

State of New Mexico

VILLAGE OF MAGDALENA



FOR YEAR ENDED JUNE 30, 2018

ANNUAL FINANCIAL REPORT

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

VILLAGE OF MAGDALENA

AUDIT REPORT

For The Year Ended June 30, 2018

(with Auditor's Report Thereon)

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VILLAGE OF MAGDALENA
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INDEPENDENT AUDITOR'S REPORT

Mr. Wayne Johnson
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, 2018, 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 fiduciary 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, 2018 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 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, 2018, 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 fiduciary funds of the Village of Magdalena, as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year 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 Schedule of Changes in Assets and Liabilities - All Agency Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Changes in Assets and Liabilities - All Agency Funds is 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 basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the Untied States of America. In our opinion, the Schedule of Changes in Assets and Liabilities - All Agency Funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018 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.

Price & Associates, LLP

Albuquerque, New Mexico
December 11, 2018

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Statement of Net Position
June 30, 2018

Statement 1
Page 1 of 2

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 565,719	\$ 85,924	\$ 651,643
Accounts receivable (net of uncollectible accounts)	21,341	20,214	41,555
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>587,060</u>	<u>106,138</u>	<u>693,198</u>
Non-current assets			
Restricted assets (cash)	-	6,019	6,019
Customer Meter Deposits	<u>-</u>	<u>14,480</u>	<u>14,480</u>
Total non-current assets	<u>-</u>	<u>20,499</u>	<u>20,499</u>
Land	268,889	6,025	274,914
Land improvements	-	-	-
Buildings and improvements	2,547,484	11,500	2,558,984
Vehicles	133,401	87,436	220,837
Heavy equipment	126,751	-	126,751
Equipment	17,900	10,459	28,359
Airport	352,953	411,349	764,302
Plant/Infrastructure	<u>212,023</u>	<u>4,550,035</u>	<u>4,762,058</u>
Total capital assets	<u>3,659,401</u>	<u>5,076,804</u>	<u>8,736,205</u>
Less accumulated depreciation	(2,661,596)	(4,001,629)	(6,663,225)
Total capital assets (net of accumulated depreciation)	<u>997,805</u>	<u>1,075,175</u>	<u>2,072,980</u>
Deferred outflows of resources related to pension	<u>129,310</u>	<u>-</u>	<u>129,310</u>
Total assets	<u>\$ 1,714,175</u>	<u>\$ 1,201,812</u>	<u>\$ 2,915,987</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, 2018

Statement 1
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 5,075	\$ 6,651	\$ 11,726
Current portion of loan payable	29,183	20,162	49,345
Accrued interest payable	-	5,251	5,251
Customer meter deposits payable from restricted assets	-	15,692	15,692
Total current liabilities	34,258	47,756	82,014
Non-Current Liabilities			
Compensated absences payable	8,534	7,342	15,876
Loan payable	181,835	187,432	369,267
Net pension liability	341,819	-	341,819
Total non-current liabilities	532,188	194,774	726,962
Total liabilities	566,446	242,530	808,976
Deferred Inflows			
Deferred inflows of resources related to pension	44,089	-	44,089
Total deferred inflows	44,089	-	44,089
Net Position			
Net investment in capital assets	786,787	867,581	1,654,368
Restricted for:			
State mandated cash balance	31,069	-	31,069
Special revenue fund	85,697	-	85,697
Capital outlay	292,403	-	292,403
Debt service	202	4,807	5,009
Unrestricted	(92,518)	86,894	(5,624)
Total net position	1,103,640	959,282	2,062,922
Total liabilities and net position	\$ 1,714,175	\$ 1,201,812	\$ 2,915,987

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, 2018

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	\$ 178,196	\$ 4,428	\$ 24,496	\$ -	\$ (149,272)	\$ -	\$ (149,272)
Highways and streets	34,048	-	-	-	(34,048)	-	(34,048)
Public safety	315,816	-	112,956	-	(202,860)	-	(202,860)
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	54,194	365	13,439	-	(40,390)	-	(40,390)
Depreciation - unallocated	96,274	-	-	-	(96,274)	-	(96,274)
Interest	52	-	-	-	(52)	-	(52)
Total governmental activities	678,580	4,793	150,891	-	(522,896)	-	(522,896)
Business-type activities:							
Water/Sewer services	334,900	248,966	-	106,027	-	20,093	20,093
Solid waste services	149,510	125,745	-	142,176	-	118,411	118,411
Ambulance	13,632	9,628	1,500	-	-	(2,504)	(2,504)
Total business-type activities	498,042	384,339	1,500	248,203	-	136,000	136,000
Total all activities	<u>\$ 1,176,622</u>	<u>\$ 389,132</u>	<u>\$ 152,391</u>	<u>\$ 248,203</u>	(522,896)	136,000	(386,896)
General Revenues:							
Property taxes					11,210	-	11,210
Lodgers tax					3,260	-	3,260
Gross receipts taxes					170,659	-	170,659
Environmental gross receipts taxes					4,202	-	4,202
Franchise taxes					16,955	-	16,955
Gasoline taxes					15,178	-	15,178
Motor vehicle taxes					2,302	-	2,302
State aid not restricted to special purpose							
General					131,704	-	131,704
Investment earnings					2,009	80	2,089
Transfers					(20,000)	20,000	-
Loan proceeds					-	25,295	25,295
Total general revenues					337,479	45,375	382,854
Change in net position					(185,417)	181,375	(4,042)
Net position - beginning of year					1,289,057	808,504	2,097,561
Restatement					-	(30,597)	(30,597)
Net position - beginning of year - restated					1,289,057	777,907	2,066,964
Net position - ending					<u>\$ 1,103,640</u>	<u>\$ 959,282</u>	<u>\$ 2,062,922</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, 2018

Statement 3

	General	Fire Protection Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash on deposit	\$ 187,729	\$ 357,973	\$ 20,017	\$ 565,719
Accounts receivable	21,029	-	312	21,341
Total assets	\$ 208,758	\$ 357,973	\$ 20,329	\$ 587,060
LIABILITIES				
Accounts payable	\$ 5,075	\$ -	\$ -	\$ 5,075
Total liabilities	5,075	-	-	5,075
FUND BALANCE				
Restricted for:				
Fire protection	-	65,570	-	65,570
Corrections	-	-	9,852	9,852
Recreation services	-	-	5,992	5,992
Public safety	-	-	-	-
Solid waste	-	-	4,283	4,283
Reserves	31,069	-	-	31,069
Capital outlay	-	292,403	-	292,403
Debt service	-	-	202	202
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	172,614	-	-	172,614
Total fund balance	203,683	357,973	20,329	581,985
Total liabilities and fund balance	\$ 208,758	\$ 357,973	\$ 20,329	\$ 587,060

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, 2018

Statement 4

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

Total fund balances - governmental funds		\$	581,985
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	3,659,401		
Accumulated depreciation	<u>(2,661,596)</u>		
			997,805
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	(8,534)		
Loans payable	<u>(211,018)</u>		
			(219,552)
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			(341,819)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds			
			<u>85,221</u>
Net position of governmental activities		\$	<u>1,103,640</u>

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, 2018

Statement 5

	General	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 11,210	\$ -	\$ -	\$ 11,210
Lodgers tax	-	-	3,260	3,260
Franchise taxes	16,955	-	-	16,955
Gas tax	15,178	-	-	15,178
MVD	2,302	-	-	2,302
Charges for services	4,428	-	365	4,793
Fines and forfeitures	16,368	-	5,393	21,761
Licenses and permits	2,315	-	-	2,315
Local sources	4,152	50	3,865	8,067
State sources	135,680	83,433	31,339	250,452
Federal sources	-	-	-	-
State shared taxes	170,659	-	4,202	174,861
Earnings from investments	-	1,896	113	2,009
	379,247	85,379	48,537	513,163
EXPENDITURES				
Current:				
General government	145,577	-	5,000	150,577
Highways and streets	34,048	-	-	34,048
Public safety	254,657	46,634	14,525	315,816
Culture and recreation	13,625	-	40,569	54,194
Capital outlay	25,598	-	-	25,598
NMFA principal	-	-	13,048	13,048
NMFA interest	-	-	52	52
	473,505	46,634	73,194	593,333
Excess (deficiency) of revenue over expenditures	(94,258)	38,745	(24,657)	(80,170)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	21,000	21,000
Transfers out	(41,000)	-	-	(41,000)
Loan proceeds	-	171,796	-	171,796
	(41,000)	171,796	21,000	151,796
Net change in fund balances	(135,258)	210,541	(3,657)	71,626
Fund balance beginning of year	338,941	147,432	23,986	510,359
Fund balance end of year	\$ 203,683	\$ 357,973	\$ 20,329	\$ 581,985

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, 2018

Net change in fund balances - total governmental funds \$ 71,626

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	(96,274)	
Capital outlays	<u>25,598</u>	
Excess of capital outlay over depreciation expense		(70,676)

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		26,293
Pension expense		(60,014)

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	(171,796)	
Repayment of long-term debt	<u>13,048</u>	
		(158,748)

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>6,102</u>
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Change in net position of governmental activities \$ (185,417)

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 7,121	\$ 7,121	\$ 11,312	\$ 4,191
Franchise taxes	16,000	16,000	14,699	(1,301)
Gas taxes	5,200	21,200	15,204	(5,996)
MVD	2,000	2,000	2,302	302
Charges for services	3,850	3,850	4,428	578
Fines and forfeitures	22,000	22,000	16,368	(5,632)
Licenses and permits	4,550	4,550	2,315	(2,235)
Local sources	-	-	4,152	4,152
State sources	165,000	165,000	134,712	(30,288)
Federal sources	-	-	-	-
State shared taxes	174,000	174,000	168,254	(5,746)
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 399,721</u>	<u>\$ 415,721</u>	<u>\$ 373,746</u>	<u>\$ (41,975)</u>
EXPENDITURES				
General government	\$ 93,465	\$ 209,010	\$ 154,869	\$ 54,141
Public safety	230,459	230,459	254,657	(24,198)
Highways & Streets	16,000	16,000	34,048	(18,048)
Culture and recreation	7,300	7,300	13,625	(6,325)
Capital outlay	25,598	25,598	25,598	-
Total expenditures	<u>\$ 372,822</u>	<u>\$ 488,367</u>	<u>\$ 482,797</u>	<u>\$ 5,570</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (21,000)	\$ (41,000)	\$ (41,000)	\$ -
Total other financing sources (uses)	<u>\$ (21,000)</u>	<u>\$ (41,000)</u>	<u>\$ (41,000)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ 50	\$ 50
State sources	61,667	83,401	83,433	32
Earnings from investments	<u>-</u>	<u>-</u>	<u>1,896</u>	<u>1,896</u>
Total revenues	<u>\$ 61,667</u>	<u>\$ 83,401</u>	<u>\$ 85,379</u>	<u>\$ 1,978</u>
EXPENDITURES				
Public safety	<u>\$ 62,964</u>	<u>\$ 84,698</u>	<u>\$ 46,634</u>	<u>\$ 38,064</u>
Total expenditures	<u>\$ 62,964</u>	<u>\$ 84,698</u>	<u>\$ 46,634</u>	<u>\$ 38,064</u>
OTHER FINANCING SOURCES				
Loan proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,796</u>	<u>\$ 171,796</u>
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,796</u>	<u>\$ 171,796</u>
BUDGETED CASH BALANCE	<u>\$ 1,297</u>	<u>\$ 1,297</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, 2018

Statement 9

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
ASSETS				
Current Assets				
Cash on deposit	\$ 37,987	\$ 21,732	\$ 26,205	\$ 85,924
Accounts receivable (net)	17,092	3,122	-	20,214
Total Current Assets	55,079	24,854	26,205	106,138
Non-Current Assets				
Restricted Assets (Cash)	4,417	1,602	-	6,019
Customer meter deposits	14,480	-	-	14,480
Total Non-Current Assets	18,897	1,602	-	20,499
Capital Assets				
Land	6,025	-	-	6,025
Land improvements	-	-	-	-
Buildings and Improvements	11,500	-	-	11,500
Equipment	-	-	10,459	10,459
Heavy equipment	144,751	266,598	-	411,349
Vehicles	29,002	-	58,434	87,436
Plant/infrastructure	4,550,035	-	-	4,550,035
Accumulated depreciation	(3,803,013)	(129,723)	(68,893)	(4,001,629)
Total Capital Assets	938,300	136,875	-	1,075,175
Total Assets	\$ 1,012,276	\$ 163,331	\$ 26,205	\$ 1,201,812
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 5,209	\$ 942	\$ 500	\$ 6,651
Accrued interest	3,501	1,750	-	5,251
Current portion loan payable	13,441	6,721	-	20,162
Customer meter deposits/utility aid payable from Restricted Assets	15,692	-	-	15,692
Due to other funds	-	-	-	-
Total Current Liabilities	37,843	9,413	500	47,756
Long-Term Liabilities				
Compensated absences payable	5,191	2,151	-	7,342
Loan payable	124,955	62,477	-	187,432
Total Long-Term Liabilities	130,146	64,628	-	194,774
Total Liabilities	167,989	74,041	500	242,530
NET POSITION				
Net investment in capital assets	799,904	67,677	-	867,581
Restricted for repair and replacement	-	-	-	-
Restricted for debt service	3,205	1,602	-	4,807
Unrestricted	41,178	20,011	25,705	86,894
Total Net Position	844,287	89,290	25,705	959,282
Total Liabilities and Net Position	\$ 1,012,276	\$ 163,331	\$ 26,205	\$ 1,201,812

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, 2018

Statement 10

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
OPERATING REVENUES				
Sales and services	\$ 248,966	\$ 125,745	\$ 9,628	\$ 384,339
Local source	-	-	-	-
State sources	-	-	1,500	1,500
State shared taxes	-	-	-	-
Total operating revenue	248,966	125,745	11,128	385,839
OPERATING EXPENSES				
Personal services	137,148	56,554	-	193,702
Maintenance and operations	121,978	51,314	13,632	186,924
Major contractual services	-	23,110	-	23,110
Other operating expenses	-	-	-	-
Depreciation	71,057	15,332	-	86,389
Total operating expenses	330,183	146,310	13,632	490,125
Operating income (loss)	(81,217)	(20,565)	(2,504)	(104,286)
NON-OPERATING REVENUE (EXPENSE)				
Investment income	53	27	-	80
Investment expense	(4,717)	(3,200)	-	(7,917)
Transfers in	-	20,000	-	20,000
Transfers out	-	-	-	-
State grant	106,027	-	-	106,027
Loan proceeds	14,363	10,932	-	25,295
Donation	-	142,176	-	142,176
Total Non-Operating Revenue (Expense)	115,726	169,935	-	285,661
Change in Net Position	34,509	149,370	(2,504)	181,375
Total net position, beginning of year	767,933	12,362	28,209	808,504
Restatement	41,845	(72,442)	-	(30,597)
Net position, beginning of year - restated	809,778	(60,080)	28,209	777,907
Total net position, end of year	\$ 844,287	\$ 89,290	\$ 25,705	\$ 959,282

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, 2018

Statement 11

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 259,194	\$ 123,621	\$ 9,628	\$ 392,443
Cash received from other sources	-	-	1,500	1,500
Cash payments to employees and to suppliers for goods and services	<u>(259,612)</u>	<u>(131,206)</u>	<u>(13,132)</u>	<u>(403,950)</u>
Net cash provided by operating activities	<u>(418)</u>	<u>(7,585)</u>	<u>(2,004)</u>	<u>(10,007)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Loan proceeds	14,364	10,932	-	25,296
Principal paid	(7,912)	(3,956)	-	(11,868)
Interest paid	(2,899)	(1,450)	-	(4,349)
Acquisition of capital assets	<u>(104,863)</u>	<u>(142,176)</u>	<u>-</u>	<u>(247,039)</u>
Net cash provided (used) by capital and related financing activities	<u>(101,310)</u>	<u>(136,650)</u>	<u>-</u>	<u>(237,960)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from state grants	106,026	-	-	106,026
Cash received from federal grants	-	-	-	-
Operating transfers from other funds	-	20,000	-	20,000
Operating transfers to other funds	(34,438)	(11,146)	-	(45,584)
Donations	<u>-</u>	<u>142,176</u>	<u>-</u>	<u>142,176</u>
Net cash provided (used) by noncapital financing activities	<u>71,588</u>	<u>151,030</u>	<u>-</u>	<u>222,618</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	<u>54</u>	<u>27</u>	<u>-</u>	<u>81</u>
Net cash provided by investing activities	<u>54</u>	<u>27</u>	<u>-</u>	<u>81</u>
Net increase (decrease) in cash	(30,086)	6,822	(2,004)	(25,268)
Cash, beginning of year	<u>71,278</u>	<u>16,512</u>	<u>28,209</u>	<u>115,999</u>
Cash, end of year	<u>\$ 41,192</u>	<u>\$ 23,334</u>	<u>\$ 26,205</u>	<u>\$ 90,731</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (81,217)	\$ (20,565)	\$ (2,504)	\$ (104,286)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	71,057	15,332	-	86,389
Changes in assets and liabilities:				
(Increase) decrease in receivables	10,228	(2,124)	-	8,104
Increase (decrease) in accounts payable	905	244	500	1,649
Increase (decrease) in compensated absences	<u>(1,391)</u>	<u>(472)</u>	<u>-</u>	<u>(1,863)</u>
Net cash provided (used) by operating activities	<u>\$ (418)</u>	<u>\$ (7,585)</u>	<u>\$ (2,004)</u>	<u>\$ (10,007)</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, 2018

	Agency Funds
ASSETS	
Cash	\$ 2,341
Total Assets	\$ 2,341
LIABILITIES	
Due to other agencies	\$ 360
Deposits held for others	1,961
Due to other funds	20
Total Liabilities	\$ 2,341

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, 2018

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 GASB

Notes to Financial Statements (continued)

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 1978 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 Position

The governmental activities and business-type activities financial statements utilize a net position presentation. Net Position 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	\$ 500,523
Wells Fargo	Agency	Checking	2,060
Wells Fargo	Meter	Checking	<u>15,302</u>
			<u>\$ 517,885</u>
NM Finance Authority			<u>\$ 177,414</u>
Total amount on deposit			\$ 695,299
Deposit in transit			1,431
Petty cash			200
Outstanding checks			<u>(22,447)</u>
Total per financial statements			<u>\$ 674,483</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	\$ 517,885
Less <u>FDIC</u>	<u>(250,000)</u>
Uninsured funds	267,885
Funds needing collateralization at 50% (required by State Law)	133,942
Pledged collateral at June 30	<u>171,237</u>
Excess of Pledged Collateral	<u>\$ 37,295</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, \$267,885 of the Village's bank balance \$517,885 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ 96,648
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Village's name	<u>171,237</u>
Total	<u>\$ 267,885</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 #3140F9AH8	7-1-31	<u>\$ 171,237</u>

The amount held at the New Mexico Finance Authority totaling \$177,414 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	\$ -	\$ 22,714
Less allowance for uncollectible accounts	<u>-</u>	<u>(2,500)</u>
Subtotal	-	20,214
Franchise taxes	2,937	-
Gross receipts taxes receivable	13,132	-
Property taxes receivable	104	-
Lodger's tax	-	-
Environmental gross receipts tax	312	-
Miscellaneous	<u>4,856</u>	<u>-</u>
Total	<u>\$ 21,341</u>	<u>\$ 20,214</u>

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable are recorded in the various funds. There was \$11,726 payable to various Vendors at the end of the year.

5. 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.

Notes to Financial Statements (continued)

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.

6. CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
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	269,173	142,176	-	411,349
Buildings	11,500	-	-	11,500
Infrastructure	4,445,171	104,863	-	4,550,034
Vehicles	87,436	-	-	87,436
Equipment	<u>10,459</u>	<u>-</u>	<u>-</u>	<u>10,459</u>
Total capital assets being depreciated	<u>4,823,739</u>	<u>247,039</u>	<u>-</u>	<u>5,070,778</u>
Less: accumulated depreciation	<u>(3,915,239)</u>	<u>(86,390)</u>	<u>-</u>	<u>(4,001,629)</u>
Total capital assets being depreciated	<u>908,500</u>	<u>160,649</u>	<u>-</u>	<u>1,069,149</u>
Net capital assets	<u>\$ 914,525</u>	<u>\$ 160,649</u>	<u>\$ -</u>	<u>\$ 1,075,174</u>

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Land	\$ 268,889	\$ -	\$ -	\$ 268,889
Total capital assets not being depreciated	<u>268,889</u>	<u>-</u>	<u>-</u>	<u>268,889</u>
Heavy equipment	352,953	-	-	352,953
Buildings	2,539,786	7,698	-	2,547,484
Infrastructure	212,023	-	-	212,023
Vehicles	133,401	-	-	133,401
Equipment	-	17,900	-	17,900
Airport	<u>126,751</u>	<u>-</u>	<u>-</u>	<u>126,751</u>
Total capital assets being depreciated	<u>3,364,914</u>	<u>25,598</u>	<u>-</u>	<u>3,390,512</u>
Less: accumulated depreciation	<u>(2,565,322)</u>	<u>(96,274)</u>	<u>-</u>	<u>(2,661,596)</u>
Total capital assets being depreciated	<u>799,592</u>	<u>(70,676)</u>	<u>-</u>	<u>728,916</u>
Net capital assets	<u>\$ 1,068,481</u>	<u>\$ (70,676)</u>	<u>\$ -</u>	<u>\$ 997,805</u>

Notes to Financial Statements (continued)

7. 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, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Compensated absences payable	\$ 14,636	\$ -	\$ 6,101	\$ 8,535	\$ -
NMFA loan payable	52,270	171,796	13,048	211,018	29,183
	<u>\$ 66,906</u>	<u>\$ 171,796</u>	<u>\$ 19,149</u>	<u>\$ 219,553</u>	<u>\$ 29,183</u>

The compensated absences payable will be liquidated by the General Fund. The loan will be liquidated by the Law Enforcement Protection Fund and Fire 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
2019	\$ 13,061	\$ 39	\$ 13,100
2020	13,074	26	13,100
2021	13,087	13	13,100
	<u>\$ 39,222</u>	<u>\$ 78</u>	<u>\$ 39,300</u>

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 \$171,796 and interest for the purpose of defraying the cost of purchasing a Class A Pumper Tanker. The yearly payments are to be redirected from the Village's Fire Funds allotted each year. The interest rate is 0.100%. The maturity date is May 1, 2018.

Due Year Ending June 30	Principal	Interest	Total
2019	\$ 16,122	\$ 941	\$ 17,063
2020	16,945	262	17,207
2021	17,281	139	17,420
2022	17,298	121	17,419
2023	17,315	104	17,419
2024-2028	86,835	261	87,096
	<u>\$ 171,796</u>	<u>\$ 1,828</u>	<u>\$ 173,624</u>

Notes to Financial Statements (continued)

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, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Compensated absences payable	\$ 9,206	-	\$ 1,864	\$ 7,342	-
Revenue bonds payable	132,000	-	132,000	-	-
Capital lease payable	54,729	-	54,729	-	-
NMFA Loans	-	219,463	11,869	207,594	20,162
	<u>\$ 195,935</u>	<u>\$ 219,463</u>	<u>\$ 200,462</u>	<u>\$ 214,936</u>	<u>\$ 20,162</u>

The Village entered into a loan agreement for the purpose of improving the waste water treatment systems. The payments are to come from the income of the operations of the joint utility system. The original issue is for \$134,985, dated June 7, 2017. The interest rate is 2.440% to 3.990%. The maturity date is May 1, 2039.

Due Year Ending June 30	Principal	Interest	Total
2019	\$ -	\$ 4,675	\$ 4,675
2020	-	4,675	4,675
2021	-	4,675	4,675
2022	5,701	4,675	10,376
2023	5,840	4,536	10,376
2024-2028	31,737	20,144	51,881
2029-2033	37,179	14,703	51,882
2034-2038	44,550	7,331	51,881
2039	9,978	398	10,376
	<u>\$ 134,985</u>	<u>\$ 65,812</u>	<u>\$ 200,797</u>

The Village entered into a loan agreement evidencing a special limited obligation of the Village to pay a principal amount of \$84,478 and interest for the purpose of defraying the cost of purchasing equipment for the Joint Utilities Fund. The yearly payments are to be paid from the income from operations of the Joint Utility system. The interest rate is 0.100%. The maturity date is May 1, 2023.

Due Year Ending June 30	Principal	Interest	Total
2019	\$ 20,162	\$ 576	\$ 20,738
2020	20,327	411	20,738
2021	20,514	225	20,739
2022	5,800	12	5,812
2023	5,806	6	5,812
	<u>\$ 72,609</u>	<u>\$ 1,230</u>	<u>\$ 73,839</u>

Notes to Financial Statements (continued)

8. REFUNDING OF BONDED DEBT

On July 7, 2017 the Village issued \$134,985 of a loan through NMFA with an interest rate of 2.440% to 3.990% to advance refund \$132,000 of Revenue Bonds dated April 7, 1999 with interest rates from 4.5%. The Village chose to undertake this advance refunding in order to reduce the interest expense by taking advantage of the lower interest rates.

Summary of Savings Comparison

<u>Date</u>	<u>Prior Debt Service</u>	<u>Date</u>	<u>Refunding Debt Service</u>	<u>Savings</u>	<u>Annual Savings</u>
12-1-17	-	11-1-17	1,480	(1,480)	
4-7-18	8,940	5-1-18	2,338	6,602	5,122
12-1-18	-	11-1-18	2,337	(2,337)	
4-7-19	9,805	5-1-19	2,338	7,467	5,130
12-1-19	-	11-1-19	2,337	(2,337)	
4-7-20	9,625	5-1-20	2,338	7,287	4,950
12-1-20	-	11-1-20	2,337	(2,337)	
4-7-21	9,445	5-1-21	2,338	7,107	4,770
12-1-21	-	11-1-21	2,343	(2,343)	
4-7-22	9,265	5-1-22	8,038	1,227	(1,116)
12-1-22	-	11-1-22	2,268	(2,268)	
4-7-23	9,085	5-1-23	8,108	977	(1,291)
12-1-23	-	11-1-23	2,191	(2,191)	
4-7-24	8,905	5-1-24	8,184	721	(1,470)
12-1-24	-	11-1-24	2,109	(2,109)	
4-7-25	9,725	5-1-25	8,268	1,457	(652)
12-1-25	-	11-1-25	2,020	(2,020)	
4-7-26	9,500	5-1-26	8,356	1,144	(876)
12-1-26	-	11-1-26	1,926	(1,926)	
4-7-27	9,275	5-1-27	8,450	825	(1,101)
12-1-27	-	11-1-27	1,826	(1,826)	
4-7-28	9,050	5-1-28	8,551	499	(1,327)
12-1-28	-	11-1-28	1,718	(1,718)	
4-7-29	8,825	5-1-29	8,659	(166)	(1,884)
12-1-29	-	11-1-29	1,602	(1,602)	
4-7-30	9,600	5-1-30	8,775	825	(777)
12-1-30	-	11-1-30	1,478	(1,478)	
4-7-31	9,330	5-1-31	8,898	432	(1,046)
12-1-31	-	11-1-31	1,347	(1,347)	
4-7-32	9,060	5-1-32	9,030	30	(1,317)
12-1-32	-	11-1-32	1,207	(1,207)	
4-7-33	8,790	5-1-33	9,169	(379)	(1,586)
12-1-33	-	11-1-33	1,060	(1,060)	
4-7-34	9,520	5-1-34	9,317	203	(857)
12-1-34	-	11-1-34	905	(905)	
4-7-35	9,205	5-1-35	9,471	(266)	(1,171)
12-1-35	-	11-1-35	742	(742)	
4-7-36	8,890	5-1-36	9,635	(745)	(1,487)
12-1-36	-	11-1-36	570	(570)	
4-7-37	9,575	5-1-37	9,806	(231)	(801)
12-1-37	-	11-1-37	389	(389)	
4-7-38	9,215	5-1-38	9,987	(772)	(1,161)
12-1-38	-	11-1-38	199	(199)	
4-7-39	19,855	5-1-39	10,177	9,678	9,479
	<u>\$ 214,485</u>		<u>\$ 204,622</u>	<u>\$ 9,531</u>	<u>\$ 9,531</u>

Notes to Financial Statements (continued)

On July 7, 2017 the Village issued \$84,478 in a loan agreement with New Mexico Finance authority with an interest rate of 0.100% to advance refund an outstanding Capital Lease Agreement in the amount of \$54,729 with an interest rate of 4.00%. The additional monies of \$29,749 were used for additional purchases. The defeased Capital Lease Agreement had four years remaining. The new agreement has five years remaining.

This advance refunding did not reduce the total debt service payments, but increased it by \$29,749. Accordingly, the advance refunding did not result in an economic gain to the Village.

9. TRANSFERS

The composition of interfund transfers for Governmental and Business-Type Activities during the year are as follows:

<u>Transfers In</u>			
<u>Transfers Out</u>	<u>Library Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>
General Fund	<u>\$ 21,000</u>	<u>\$ 20,000</u>	<u>\$ 41,000</u>
<u>Balance of Transfers</u>			
Transfer to Library Fund	\$ 21,000	From General Fund	
Transfer to Proprietary Funds	<u>20,000</u>	From General Fund	
Total Interfund Transfers Between Governmental and Business-Type Activities	<u>\$ 41,000</u>		

10. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

<u>Revenues</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>
Accrual basis	\$ 379,247	\$ 85,379
Budget basis	<u>373,746</u>	<u>85,379</u>
Increase (decrease) in receivables/ allowance for doubtful accounts	<u>\$ 5,501</u>	<u>\$ -</u>
<u>Expenditures</u>		
Accrual basis	\$ 473,505	\$ 46,634
Budget basis	<u>482,797</u>	<u>46,634</u>
Increase (decrease) in compensated absences/payables	<u>\$ (9,292)</u>	<u>\$ -</u>

11. 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's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

Benefits provided - Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivor's annuities are also available.

TIER II - The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace

Notes to Financial Statements (continued)

officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5% and effective July 1, 2014 employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions - See PERA's compressive annual financial report for Contribution provided description.

PERA Contribution Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Minimum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

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

Municipal General Division at June 30, 2018, the Village of Magdalena reported a liability of \$192,372 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The Village of Magdalena's proportion of the net pension liability was based on a projection of the Village of Magdalena's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Village of Magdalena's proportion was 0.0140%, which was unchanged from its proportion measured as of June 30, 2016, due to the insignificance of the difference.

For the year ended June 30, 2018, the Village of Magdalena recognized pension expense of \$27,092. At June 30, 2018 the Village of Magdalena reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 8,871	\$ 1,988
Experience versus actual	7,559	9,853
Net difference between projected and actual earnings on pension plan investments	15,783	-
Change in proportion	8,332	850
Village of Magdalena's contributions subsequent to the measurement date	<u>15,547</u>	<u>-</u>
Total	<u>\$ 56,092</u>	<u>\$ 12,691</u>

\$15,547 reported as deferred outflows of resources related to pensions resulting from Village of Magdalena's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 9,270
2020	20,525
2021	2,671
2022	(4,612)
2023	-

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: Municipal Police Division at June 30, 2018, the Village of Magdalena reported a liability of \$149,447 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The Village of Magdalena's proportion of the net pension liability was based on a projection of the Village of Magdalena's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Village of Magdalena's proportion was 0.0269%, which was an decrease of 0.0042% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village of Magdalena recognized pension expense of \$32,908. At June 30, 2018 the Village of Magdalena reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 8,892	\$ 454
Experience versus actual	9,076	27,923
Net difference between projected and actual earnings on pension plan investments	12,036	-
Change in proportion	32,952	-
Village of Magdalena's contributions subsequent to the measurement date	<u>10,262</u>	<u>-</u>
Total	<u>\$ 73,218</u>	<u>\$ 28,377</u>

\$10,262 reported as deferred outflows of resources related to pensions resulting from Village of Magdalena's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 13,961
2020	19,969
2021	1,148
2022	(3,520)
2023	-

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year Smoothed Market Value
Actuarial assumptions:	
- Investment rate of return	7.51% annual rate, net of investment expense
- Projected benefit payment	100 years
- Payroll growth	2.75% for the first 9 years, then 3.25% annual rate
- Projected salary increases	2.75% to 14.00% annual rate
- Includes inflation at	2.25% annual rate first 9 years 2.75% all other years
- Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, 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 (demographic) and July 1, 2010 through June 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets to include		
Real Estate Equity	<u>20.00%</u>	7.35%
Total	<u>100.00%</u>	

Discount rate: A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Village of Magdalena's proportionate share of the net pension liability to changes in the discount rate. The following presents the Village of Magdalena's proportionate share of net pension liability calculated using the discount rate of 7.51%, as well as what the Village of Magdalena's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51%) or 1-percentage-point higher (8.51%) than the current rate:

PERA Fund Municipal General Division	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Village of Magdalena's proportionate share of the net pension liability	<u>\$ 301,510</u>	<u>\$ 192,372</u>	<u>\$ 101,608</u>
PERA Fund Municipal Police Division	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Village of Magdalena's proportionate share of the net pension liability	<u>\$ 238,327</u>	<u>\$ 149,447</u>	<u>\$ 76,509</u>

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

12. 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.

Notes to Financial Statements (continued)

13. DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND

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

Utility Aid deposits	\$ 1,212
Hydrant Meter deposits	<u>14,480</u>
	<u>\$ 15,692</u>

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

Residential properties	\$ 75
Commercial properties	\$ 150

14. 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	-	65,570	-	65,570
Public safety	-	-	-	-
Solid waste	-	-	4,283	4,283
Recreation services	-	-	5,992	5,992
Corrections	-	-	9,852	9,852
State mandated cash reserves	31,069	-	-	31,069
Capital outlay	-	292,403	-	292,403
Debt service	-	-	202	202
Total restricted	<u>31,069</u>	<u>357,973</u>	<u>20,329</u>	<u>409,371</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>172,614</u>	<u>-</u>	<u>-</u>	<u>172,614</u>
Total Fund Balances	<u>\$ 203,683</u>	<u>\$ 357,973</u>	<u>\$ 20,329</u>	<u>\$ 581,985</u>

Notes to Financial Statements (continued)

15. LEGISLATIVE APPROPRIATIONS

<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	\$ -

<u>Appropriation</u>	<u>Term</u>	<u>Amount</u>	<u>Remaining Balance</u>
Laws of 2015, Chapter 3 Section 20, Paragraph 71	June 9, 2017 to June 30, 2019	\$ 40,000	\$ -

16. SUBSEQUENT EVENTS

A review of subsequent events through December 11, 2018, the date the financial statements were available to be issued, indicated nothing of audit significance.

17. RESTATEMENT OF NET POSITION

The Village had a prior period adjustment of \$41,845 in the Water/Sewer Fund and (\$72,442) in the solid Waste Fund for the issue of new NMFA Loans (defeased debt).

**SUPPLEMENTARY INFORMATION
NON-MAJOR FUNDS**

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by management directive.

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, 2018

Statement A-1

	Lodger's Tax Fund	Law Enforcement Protection Fund	Library Fund	Environmental GRT Fund	Corrections Fund	Total
ASSETS						
Cash on deposit	\$ 4,033	\$ 202	\$ 1,959	\$ 3,971	\$ 9,852	\$ 20,017
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>312</u>	<u>-</u>	<u>312</u>
Total assets	<u>\$ 4,033</u>	<u>\$ 202</u>	<u>\$ 1,959</u>	<u>\$ 4,283</u>	<u>\$ 9,852</u>	<u>\$ 20,329</u>
LIABILITIES						
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE						
Restricted	<u>4,033</u>	<u>202</u>	<u>1,959</u>	<u>4,283</u>	<u>9,852</u>	<u>20,329</u>
Total fund balance	<u>4,033</u>	<u>202</u>	<u>1,959</u>	<u>4,283</u>	<u>9,852</u>	<u>20,329</u>
Total fund balance and liabilities	<u>\$ 4,033</u>	<u>\$ 202</u>	<u>\$ 1,959</u>	<u>\$ 4,283</u>	<u>\$ 9,852</u>	<u>\$ 20,329</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, 2018

Statement A-2

	Lodger's Tax Fund	Law Enforcement Protection Fund	Library Fund	Environmental GRT Fund	Corrections Fund	Totals
REVENUES						
Taxes	\$ 3,260	\$ -	\$ -	\$ -	\$ -	\$ 3,260
Gas taxes	-	-	-	-	-	-
Environmental gross receipts taxes	-	-	-	4,202	-	4,202
Charges for services	-	-	365	-	-	365
Licenses and permits	-	-	-	-	-	-
Fines and forfeitures	-	-	53	-	5,340	5,393
Local sources	-	618	3,247	-	-	3,865
State sources	-	21,200	10,139	-	-	31,339
Federal sources	-	-	-	-	-	-
Earnings from investments	-	113	-	-	-	113
Total revenues	<u>3,260</u>	<u>21,931</u>	<u>13,804</u>	<u>4,202</u>	<u>5,340</u>	<u>48,537</u>
EXPENDITURES						
Current:						
General government	-	-	-	5,000	-	5,000
Highways and streets	-	-	-	-	-	-
Public safety	-	8,855	-	-	5,670	14,525
Culture and recreation	4,454	-	36,115	-	-	40,569
Capital outlay	-	-	-	-	-	-
NMFA principal	-	13,048	-	-	-	13,048
NMFA interest	-	52	-	-	-	52
Total expenditures	<u>4,454</u>	<u>21,955</u>	<u>36,115</u>	<u>5,000</u>	<u>5,670</u>	<u>73,194</u>
Excess (deficiency) of revenues over expenditures	<u>(1,194)</u>	<u>(24)</u>	<u>(22,311)</u>	<u>(798)</u>	<u>(330)</u>	<u>(24,657)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	21,000	-	-	21,000
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
Net change in fund balance	(1,194)	(24)	(1,311)	(798)	(330)	(3,657)
Fund balance, beginning of year	5,227	226	3,270	5,081	10,182	23,986
Fund balance, end of year	<u>\$ 4,033</u>	<u>\$ 202</u>	<u>\$ 1,959</u>	<u>\$ 4,283</u>	<u>\$ 9,852</u>	<u>\$ 20,329</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*

Fiscal Year Measurement Date	2018 2017	2017 2016	2016 2015	2015 2014
Village of Magdalena's proportion of net pension liability (asset)	0.01400%	0.01410%	0.01260%	0.01250%
Village of Magdalena's proportionate share of the net pension liability (asset)	\$ 192,372	\$ 225,270	\$ 128,468	\$ 97,513
Village of Magdalena's covered-employee payroll	\$ 210,108	\$ 159,547	\$ 168,567	\$ 134,385
Village of Magdalena's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	91.56%	141.19%	76.22%	72.56%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village of Magdalena is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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*

Fiscal Year Measurement Date	2018 2017	2017 2016	2016 2015	2015 2014
Village of Magdalena's proportion of net pension liability (asset)	0.02690%	0.02270%	0.01700%	0.01500%
Village of Magdalena's proportionate share of the net pension liability (asset)	\$ 149,447	\$ 167,488	\$ 81,746	\$ 48,898
Village of Magdalena's covered-employee payroll	\$ 98,672	\$ 100,627	\$ 78,321	\$ 61,859
Village of Magdalena's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	151.46%	166.44%	104.00%	79.05%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village of Magdalena is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

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*

	2018	2017	2016	2015
Contractually required contribution	\$ 15,547	\$ 13,199	\$ 12,336	\$ 9,979
Contributions in relation to the contractually required contribution	<u>(15,547)</u>	<u>(13,199)</u>	<u>(12,336)</u>	<u>(9,979)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village of Magdalena's covered-employee payroll	\$ 210,108	\$ 159,547	\$ 168,567	\$ 134,385
Contributions as a percentage of covered-employee payroll	7.4%	7.4%	7.4%	7.4%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village of Magdalena is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 10,262	\$ 10,467	\$ 8,145	\$ 6,305
Contributions in relation to the contractually required contribution	<u>(10,262)</u>	<u>(10,467)</u>	<u>(8,145)</u>	<u>(6,305)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village of Magdalena's covered-employee payroll	\$ 98,672	\$ 100,627	\$ 78,321	\$ 61,859
Contributions as a percentage of covered-employee payroll	10.4%	10.4%	10.4%	10.4%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village of Magdalena is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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, 2018

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA's CFAR. <http://www.saaonm.org>

Assumptions: The Public Employees Retirement Association of New Mexico Annual Actuarial Valuation as of June 2017 report is available at <http://www.nmpera.org/>

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

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Schedule of Changes in Assets
and Liabilities - All Agency Funds
Year Ended June 30, 2018

	Balances June 30, 2017	Additions	Deletions	Balances June 30, 2018
ASSETS				
Cash	\$ 2,012	\$ 5,703	\$ 5,374	\$ 2,341
Total assets	<u>\$ 2,012</u>	<u>\$ 5,703</u>	<u>\$ 5,374</u>	<u>\$ 2,341</u>
LIABILITIES				
Deposits held for others	\$ 1,679	\$ 1,750	\$ 1,468	\$ 1,961
Due to other agencies	333	3,798	3,771	360
Due to other funds	-	155	135	20
Total liabilities	<u>\$ 2,012</u>	<u>\$ 5,703</u>	<u>\$ 5,374</u>	<u>\$ 2,341</u>

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

Rice and Associates, C.P.A.

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**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. Wayne Johnson
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, 2018 and the related notes to the financial statements, which collectively comprise the Village of Magdalena's basic financial statements, and the combining and individual funds, presented as supplemental information, and have issued our report thereon dated December 11, 2018.

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.

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. We did identify a deficiency in the accompanying Status of Findings and Responses that we consider to be a Significant Deficiency; Ambulance Service Billings and Accounts Receivable (2018-002).

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 are described in the Accompanying Status of Comments and Responses as Lodgers Taxes and Lodgers Tax Audit Reports - (2018-001), Ambulance Service Billings and Accounts Receivable - (2018-002), Court Reports Prepared and Submitted Late - (2018-003) and Library Receipts Not Deposited Timely - (2018-004).

Responses to the Findings

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

Purpose of this Report

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



Albuquerque, New Mexico
December 11, 2018

STATUS OF FINDINGS AND RESPONSES

Prior Year Audit Findings:

NONE

Current Year Audit Findings:

1. Lodgers Taxes and Lodgers Tax Audit Reports - (2018-001)
2. Ambulance Service Billings and Accounts Receivable - (2018-002)
3. Court Reports Prepared and submitted Late - (2018-003)
4. Library Receipts Not Deposited Timely - (2018-004)

Lodgers Taxes and Lodgers Tax Audit Reports -
Other Non-Compliance
(2018-001)

CONDITION Management is not keeping adequate records for those Hotels/Motels that do pay or for those that don't pay their required taxes by the due date. Also, an annual audit for lodger's tax is not being completed annually.

CRITERIA According to Ordinance 2015-06 Lodgers Tax Section 8, "Each Vendor shall make a report by the twenty fifth day of each month on forms provided by the Village Clerk for lodging paid in the preceding calendar month." Also, in Section 10 Audits of Vendors A. "Random audits shall be conducted to verify full payment of occupancy tax receipts." E. "Copies of audits completed shall be filed annually with DFA."

CAUSE Management is not ensuring these requirements are being prepared and completed.

EFFECT Management of the Village is not following their own Ordinance.

RECOMMENDATION Management should institute internal controls to ensure that all payments due the Village are received. Also, to have a lodgers tax audit prepared on an annual basis.

RESPONSE Management will have the annual Lodgers Tax audit completed by 1/30/19.

To date all Motels/Hotels have paid in full and up to date on their requirements.

Ambulance Service Billings and Accounts Receivable -
Significant Deficiency
(2018-002)

CONDITION	The Village is now offering an ambulance service. Management has obtained a firm which performs the credential services, billings and prepares accounts receivable. Management, however, is not 1. reconciling each "run" to the patient billings, 2. receiving a list of outstanding balances or "accounts receivable" each month, 3. only amounts received are being reported, 4. this is an enterprise fund and should be reporting financial statements on an accrual basis.
CRITERIA	All enterprise funds are to be kept on an accrual basis. Also, all monies should be shown "gross" not "net" on the financial statements. Proper internal controls should be in place to account for all amounts due the Village (accounts receivable).
CAUSE	Management has not taken steps to ensure all procedures are in place so that the transactions of the Ambulance Fund are recorded and reported correctly.
EFFECT	Financial statement amounts may be understated, including accounts receivable, charges for services and expenditures.
RECOMMENDATION	Management should obtain the information from the EMS billing service each month. After all receivables are recorded, each "run" for the month should be reconciled to that list to ensure all patients have been billed.
RESPONSE	The Village Clerk will make sure this is complete and up to date by January 31, 2019.

Court Reports Prepared and Submitted Late -
Other Non-Compliance
(2018-003)

CONDITION	For six out of twelve months the AOC and JEC reports were prepared and filed late.
CRITERIA	All AOC and JEC reports along with the fees collected should be remitted to the State within 30 days after the end of the previous month.
CAUSE	Management is not ensuring these are prepared and submitted by the due date.
EFFECT	Management is not complying with the required filing deadline.
RECOMMENDATION	Management needs to ensure these reports along with the fees are remitted within 30 days of the end of the following reporting month.
RESPONSE	Court reports have since been submitted on time. The Court Clerk will continue to ensure they are submitted on time every month.

Library Receipts not Deposited Timely -
Other Non-Compliance
(2018-004)

CONDITION	The Library receipts are not being brought to the Village Hall each day so they can be deposited within twenty four hours.
CRITERIA	NMSA 1978 Sections 6-10-1 to 6-10-63 require proper management, handling and accountability of cash. This includes depositing monies within 24 hours.
CAUSE	The staff of the Library are not ensuring that the depositing procedure is done each day.
EFFECT	Monies could be misplaced, stolen or not deposited correctly.
RECOMMENDATION	Staff of the library need to bring their deposits to the Village Hall daily.
RESPONSE	The Librarian will make deposits every 24 hours when monies are received to make sure monies are deposited in a timely manner. The Village Clerk will ensure that the Librarian has a certain time to deliver the money for deposit. Process has been addressed and will begin on March 1, 2019.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2018 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 December 11, 2018, to discuss the current audit report. In attendance were Mr. Richard Rumph, Mayor, Mr. James Nelson, Mayor Pro-Tem, Ms. Stephanie Finch, Clerk/Treasurer, Ms. Carleen Gomez, Deputy Clerk and Ms. Pamela A. Rice, CPA, Contract Auditor.