment	10,459	-	-	10,459
Total capital assets being depreciated	<u>4,578,614</u>	<u>82,304</u>	<u>-</u>	<u>4,660,918</u>
Less: accumulated depreciation	<u>(3,788,764)</u>	<u>(58,498)</u>	<u>-</u>	<u>(3,847,262)</u>
Total capital assets being depreciated	<u>789,850</u>	<u>23,806</u>	<u>-</u>	<u>813,656</u>
Net capital assets	<u>\$ 795,875</u>	<u>\$ 23,806</u>	<u>\$ -</u>	<u>\$ 819,681</u>

Notes to Financial Statements (continued)

The amount of the property, plant and equipment in the Governmental-Type Activities consists of the following:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2016</u>
Land	\$ 268,889	\$ -	\$ -	\$ -	\$ 268,889
Buildings & improvements	2,539,786	-	-	-	2,539,786
Infrastructures	212,023	-	-	-	212,023
Heavy equipment	352,953	-	-	-	352,953
Vehicles	68,113	65,288	-	-	133,401
Airport	-	-	-	126,751	126,751
Sub-total	<u>3,441,764</u>	<u>65,288</u>	<u>-</u>	<u>126,751</u>	<u>3,633,803</u>
Less: Accumulated Depreciation	<u>(2,254,320)</u>	<u>(93,958)</u>	<u>-</u>	<u>(126,751)</u>	<u>(2,475,029)</u>
Total Capital Assets	<u>\$1,187,444</u>	<u>\$ (28,670)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,158,774</u>

7. TRANSFERS

The composition of interfund transfers for Governmental Activities during the year are as follows:

	<u>Transfers In</u>	
<u>Transfers Out</u>	<u>General Fund</u>	
General Fund	<u>\$ 20,000</u>	
	<u>Balance of Transfers</u>	
Transfer to Library Fund	<u>\$ 20,000</u>	From General Fund
Total Interfund Transfers Between Governmental Activities	<u>\$ 20,000</u>	

8. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

<u>Revenues</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Other Governmental Funds</u>	<u>Proprietary Fund</u>
Accrual basis	\$ 476,671	\$ 79,037	\$ 43,368	\$ 430,754
Budget basis	<u>471,033</u>	<u>79,037</u>	<u>43,056</u>	<u>424,017</u>
Increase (decrease) in receivables/ allowance for doubtful accounts	<u>\$ 5,638</u>	<u>\$ -</u>	<u>\$ 312</u>	<u>\$ 6,737</u>

Notes to Financial Statements (continued)

Expenditures

Accrual basis	\$ 416,159	\$ 122,028	\$ 150,863	\$ 487,095
Budget basis	419,071	122,861	149,363	501,532
Depreciation	-	-	-	(58,498)
Principal paid	-	-	-	3,000
Interest paid	-	-	-	134
Capital outlay	-	-	-	82,304
Increase (decrease) in compensated absences/payables	<u>\$ (2,912)</u>	<u>\$ (833)</u>	<u>\$ 1,500</u>	<u>\$ 12,503</u>

9. RETIREMENT PLAN

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' 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, 2015 available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Village of Magdalena 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

Notes to Financial Statements (continued)

contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf.

The PERA coverage options that apply to the Village of Magdalena are: Municipal General Division and Municipal Police Division. Statutorily required contributions to the pension plan from the Village of Magdalena were \$12,336 and \$8,145 and there were NO employer paid member benefits that were "picked up" by the employer for the year ended June 30, 2016.

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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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 of Magdalena's proportion of the net pension liability for each membership 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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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 un-remitted 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 Municipal General Division, at June 30, 2016, the Village of Magdalena reported a liability of \$128,468 for its proportionate share of the net pension liability. At June 30, 2015, the Village of Magdalena's proportion was 0.0126%, which was unchanged from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the Village of Magdalena recognized PERA Fund Municipal General Division pension expense of \$5,424. At June 30, 2016, the Village of Magdalena reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Notes to Financial Statements (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 50
Experience versus actual	-	406
Net difference between projected and actual earnings on pension plan investments	596	2,846
Village of Magdalena's contributions subsequent to the measurement date	<u>12,336</u>	<u>-</u>
Total	<u>\$ 12,932</u>	<u>\$ 3,302</u>

\$12,336 reported as deferred outflows of resources related to pensions resulting from Village of Magdalena's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:

2017	\$(3,262)
2018	(3,262)
2019	(3,262)
2020	7,047
2021	32

For PERA Fund Municipal Police Division, at June 30, 2016, the Village of Magdalena reported a liability of \$81,746 for its proportionate share of the net pension liability. At June 30, 2015, the Village of Magdalena's proportion was 0.0170%, which was unchanged from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the Village of Magdalena recognized PERA Fund Municipal Police Division pension expense of \$6,954. At June 30, 2016, the Village of Magdalena reported PERA Fund Municipal Police Division 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>
Changes of assumptions	\$ -	\$ 3,382
Experience versus actual	5,712	227
Net difference between projected and actual earnings on pension plan investments	4,979	-
Village of Magdalena's contributions subsequent to the measurement date	<u>8,145</u>	<u>-</u>
Total	<u>\$ 18,836</u>	<u>\$ 3,609</u>

Notes to Financial Statements (continued)

\$8,145 reported as deferred outflows of resources related to pensions resulting from Village of Magdalena's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:

2017	\$ 481
2018	481
2019	481
2020	5,368
2021	271

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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
- Investment rate of return	7.75% annual rate, net of investment expense
- Payroll growth	3.50% annual rate
- Projected salary increases	3.50% to 14.25% annual rate
- Includes inflation at	3.00% annual rate
- Projected benefit payment	100 years
- Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projections to 2018 using Scale AA.
- Experience study dates	July 1, 2008 to June 30, 2013

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:

Notes to Financial Statements (continued)

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expeted Real Rate of Return</u>
US Equity	21.10%	5.00%
International Equity	24.80%	5.20
Private Equity	7.00%	8.20
Core and Global Fixed Income	26.10%	1.85
Fixed Income Plus Sectors	5.00%	4.80
Real Estate	5.00%	5.30
Real Assets	7.00%	5.70
Absolute Return	<u>4.00%</u>	4.15
Total	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75 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. Therefore, the 7.75% assumed longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village of Magdalena'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 of Magdalena's net pension liability in each PERA Fund Division that Village of Magdalena participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Village of Magdalena's proportionate share of the net pension liability	<u>\$ 218,730</u>	<u>\$ 128,468</u>	<u>\$ 53,421</u>
PERA Fund Municipal Police Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Village of Magdalena's proportionate share of the net pension liability	<u>\$ 134,998</u>	<u>\$ 81,746</u>	<u>\$ 38,061</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Notes to Financial Statements (continued)

10. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Village has elected not to participate in the Retiree Health Care Act of New Mexico's retiree health care program.

11. DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND

Deposits in the Water and Wastewater Utility Enterprise Fund consist of the following:

Utility Aid deposits	\$ 1,136
Hydrant Meter deposits	<u>13,671</u>
	<u>\$ 14,807</u>

Water meter deposits are charged to new customers and consist of the following:

Residential properties	\$ 75
Commercial properties	\$ 150

12. FUND BALANCES CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented here.

<u>Fund Balances</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<u>Nonspendable:</u>				
Inventory	\$ -	\$ -	\$ -	\$ -
Total nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Restricted for:</u>				
Fire protection	-	17,549	-	17,549
Public safety	-	-	48	48
Solid waste	-	-	8,089	8,089
Recreation services	-	-	7,269	7,269
Corrections	-	-	5,342	5,342
State mandated cash reserves	<u>31,442</u>	<u>-</u>	<u>-</u>	<u>31,442</u>
Total restricted	<u>31,442</u>	<u>17,549</u>	<u>20,748</u>	<u>69,739</u>
<u>Committed to:</u>				
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Unassigned:</u>	<u>329,738</u>	<u>-</u>	<u>-</u>	<u>329,738</u>
Total Fund Balances	<u>\$ 361,180</u>	<u>\$ 17,549</u>	<u>\$ 20,748</u>	<u>\$ 399,477</u>

Notes to Financial Statements (continued)

13. LEGISLATIVE APPROPRIATIONS

<u>Appropriation</u>	<u>Term</u>	<u>Amount</u>	<u>Remaining Balance</u>
Laws of 2014, Chapter 226 Section 23, Paragraph 78	February 12, 2015 to June 30, 2017	\$ 50,830	\$ 50,830

This Appropriation has currently been "frozen" by the Department of Finance and Administration.

<u>Appropriation</u>	<u>Term</u>	<u>Amount</u>	<u>Remaining Balance</u>
Laws of 2014, Chapter 66 Section 16, Paragraph 151	February 12, 2015 to June 30, 2018	\$ 100,000	\$ 67,815

NON-MAJOR FUNDS

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by management directive.

RECREATION FUND - To account for the operation and maintenance of recreation facilities in the Village. Financing is provided by a specific annual cigarette tax levy. Authority: NMSA 7-12-1 and 7-12-15.

STREETS (GAS TAX) FUND - To account for the receipt of the Statewide increase of two cents per gallon of gasoline tax, which one cent is redistributed, to municipalities for highway and street maintenance. (Authority is NMSA 24A-3)

LODGERS TAX FUND - To account for the administration of a Village promotional effort. Funds are derived from a lodger's tax imposed on motel rentals. (Authority is NMSA 3-38-13).

LAW ENFORCEMENT PROTECTION FUND - To account for grants received from state sources for the purpose of buying equipment for the Village Police department. (Authority is NMSA 29-13-3)

LIBRARY FUND - To account for the operations and maintenance of the Village Library. Financing is provided by donations. The donations provide for payment of all current operating costs and may be used only for that purpose. Also, financing is provided by the New Mexico State Library GO Bonds for Public Library Resources, Laws of New Mexico 2002, Chapter 93. (Authority is Village Council)

ENVIRONMENTAL GROSS RECEIPTS TAX FUND - To account for environmental gross receipts tax revenues received to be used for the acquisition, construction, operation, and maintenance of solid waste facilities.

CORRECTIONS FUND - To account for the fines collected on local violations by the Village Court to be used for the costs associated with housing Village prisoners. (Authority is NMSA 35-14-11)

STATE OF NEW MEXICO
 Village of Magdalena
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2016

	Lodger's Tax Fund	Law Enforcement Protection Fund	Library Fund	Environmental GRT Fund	Corrections Fund	Total
ASSETS						
Cash on deposit	\$ 6,093	\$ 48	\$ 2,457	\$ 7,682	\$ 5,342	\$ 21,622
Accounts receivable	<u>219</u>	<u>-</u>	<u>-</u>	<u>407</u>	<u>-</u>	<u>626</u>
Total assets	<u>\$ 6,312</u>	<u>\$ 48</u>	<u>\$ 2,457</u>	<u>\$ 8,089</u>	<u>\$ 5,342</u>	<u>\$ 22,248</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ 1,500
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
FUND BALANCE						
Restricted	<u>6,312</u>	<u>48</u>	<u>957</u>	<u>8,089</u>	<u>5,342</u>	<u>20,748</u>
Total fund balance	<u>6,312</u>	<u>48</u>	<u>957</u>	<u>8,089</u>	<u>5,342</u>	<u>20,748</u>
Total fund balance and liabilities	<u>\$ 6,312</u>	<u>\$ 48</u>	<u>\$ 2,457</u>	<u>\$ 8,089</u>	<u>\$ 5,342</u>	<u>\$ 22,248</u>

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2016

Statement A-2

	Lodger's Tax Fund	Law Enforcement Protection Fund	Library Fund	Environmental GRT Fund	Corrections Fund	Totals
REVENUES						
Taxes	\$ 3,823	\$ -	\$ -	\$ -	\$ -	\$ 3,823
Gas taxes	-	-	-	-	-	-
Environmental gross receipts taxes	-	-	-	4,254	-	4,254
Charges for services	-	-	183	-	-	183
Licenses and permits	-	-	-	-	-	-
Fines and forfeitures	-	-	84	-	4,224	4,308
Local sources	-	-	198	-	-	198
State sources	-	20,600	9,954	-	-	30,554
Federal sources	-	-	-	-	-	-
Earnings from investments	-	48	-	-	-	48
Total revenues	3,823	20,648	10,419	4,254	4,224	43,368
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Public safety	-	35,801	-	-	2,970	38,771
Culture and recreation	6,245	-	40,559	-	-	46,804
Capital outlay	-	65,288	-	-	-	65,288
Total expenditures	6,245	101,089	40,559	-	2,970	150,863
Excess (deficiency) of revenues over expenditures	(2,422)	(80,441)	(30,140)	4,254	1,254	(107,495)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	20,000	-	-	20,000
Transfers out	-	-	-	-	-	-
Loan proceeds	-	64,798	-	-	-	64,798
Total other financing sources (uses)	-	64,798	20,000	-	-	84,798
Net change in fund balance	(2,422)	(15,643)	(10,140)	4,254	1,254	(22,697)
Fund balance, beginning of year	8,734	15,691	11,097	3,835	4,088	43,445
Fund balance, end of year	\$ 6,312	\$ 48	\$ 957	\$ 8,089	\$ 5,342	\$ 20,748

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

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 Non-Major Special Revenue - Lodgers Tax Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lodger's tax	\$ 1,639	\$ 1,639	\$ 3,605	\$ 1,966
Total revenues	<u>\$ 1,639</u>	<u>\$ 1,639</u>	<u>\$ 3,605</u>	<u>\$ 1,966</u>
EXPENDITURES				
Culture & recreation	\$ 6,489	\$ 6,489	\$ 6,245	\$ 244
Total expenditures	<u>\$ 6,489</u>	<u>\$ 6,489</u>	<u>\$ 6,245</u>	<u>\$ 244</u>
BUDGETED CASH BALANCE	<u>\$ 4,850</u>	<u>\$ 4,850</u>		
REVENUES				
Budgetary basis			\$ 3,605	
Increase in accounts receivable			<u>218</u>	
Modified accrual basis			<u>\$ 3,823</u>	

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

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 Non-Major Special Revenue - Law Enforcement Protection Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 20,600	\$ 20,600	\$ 20,600	\$ -
Earnings on investments	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>
Total revenues	<u>\$ 20,600</u>	<u>\$ 20,600</u>	<u>\$ 20,648</u>	<u>\$ 48</u>
EXPENDITURES				
Public safety	\$ 36,290	\$ 36,290	\$ 101,089	\$ (64,799)
Total expenditures	<u>\$ 36,290</u>	<u>\$ 36,290</u>	<u>\$ 101,089</u>	<u>\$ (64,799)</u>
OTHER FINANCING SOURCES				
Loan proceeds	\$ -	\$ -	\$ 64,798	\$ (64,798)
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,798</u>	<u>\$ (64,798)</u>
BUDGETED CASH BALANCE	<u>\$ 15,690</u>	<u>\$ 15,690</u>		

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

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 Non-Major Special Revenue - Library Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 450	\$ 450	\$ 183	\$ (267)
Fines and forfeitures	250	250	84	(166)
Local sources	-	-	198	198
State sources	<u>12,923</u>	<u>12,923</u>	<u>9,954</u>	<u>(2,969)</u>
Total revenues	<u>\$ 13,623</u>	<u>\$ 13,623</u>	<u>\$ 10,419</u>	<u>\$ (3,204)</u>
EXPENDITURES				
Culture & recreation	<u>\$ 39,679</u>	<u>\$ 39,679</u>	<u>\$ 39,059</u>	<u>\$ 620</u>
Total expenditures	<u>\$ 39,679</u>	<u>\$ 39,679</u>	<u>\$ 39,059</u>	<u>\$ 620</u>
OTHER FINANCING SOURCES				
Transfer in	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>
Total other financing sources	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 6,056</u>	<u>\$ 6,056</u>		
EXPENDITURES				
Budgetary basis			\$ 39,059	
Increase in accounts payable			<u>1,500</u>	
Modified accrual basis			<u>\$ 40,559</u>	

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

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 Non-Major Special Revenue - Environmental GRT Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State shared taxes	\$ 3,574	\$ 3,574	\$ 4,160	\$ 586
Earnings on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 3,574</u>	<u>\$ 3,574</u>	<u>\$ 4,160</u>	<u>\$ 586</u>
EXPENDITURES				
General government	\$ -	\$ 6,500	\$ -	\$ 6,500
Total expenditures	<u>\$ -</u>	<u>\$ 6,500</u>	<u>\$ -</u>	<u>\$ 6,500</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 2,926</u>		
REVENUES				
Budgetary basis			\$ 4,160	
Increase in accounts receivable			<u>94</u>	
Modified accrual basis			<u>\$ 4,254</u>	

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

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 Non-Major Special Revenue - Corrections Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Fines and forfeitures	\$ 2,900	\$ 2,900	\$ 4,224	\$ 1,324
Total revenues	<u>\$ 2,900</u>	<u>\$ 2,900</u>	<u>\$ 4,224</u>	<u>\$ 1,324</u>
EXPENDITURES				
Public safety	\$ 3,660	\$ 4,660	\$ 2,970	\$ 1,690
Total expenditures	<u>\$ 3,660</u>	<u>\$ 4,660</u>	<u>\$ 2,970</u>	<u>\$ 1,690</u>
BUDGETED CASH BALANCE	<u>\$ 760</u>	<u>\$ 1,760</u>		

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

PROPRIETARY FUND DETAIL

PROPRIETARY FUNDS BUDGETS

WATER/SEWER FUND - To account for the provision of water and sewer services to the residents of Magdalena, New Mexico. All activities necessary to provide these services are accounted for in this fund.

SOLID WASTE FUND - To account for revenue and expenditures for the maintenance of the solid waste operations. All activities necessary to provide these services are accounted for in this fund.

AMBULANCE FUND - To account for the operations of the emergency ambulance services.

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 Proprietary Funds
 Water/Sewer Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 277,280	\$ 277,280	\$ 252,208	\$ (25,072)
Local sources	-	-	2,022	2,022
State sources	-	50,000	50,000	-
Federal sources	-	-	-	-
Interest income	-	-	-	-
	<u>-\$ 277,280</u>	<u>\$ 327,280</u>	<u>\$ 304,230</u>	<u>\$ (23,050)</u>
EXPENDITURES				
Personal services	\$ 120,000	\$ 120,000	\$ 120,514	\$ (514)
Maintenance and operations	96,015	150,000	160,729	(10,729)
Principle paid	3,000	3,000	3,000	-
Interest paid	4,000	4,000	3,276	724
Capital outlay	-	17,305	82,304	(64,999)
	<u>\$ 223,015</u>	<u>\$ 294,305</u>	<u>\$ 369,823</u>	<u>\$ (75,518)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	\$ -	\$ -	\$ 74,836	\$ 74,836
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,836</u>	<u>\$ 74,836</u>
BUDGETED CASH BALANCE				
	<u>\$ -</u>	<u>\$ -</u>		
REVENUES				
Budgetary basis			\$ 304,230	
Increase in receivables			15,250	
(Increase) in allowance for doubtful accounts			(5,000)	
			<u>\$ 314,480</u>	
EXPENDITURES				
Budgetary basis			\$ 369,823	
Capital outlay			(82,304)	
Depreciation			58,498	
Principle paid			(3,000)	
(Decrease) in compensated absences			(4,128)	
(Decrease) in accounts payable/inventory			(9,169)	
Interest paid			(3,276)	
			<u>\$ 326,444</u>	

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

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 Proprietary Funds
 Solid Waste Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 121,200	\$ 121,200	\$ 118,875	\$ (2,325)
Local sources	-	-	-	-
Interest income	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 121,200</u>	<u>\$ 121,200</u>	<u>\$ 118,875</u>	<u>\$ (2,325)</u>
EXPENDITURES				
Personal services	\$ 30,000	\$ 30,000	\$ 28,999	\$ 1,001
Maintenance and operations	30,000	30,000	25,208	4,792
Contractual services	58,176	63,676	66,182	(2,506)
Capital outlay	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 118,176</u>	<u>\$ 123,676</u>	<u>\$ 120,389</u>	<u>\$ 3,287</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 2,476</u>		
REVENUES				
Budgetary basis			\$ 118,875	
(Decrease) in receivables			<u>(3,514)</u>	
Modified accrual basis			<u>\$ 115,361</u>	
EXPENDITURES				
Budgetary basis			\$ 120,389	
Increase in accounts payable			<u>22,799</u>	
Modified accrual basis			<u>\$ 143,188</u>	

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Proprietary Funds
Ambulance Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 1,000	\$ 1,000	\$ 912	\$ (88)
State shared taxes	-	-	-	-
Interest income	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 912</u>	<u>\$ (88)</u>
EXPENDITURES				
Personal services	\$ -	\$ -	\$ -	\$ -
Maintenance and operations	25,033	25,033	11,320	13,713
Capital outlay	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 25,033</u>	<u>\$ 25,033</u>	<u>\$ 11,320</u>	<u>\$ 13,713</u>
BUDGETED CASH BALANCE	<u>\$ 24,033</u>	<u>\$ 24,033</u>		

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY OF PERA FUND MUNICIPAL GENERAL DIVISION
 Public Employees Retirement Association (PERA) Plan
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Village of Magdalena's proportion of the net pension liability (asset)	0.0125%	0.0126%
Village of Magdalena's proportionate share of the net pension liability (asset)	\$ 97,513	\$ 128,468
Village of Magdalena's covered-employee payroll	\$ 134,385	\$ 168,567
Village of Magdalena's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	72.56%	76.22%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

*The amounts presented were determined as of June 30. 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 Magdalena will present information for those years for which information is available.

See Independent Auditor's Report
 See notes to required supplementary information

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY OF PERA FUND MUNICIPAL POLICE DIVISION
 Public Employees Retirement Association (PERA) Plan
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Village of Magdalena's proportion of the net pension liability (asset)	0.0150%	0.0170%
Village of Magdalena's proportionate share of the net pension liability (asset)	\$ 48,898	\$ 81,746
Village of Magdalena's covered-employee payroll	\$ 61,859	\$ 78,321
Village of Magdalena's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	79.05%	104%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

*The amounts presented were determined as of June 30. 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 Magdalena will present information for those years for which information is available.

See Independent Auditor's Report
 See notes to required supplementary information

Schedule III

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
 Public Employees Retirement Association (PERA) Plan
 PERA Municipal General Division
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 9,979	\$ 12,336
Contributions in relation to the contractually required contribution	<u>(9,979)</u>	<u>(12,336)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Village of Magdalena's covered-employee payroll	\$ 134,385	\$ 168,567
Contributions as a percentage of covered-employee payroll	7.4%	7.4%

* The amounts presented were determined as of June 30. 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 Magdalena will present information for those years for which information is available.

See Independent Auditor's Report
 See notes to required supplementary information

Schedule IV

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
 Public Employees Retirement Association (PERA) Plan
 PERA Municipal Police Division
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 6,305	\$ 8,145
Contributions in relation to the contractually required contribution	<u>(6,305)</u>	<u>(8,145)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Village of Magdalena's covered-employee payroll	\$ 61,859	\$ 78,321
Contributions as a percentage of covered-employee payroll	10.4%	10.4%

* The amounts presented were determined as of June 30. 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 Magdalena will present information for those years for which information is available.

See Independent Auditor's Report
 See notes to required supplementary information

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Notes to Required Supplementary Information
June 30, 2016

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf

See Independent Auditor's Report
See notes to required supplementary information

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 Schedule of Changes in Assets
 and Liabilities - All Agency Funds
 Year Ended June 30, 2016

	Balances June 30, 2015	Additions	Deletions	Balances June 30, 2016
ASSETS				
Cash	\$ -	\$ 3,776	\$ 2,634	\$ 1,142
Total assets	<u>\$ -</u>	<u>\$ 3,776</u>	<u>\$ 2,634</u>	<u>\$ 1,142</u>
LIABILITIES				
Deposits held for others	\$ -	\$ 1,625	\$ 663	\$ 962
Due to other agencies	-	2,151	1,971	180
Total liabilities	<u>\$ -</u>	<u>\$ 3,776</u>	<u>\$ 2,634</u>	<u>\$ 1,142</u>

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

Village of Magdalena
 SCHEDULE OF VENDOR INFORMATION
 (for Purchases Exceeding \$60,000 excluding GRT)
 For the Year Ended June 30, 2016

Prepared by (Agency Staff Name): Stephanie Finch Title: Clerk Date: September 29, 2016

REF#/RFP#	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract	Name and Physical Address of All Respondents	In-State/Out-of-State Vendor	Veteran's Preference N/A for Federal Funds	Scope of Work
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NONE

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

**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**

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller
New Mexico State Auditor
and
Honorable Mayor and Village Council
Village of Magdalena
Magdalena, 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, and the aggregate remaining fund information, the budgetary comparisons of the General and Fire Protection Funds of the Village of Magdalena, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Village of Magdalena's basic financial statements, and the related budgetary comparison of the enterprise fund, presented as supplemental information, and have issued our report thereon dated February 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Magdalena's internal control over financial reporting as a basis for designing our auditing procedures 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 of Magdalena's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Magdalena's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 is described in the accompanying Status of Findings and Responses as Chief Procurement Officer (2015-002), Outstanding Utility Balance (2015-005), Charges for Services (2016-001), Drug Testing (2016-002), Water Meter and Services Need to be Charged (2016-003), Late Audit Report (2016-004), Missing Cash (2016-005) and Budget Overruns (2016-006).

Village of Magdalena's Response to Findings

The Village of Magdalena's responses to the findings identified in our audit are described in the accompanying Status of Comments. The Village of Magdalena's responses were not subjected to the auditing procedures applied in the audits 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 Village of Magdalena's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rice & Associates, CPA

Albuquerque, New Mexico
February 15, 2017

STATUS OF FINDINGS AND RESPONSES

Prior Year Audit Findings:

1. Payroll Policy - (2015-001) - Resolved
2. Chief Procurement Officer - (2015-002) - Repeated
3. Purchase Orders Required - (2015-003) - Resolved
4. New Hire Reporting - (2015-004) - Resolved
5. Outstanding Utility Balance - (2015-005) - Repeated
6. Water Meter Deposits - (2015-006) - Resolved

Current Year Audit Findings:

1. Charges for Services - (2016-001)
2. Drug Testing - (2016-002)
3. Water Meter and Services Need to be Charged - (2016-003)
4. Late Audit Report - (2016-004)
5. Missing Cash - (2016-005)
6. Budget Overruns - (2016-006)

Chief Procurement Officer - Compliance Matter
(2015-002)

CONDITION As of June 30, 2016, the Village did not have a Chief Procurement Officer. Progress has been made as there is a Chief Procurement Officer as of February 10, 2017.

CRITERIA According to NM State Statute 13-1-95.2 only certified chief procurement officers may approve procurement pursuant to the Procurement Code.

CAUSE Management did not ensure that someone attended the certification program by July 1, 2015 and become certified.

EFFECT Management did not comply with NM State Statute 13-1-95.2.

RECOMMENDATION Management should ensure that someone attend the next certification program and become certified.

RESPONSE As of February 10, 2017, the Village Clerk/Treasurer is now a Chief Procurement Officer.

Outstanding Utility Balance - Other Matter
(2015-005)

CONDITION	Management of the Village has allowed two individuals to accrue balances totaling \$6,086 in water/sewer/solid waste charges. There has been no progress in this situation.
CRITERIA	The Village needs to follow its own water/sewer/solid waste policy.
CAUSE	Management has not taken the time to solve this outstanding balance situation.
EFFECT	The Village is violating the anti-donation clause.
RECOMMENDATION	Management should either discontinue water/sewer/solid waste services or pursue a lien on the property as soon as possible.
RESPONSE	The governing body will put liens on individuals that have outstanding balances. The current Village Clerk/Treasurer will ensure that no further accounts become too large.

Charges for Services - Other Matter

(2016-001)

CONDITION	Currently the Police Department does not charge for copies of police reports a fingerprinting or driver's license testing for eligible students/children in the community.
CRITERIA	Providing services without the Board/Management charging for these services could possibly violate the anti-donation clause.
CAUSE	This practice has occurred for some time without anyone changing the practice.
EFFECT	The Village is losing monies that could be charged for those services.
RECOMMENDATION	The Board should pass a policy on how much should be charged for these services. Management should then create procedures on how to collect these charges.
RESPONSE	The governing body will adopt an ordinance that details the charges for the Police Department. This will be adopted by the Board before May 1, 2017.

Drug Testing - Compliance Matter

(2016-002)

CONDITION	Management did not ensure all employees that required a drug test were on a list and then randomly tested throughout the year.
CRITERIA	All employees that are required to (at a minimum) be on a list so they could be randomly selected (for testing) must be prepared, updated and used by the Village management.
CAUSE	Management was not aware of these requirements for certain employees. (This includes CDL Drivers).
EFFECT	Management did not ensure this procedure was completed. Also, fines could be brought against the Village.
RECOMMENDATION	A list should be prepared immediately and employees should be randomly tested throughout the fiscal year.
RESPONSE	As of October 2016, when management became aware of this requirement a list was prepared and two out of three employees were immediately drug tested.

Water Meter and Services Need to be Charged - Other Matter

(2016-003)

CONDITION	A resident was receiving free water during the year. A meter had not been installed so it is unclear how long or how much this resident received during the year without being charged.
CRITERIA	All residents of the Village obtaining water and water services from the Village should be charged by the current ordinance.
CAUSE	Prior staff overlooked this property and did not inspect/read/monitor any services/meters that were on this property.
EFFECT	The Anti-Donation clause was not being followed. Free water and services were being provided to this individual.
RECOMMENDATION	Management has already installed a new meter and is charging this resident. Management needs to ensure that all residents using water and water services are being charged according to the current Ordinance.
RESPONSE	As of December 2016, a water meter was installed and is being read on the regular monthly schedule by the Joint Utility employees.

Late Audit Report - Compliance Matter
(2016-004)

CONDITION	The audit report was submitted to the State Auditor after the required deadline of December 15, 2016.
CRITERIA	Village audits are required to be submitted to the State Auditor by December 15 as required by NMAC 2.2.2.9A(1)(d).
CAUSE	Cash could not be reconciled for several funds.
EFFECT	NMAC 2.2.2.9A(1)(d) was not followed.
RECOMMENDATION	Management needs to ensure cash balances are reconciled and agree to the books of record.
RESPONSE	The current years audit has been submitted only three months after the deadline. The 2017 fiscal year audit should be submitted on time to the State Auditor's Office, as we don't foresee any problems that would prevent timely submission.

Missing Cash - Other Matter

(2016-005)

CONDITION It was found during the audit that several receipts were shown as voided after the cash had been collected and deposited into the bank. This resulted in \$908 going missing.

CRITERIA Voided receipts should not occur during day to day operations or several months later. The system should not allow these types of procedures. Also, all monies in the cash register should be counted each night and reconciled to the receipts issued for that day.

CAUSE Receipts were voided in the system several months later allowing someone to take cash from the register.

EFFECT A balance of \$908 was found to be missing.

RECOMMENDATION Management has already requested the business software provider to install a procedure whereby all receipts inputted into the system cannot be voided. All future transactions that are not correctly receipted will have to be adjusted by a journal entry. The cash register is now being counted each morning and at the close of business. These procedures need to continue to ensure there are adequate internal controls to prevent any future attempts to "steal" cash.

RESPONSE Village management has made the following changes after discovering the missing money:

1. The accounting software no longer allows receipts to be voided.
2. The cash drawer is counted at the opening and closing of business every day by two employees and/or the Mayor.
3. The Village approved a cash receipting policy.
4. The bank statements are now being reconciled without any unknown errors.

Budget Overruns - Compliance Matter
(2016-006)

CONDITION	The Village overspent the final approved budget of the General Fund by \$6,644. The LEPF Fund had a budget overrun of \$64,799. The Water/Sewer Fund was also overspent by \$75,518. These budget overruns are related to the third party transactions at NMFA that are not being reported on the Village's books of record.
CRITERIA	NMSA 1978 Section 22-8-11 B requires all funds to be spent within the established guidelines set for budgets.
CAUSE	Management did not ensure budget adjustment requests were obtained from DFA by the required deadline.
EFFECT	The Village had the adequate cash to pay the overruns but not the required budget authority from DFA.
RECOMMENDATION	Management should review its budget quarterly and request all budget adjustments at that time to ensure budget overruns do not occur.
RESPONSE	Staff failed to budget expenses for cash roll over, and a revenue and expense for new loan was budgeted in the wrong fiscal year. Staff is aware of the errors, and will ensure to budget accordingly and catch these on the end of year BAR.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2016 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held at the Village on February 15, 2017, to discuss the current audit report. In attendance were Mr. Richard Rumph, Mayor, Ms. Linda Middleton, Mayor Pro-Tem, Ms. Stephanie Finch, Clerk/Treasurer, Ms. Carleen Gomez, Deputy Clerk and Ms. Pamela A. Rice, CPA, Contract Auditor.