

State of New Mexico

VILLAGE OF MAGDALENA



FOR YEAR ENDED JUNE 30, 2019

ANNUAL FINANCIAL REPORT

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

VILLAGE OF MAGDALENA

AUDIT REPORT

For The Year Ended June 30, 2019

(with Auditor's Report Thereon)

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VILLAGE OF MAGDALENA
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STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Official Roster
Year Ended June 30, 2019

Village Council

<u>Name</u>	<u>Title</u>
Mr. Richard Rumpf	Mayor
Mr. James C. Nelson	Mayor Pro-Tem
Mrs. Lynda Middleton	Member
Ms. Donna Dawson	Member
Mr. Clark Brown	Member

Village Administration

Mrs. Kayla Scartaccini	Municipal Judge
Ms. Jan Keenly	Clerk/Treasurer
Ms. Carleen Gomez	Deputy Clerk

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Brian Colón
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, 2019, 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, 2019 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, 2019, 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, 2019, 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.

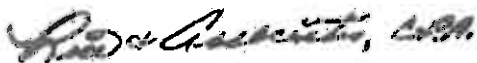
Other Information

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 United 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 June 9, 2020 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.



Albuquerque, New Mexico
June 9, 2020

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Statement of Net Position
June 30, 2019

Statement 1
Page 1 of 2

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 357,982	\$ 50,569	\$ 408,551
Accounts receivable (net of uncollectible accounts)	20,610	28,780	49,390
Due from other funds	<u>450</u>	<u>-</u>	<u>450</u>
Total current assets	<u>379,042</u>	<u>79,349</u>	<u>458,391</u>
Non-current assets			
Restricted assets (cash)	-	147,128	147,128
Customer Meter Deposits	<u>-</u>	<u>17,780</u>	<u>17,780</u>
Total non-current assets	<u>-</u>	<u>164,908</u>	<u>164,908</u>
Land	268,889	6,025	274,914
Land improvements	-	-	-
Buildings and improvements	2,547,484	11,500	2,558,984
Vehicles	177,430	87,436	264,866
Heavy equipment	643,460	411,349	1,054,809
Equipment	31,543	20,470	52,013
Airport	126,751	-	126,751
Plant/Infrastructure	<u>212,023</u>	<u>4,818,229</u>	<u>5,030,252</u>
Total capital assets	<u>4,007,580</u>	<u>5,355,009</u>	<u>9,362,589</u>
Less accumulated depreciation	(2,792,862)	(4,100,748)	(6,893,610)
Total capital assets (net of accumulated depreciation)	<u>1,214,718</u>	<u>1,254,261</u>	<u>2,468,979</u>
Deferred outflows of resources related to pension	<u>197,251</u>	<u>-</u>	<u>197,251</u>
Total assets	<u>\$ 1,791,011</u>	<u>\$ 1,498,518</u>	<u>\$ 3,289,529</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, 2019

Statement 1
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 2,917	\$ 37,579	\$ 40,496
Current portion of loan payable	30,192	21,628	51,820
Accrued interest payable	-	5,252	5,252
Customer meter deposits payable from restricted assets	-	19,013	19,013
Due to grantor	-	3,267	3,267
Total current liabilities	33,109	86,739	119,848
Non-Current Liabilities			
Compensated absences payable	3,805	6,368	10,173
Loan payable	151,082	132,251	283,333
Revenue Bonds payable	-	134,985	134,985
Net pension liability	483,066	-	483,066
Total non-current liabilities	637,953	273,604	911,557
Total liabilities	671,062	360,343	1,031,405
Deferred Inflows			
Deferred inflows of resources related to pension/grant	33,907	103,154	137,061
Total deferred inflows	33,907	103,154	137,061
Net Position			
Net investment in capital assets	1,032,883	965,397	1,998,280
Restricted for:			
State mandated cash balance	33,071	-	33,071
Special revenue fund	70,745	-	70,745
Capital outlay	-	34,385	34,385
Debt service	1,118	5,089	6,207
Unrestricted	(51,775)	30,150	(21,625)
Total net position	1,086,042	1,035,021	2,121,063
Total liabilities and net position	\$ 1,791,011	\$ 1,498,518	\$ 3,289,529

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, 2019

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	\$ 190,165	\$ 2,196	\$ 22,031	\$ 132,999	\$ (32,939)	\$ -	\$ (32,939)
Highways and streets	129,039	-	-	-	(129,039)	-	(129,039)
Public safety	295,000	-	153,399	-	(141,601)	-	(141,601)
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	63,421	391	14,538	-	(48,492)	-	(48,492)
Depreciation - unallocated	131,266	-	-	-	(131,266)	-	(131,266)
Interest	681	-	-	-	(681)	-	(681)
Total governmental activities	<u>809,572</u>	<u>2,587</u>	<u>189,968</u>	<u>132,999</u>	<u>(484,018)</u>	<u>-</u>	<u>(484,018)</u>
Business-type activities:							
Water/Sewer services	424,817	267,368	-	238,646	-	81,197	81,197
Solid waste services	158,753	123,897	1,020	-	-	(33,836)	(33,836)
Ambulance	19,663	17,758	-	-	-	(1,905)	(1,905)
Total business-type activities	<u>603,233</u>	<u>409,023</u>	<u>1,020</u>	<u>238,646</u>	<u>-</u>	<u>45,456</u>	<u>45,456</u>
Total all activities	<u>\$ 1,412,805</u>	<u>\$ 411,610</u>	<u>\$ 190,988</u>	<u>\$ 371,645</u>	<u>(484,018)</u>	<u>45,456</u>	<u>(438,562)</u>
General Revenues:							
Property taxes					7,442	-	7,442
Lodgers tax					4,302	-	4,302
Gross receipts taxes					218,599	-	218,599
Environmental gross receipts taxes					5,394	-	5,394
Franchise taxes					13,172	-	13,172
Gasoline taxes					13,472	-	13,472
Motor vehicle taxes					2,242	-	2,242
State aid not restricted to special purpose							
General					230,876	-	230,876
Investment earnings					921	282	1,203
Transfers					(30,000)	30,000	-
Total general revenues					<u>466,420</u>	<u>30,282</u>	<u>496,702</u>
Change in net position					(17,598)	75,738	58,140
Net position - beginning of year					<u>1,103,640</u>	<u>959,283</u>	<u>2,062,923</u>
Net position - ending					<u>\$ 1,086,042</u>	<u>\$ 1,035,021</u>	<u>\$ 2,121,063</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, 2019

Statement 3

	General	Fire Protection Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash on deposit	\$ 286,599	\$ 19,766	\$ 51,617	\$ 357,982
Accounts receivable	20,130	-	480	20,610
Due from other funds	450	-	-	450
Total assets	\$ 307,179	\$ 19,766	\$ 52,097	\$ 379,042
LIABILITIES				
Accounts payable	\$ 2,917	\$ -	\$ -	\$ 2,917
Total liabilities	2,917	-	-	2,917
FUND BALANCE				
Restricted for:				
Fire protection	-	19,475	-	19,475
Corrections	-	-	20,590	20,590
Recreation services	-	-	21,002	21,002
Public safety	-	-	-	-
Solid waste	-	-	9,678	9,678
Reserves	33,071	-	-	33,071
Capital outlay	-	-	-	-
Debt service	-	291	827	1,118
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	271,191	-	-	271,191
Total fund balance	304,262	19,766	52,097	376,125
Total liabilities and fund balance	\$ 307,179	\$ 19,766	\$ 52,097	\$ 379,042

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, 2019

Statement 4

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

Total fund balances - governmental funds		\$ 376,125
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	4,007,580	
Accumulated depreciation	(2,792,862)	
		1,214,718
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	(3,805)	
Loans payable	(181,274)	
		(185,079)
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		(483,066)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds		
		163,344
Net position of governmental activities		<u>\$ 1,086,042</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, 2019

Statement 5

	General	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,442	\$ -	\$ -	\$ 7,442
Lodgers tax	-	-	4,302	4,302
Franchise taxes	13,172	-	-	13,172
Gas tax	13,472	-	-	13,472
MVD	2,242	-	-	2,242
Charges for services	2,196	-	391	2,587
Fines and forfeitures	23,193	-	10,786	33,979
Licenses and permits	2,412	-	-	2,412
Local sources	19,619	5	1,003	20,627
State sources	363,875	85,172	47,778	496,825
Federal sources	-	-	-	-
State shared taxes	218,599	-	5,394	223,993
Earnings from investments	188	537	196	921
	666,410	85,714	69,850	821,974
EXPENDITURES				
Current:				
General government	131,770	-	-	131,770
Highways and streets	129,039	-	-	129,039
Public safety	215,870	72,060	7,070	295,000
Culture and recreation	19,153	-	44,268	63,421
Capital outlay	-	334,536	13,643	348,179
NMFA principal	-	16,683	13,061	29,744
NMFA interest	-	642	39	681
	495,832	423,921	78,081	997,834
Excess (deficiency) of revenue over expenditures	170,578	(338,207)	(8,231)	(175,860)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	40,000	40,000
Transfers out	(70,000)	-	-	(70,000)
Loan proceeds	-	-	-	-
	(70,000)	-	40,000	(30,000)
Net change in fund balances	100,578	(338,207)	31,769	(205,860)
Fund balance beginning of year	203,684	357,973	20,328	581,985
Fund balance end of year	\$ 304,262	\$ 19,766	\$ 52,097	\$ 376,125

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, 2019

Net change in fund balances - total governmental funds \$ (205,860)

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
capital outlays exceeds depreciation expense in the period.

Capital outlays	348,179
Depreciation expense	<u>(131,266)</u>

Excess of capital outlay over depreciation expense 216,913

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	25,441
Pension expense	(88,565)

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	-
Repayment of long-term debt	<u>29,744</u>

29,744

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>4,729</u>
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Change in net position of governmental activities \$ (17,598)

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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 7,451	\$ 7,451	\$ 7,408	\$ (43)
Franchise taxes	16,000	16,000	15,399	(601)
Gas taxes	22,000	22,000	12,805	(9,195)
MVD	2,100	2,100	2,242	142
Charges for services	5,700	5,700	2,155	(3,545)
Fines and forfeitures	20,000	20,000	23,193	3,193
Licenses and permits	3,000	3,000	2,412	(588)
Local sources	-	12,750	19,619	6,869
State sources	160,000	250,000	363,875	113,875
Federal sources	-	-	-	-
State shared taxes	181,000	181,000	212,695	31,695
Earnings from investments	-	-	188	188
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 417,251</u>	<u>\$ 520,001</u>	<u>\$ 661,991</u>	<u>\$ 141,990</u>
EXPENDITURES				
General government	\$ 118,872	\$ 118,872	\$ 128,599	\$ (9,727)
Public safety	231,955	231,955	215,870	16,085
Highways & Streets	38,275	129,475	129,039	436
Culture and recreation	7,750	28,795	19,153	9,642
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 396,852</u>	<u>\$ 509,097</u>	<u>\$ 492,661</u>	<u>\$ 16,436</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (20,000)	\$ (70,000)	\$ (70,000)	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>\$ (20,000)</u>	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 399</u>	<u>\$ 59,096</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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ 5	\$ 5
State sources	61,677	85,172	85,172	-
Earnings from investments	-	-	537	537
	<u>-</u>	<u>-</u>	<u>537</u>	<u>537</u>
Total revenues	<u>\$ 61,677</u>	<u>\$ 85,172</u>	<u>\$ 85,714</u>	<u>\$ 542</u>
EXPENDITURES				
Public safety	\$ 64,477	\$ 72,060	\$ 72,060	\$ -
Capital outlay	290,507	348,006	334,536	13,470
Principle	16,683	16,683	16,683	-
Interest	642	642	642	-
	<u>642</u>	<u>642</u>	<u>642</u>	<u>-</u>
Total expenditures	<u>\$ 372,309</u>	<u>\$ 437,391</u>	<u>\$ 423,921</u>	<u>\$ 13,470</u>
BUDGETED CASH BALANCE	<u>\$ 310,632</u>	<u>\$ 352,219</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, 2019

Statement 9

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
ASSETS				
Current Assets				
Cash on deposit	\$ 18,186	\$ 16,592	\$ 15,791	\$ 50,569
Accounts receivable (net)	<u>24,743</u>	<u>4,037</u>	<u>-</u>	<u>28,780</u>
Total Current Assets	<u>42,929</u>	<u>20,629</u>	<u>15,791</u>	<u>79,349</u>
Non-Current Assets				
Restricted Assets (Cash)	144,202	1,693	-	145,895
Restricted Cash Utility Aid	1,233	-	-	1,233
Customer meter deposits	<u>17,780</u>	<u>-</u>	<u>-</u>	<u>17,780</u>
Total Non-Current Assets	<u>163,215</u>	<u>1,693</u>	<u>-</u>	<u>164,908</u>
Capital Assets				
Land	6,025	-	-	6,025
Land improvements	-	-	-	-
Buildings and Improvements	11,500	-	-	11,500
Equipment	-	-	20,470	20,470
Heavy equipment	144,751	266,598	-	411,349
Vehicles	29,002	-	58,434	87,436
Plant/infrastructure	4,818,229	-	-	4,818,229
Accumulated depreciation	<u>(3,884,798)</u>	<u>(145,055)</u>	<u>(70,895)</u>	<u>(4,100,748)</u>
Total Capital Assets	<u>1,124,709</u>	<u>121,543</u>	<u>8,009</u>	<u>1,254,261</u>
Total Assets	<u>\$ 1,330,853</u>	<u>\$ 143,865</u>	<u>\$ 23,800</u>	<u>\$ 1,498,518</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 15,451	\$ 22,128	\$ -	\$ 37,579
Accrued interest	3,501	1,751	-	5,252
Current portion loan payable	14,853	6,775	-	21,628
Customer meter deposits/utility aid payable from Restricted Assets	19,013	-	-	19,013
Due to grantor	<u>3,267</u>	<u>-</u>	<u>-</u>	<u>3,267</u>
Total Current Liabilities	<u>56,085</u>	<u>30,654</u>	<u>-</u>	<u>86,739</u>
Long-Term Liabilities				
Compensated absences payable	4,404	1,964	-	6,368
Loan payable	121,545	10,706	-	132,251
USDA Refunding Loan	<u>89,990</u>	<u>44,995</u>	<u>-</u>	<u>134,985</u>
Total Long-Term Liabilities	<u>215,939</u>	<u>57,665</u>	<u>-</u>	<u>273,604</u>
Total Liabilities	<u>272,024</u>	<u>88,319</u>	<u>-</u>	<u>360,343</u>
Deferred inflows/grant	103,154	-	-	103,154
NET POSITION				
Net investment in capital assets	898,321	59,067	8,009	965,397
Restricted for capital outlay	34,385	-	-	34,385
Restricted for debt service	3,396	1,693	-	5,089
Unrestricted	<u>19,573</u>	<u>(5,214)</u>	<u>15,791</u>	<u>30,150</u>
Total Net Position	<u>955,675</u>	<u>55,546</u>	<u>23,800</u>	<u>1,035,021</u>
Total Liabilities and Net Position	<u>\$ 1,330,853</u>	<u>\$ 143,865</u>	<u>\$ 23,800</u>	<u>\$ 1,498,518</u>

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Proprietary Funds
Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2019

Statement 10

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
OPERATING REVENUES				
Sales and services	\$ 267,368	\$ 123,897	\$ 17,758	\$ 409,023
Local source	<u> -</u>	<u> 1,020</u>	<u> -</u>	<u> 1,020</u>
 Total operating revenue	 <u> 267,368</u>	 <u> 124,917</u>	 <u> 17,758</u>	 <u> 410,043</u>
OPERATING EXPENSES				
Personal services	161,106	69,818	-	230,924
Maintenance and operations	123,409	42,889	17,661	183,959
Major contractual services	55,016	28,963	-	83,979
Depreciation	<u> 81,785</u>	<u> 15,332</u>	<u> 2,002</u>	<u> 99,119</u>
 Total operating expenses	 <u> 421,316</u>	 <u> 157,002</u>	 <u> 19,663</u>	 <u> 597,981</u>
 Operating income (loss)	 <u> (153,948)</u>	 <u> (32,085)</u>	 <u> (1,905)</u>	 <u> (187,938)</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment income	191	91	-	282
Investment expense	(3,501)	(1,751)	-	(5,252)
Transfers in	30,000	-	-	30,000
Transfers out	-	-	-	-
State grant	<u> 238,646</u>	<u> -</u>	<u> -</u>	<u> 238,646</u>
 Total Non-Operating Revenue (Expense)	 <u> 265,336</u>	 <u> (1,660)</u>	 <u> -</u>	 <u> 263,676</u>
 Change in Net Position	 111,388	 (33,745)	 (1,905)	 75,738
Total net position, beginning of year	<u> 844,287</u>	<u> 89,291</u>	<u> 25,705</u>	<u> 959,283</u>
Total net position, end of year	<u> \$ 955,675</u>	<u> \$ 55,546</u>	<u> \$ 23,800</u>	<u> \$ 1,035,021</u>

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, 2019

Statement 11

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 259,381	\$ 122,982	\$ 17,758	\$ 400,121
Cash received from other sources	-	1,020	-	1,020
Cash payments to employees and to suppliers for goods and services	<u>(329,740)</u>	<u>(120,671)</u>	<u>(18,160)</u>	<u>(468,571)</u>
Net cash provided by operating activities	<u>(70,359)</u>	<u>3,331</u>	<u>(402)</u>	<u>(67,430)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Loan proceeds	102,250	-	-	102,250
Principal paid	(13,442)	(6,721)	-	(20,163)
Interest paid	(3,500)	(1,750)	-	(5,250)
Acquisition of capital assets	<u>(268,194)</u>	<u>-</u>	<u>(10,011)</u>	<u>(278,205)</u>
Net cash provided (used) by capital and related financing activities	<u>(182,886)</u>	<u>(8,471)</u>	<u>(10,011)</u>	<u>(201,368)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from state grants	344,250	-	-	344,250
Cash received from federal grants	-	-	-	-
Operating transfers from other funds	30,000	-	-	30,000
Operating transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>374,250</u>	<u>-</u>	<u>-</u>	<u>374,250</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	<u>192</u>	<u>91</u>	<u>-</u>	<u>283</u>
Net cash provided by investing activities	<u>192</u>	<u>91</u>	<u>-</u>	<u>283</u>
Net increase (decrease) in cash	121,197	(5,049)	(10,413)	105,735
Cash, beginning of year	<u>41,192</u>	<u>23,334</u>	<u>26,204</u>	<u>90,730</u>
Cash, end of year	<u>\$ 162,389</u>	<u>\$ 18,285</u>	<u>\$ 15,791</u>	<u>\$ 196,465</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (153,949)	\$ (32,085)	\$ (1,905)	\$ (187,939)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	81,785	15,332	2,003	99,120
Changes in assets and liabilities:				
(Increase) decrease in receivables	(7,650)	(915)	-	(8,565)
Increase (decrease) in accounts payable	10,242	21,186	(500)	30,928
Increase (decrease) in compensated absences	<u>(787)</u>	<u>(187)</u>	<u>-</u>	<u>(974)</u>
Net cash provided (used) by operating activities	<u>\$ (70,359)</u>	<u>\$ 3,331</u>	<u>\$ (402)</u>	<u>\$ (67,430)</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, 2019

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>7,152</u>
Total Assets	<u>\$ 7,152</u>
LIABILITIES	
Due to other agencies (Court)	\$ 441
Due to other agencies (County)	360
Deposits held for others	5,762
Due to other funds	450
Deposits held for others (court bonds)	<u>139</u>
Total Liabilities	<u>\$ 7,152</u>

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

STATE OF NEW MEXICO
VILLAGE OF MAGDALENA
Notes to Financial Statements
Year Ended June 30, 2019

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

Notes to Financial Statements (continued)

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

H. Deferred Outflows of Resources

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

I. Capital Assets

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

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

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

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

Notes to Financial Statements (continued)

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

J. Compensated Absences

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

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

K. Long-Term Obligations

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

L. Taxes

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

Motor Vehicle Registration Fees - Under the provisions of Chapter 66, Article 6, NMSA 1978, the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, certain specified amounts are distributed to various governmental agencies with the State, including; the Motor Vehicle Division, State Road fund, municipalities, and counties. After certain priority payments, as detailed in 66-6-23 NMSA 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	\$ 428,456
Wells Fargo	Agency	Checking	6,692
Wells Fargo	Meter	Checking	<u>17,803</u>
			<u>\$ 452,951</u>
NM Finance Authority			<u>\$ 146,383</u>
Total amount on deposit			\$ 599,334
Deposit in transit			4,977
Petty cash			500
Outstanding checks			<u>(24,200)</u>
Total per financial statements			<u>\$ 580,611</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	\$ 452,951
Less <u>FDIC</u>	<u>(250,000)</u>
Uninsured funds	202,951
Funds needing collateralization at 50% (required by State Law)	101,475
Pledged collateral at June 30	<u>(278,765)</u>
Excess of Pledged Collateral	<u>\$ 177,290</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, \$202,957 of the Village's bank balance \$452,951 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ -
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Village's name	<u>202,951</u>
Total	<u>\$ 202,951</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>
FHLB #3133XN4B2	12-9-22	<u>\$ 278,765</u>

The amount held at the New Mexico Finance Authority totaling \$146,383 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	\$ -	\$ 31,280
Less allowance for uncollectible accounts	<u>-</u>	<u>(2,500)</u>
Subtotal	-	28,780
Franchise taxes	710	-
Gross receipts taxes receivable	19,104	-
Property taxes receivable	137	-
Lodger's tax	-	-
Environmental gross receipts tax	480	-
Miscellaneous	<u>179</u>	<u>-</u>
Total	<u>\$ 20,610</u>	<u>\$ 28,780</u>

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable are recorded in the various funds. There was \$40,496 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 <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
Land	\$ 6,025	\$ -	\$ -	\$ 6,025
Total capital assets not being depreciated	<u>6,025</u>	<u>-</u>	<u>-</u>	<u>6,025</u>
Heavy equipment	411,349	-	-	411,349
Buildings	11,500	-	-	11,500
Infrastructure	4,550,034	268,194	-	4,818,228
Vehicles	87,436	-	-	87,436
Equipment	10,459	10,011	-	20,470
Total capital assets being depreciated	<u>5,070,778</u>	<u>278,205</u>	<u>-</u>	<u>5,348,983</u>
Less: accumulated depreciation	<u>(4,001,629)</u>	<u>(99,119)</u>	<u>-</u>	<u>(4,100,748)</u>
Total capital assets being depreciated	<u>1,069,149</u>	<u>179,086</u>	<u>-</u>	<u>1,248,235</u>
Net capital assets	<u>\$ 1,075,174</u>	<u>\$ 179,086</u>	<u>\$ -</u>	<u>\$ 1,254,260</u>

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

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
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	290,507	-	643,460
Buildings	2,547,484	-	-	2,547,484
Infrastructure	212,023	-	-	212,023
Vehicles	133,401	44,029	-	177,430
Equipment	17,900	13,643	-	31,543
Airport	126,751	-	-	126,751
Total capital assets being depreciated	<u>3,390,512</u>	<u>348,179</u>	<u>-</u>	<u>3,738,691</u>
Less: accumulated depreciation	<u>(2,661,596)</u>	<u>(131,266)</u>	<u>-</u>	<u>(2,792,862)</u>
Total capital assets being depreciated	<u>728,916</u>	<u>216,913</u>	<u>-</u>	<u>945,829</u>
Net capital assets	<u>\$ 997,805</u>	<u>\$ 216,913</u>	<u>\$ -</u>	<u>\$ 1,214,718</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, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Compensated absences payable	\$ 8,535	-	\$ 4,729	\$ 3,806	-
NMFA loan payable	211,018	-	29,744	181,274	30,192
	<u>\$ 219,553</u>	<u>-</u>	<u>\$ 34,473</u>	<u>\$ 185,080</u>	<u>\$ 30,192</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
2020	\$ 13,074	\$ 26	\$ 13,100
2021	13,087	13	13,100
	<u>\$ 26,161</u>	<u>\$ 39</u>	<u>\$ 26,200</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
2020	\$ 17,118	\$ 206	\$ 17,324
2021	17,189	138	17,327
2022	17,206	121	17,327
2023	17,224	104	17,328
2024	17,241	86	17,327
2025-2028	69,135	173	69,308
	<u>\$ 155,113</u>	<u>\$ 828</u>	<u>\$ 155,941</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, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Compensated absences payable	\$ 7,342	\$ -	\$ 974	\$ 6,368	\$ -
USDA Refunding loan	134,985	-	-	134,985	-
Meter loan payable	-	101,433	-	101,433	1,301
NMFA Loans	72,609	-	20,162	52,447	20,327
	<u>\$ 214,936</u>	<u>\$ 101,433</u>	<u>\$ 21,136</u>	<u>\$ 295,233</u>	<u>\$ 21,628</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
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	31,737	20,144	51,881
2025-2029	37,179	14,703	51,882
2030-2034	44,550	7,331	51,881
2035-2039	9,978	398	10,376
	<u>\$ 134,985</u>	<u>\$ 61,137</u>	<u>\$ 196,122</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
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>\$ 52,447</u>	<u>\$ 654</u>	<u>\$ 53,101</u>

Notes to Financial Statements (continued)

The Village entered into a loan agreement evidencing a special limited obligation of the Village to pay a principal amount of \$101,433 and interest for the purpose of defraying the cost of purchasing improvements to the Water Meter System. The yearly payments are to be paid from the income from operations of the Water System. The interest rate is 0.250%. The maturity date is May 1, 2039.

<u>Due Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,301	\$ 64	\$ 1,365
2021	5,153	250	5,403
2022	5,165	237	5,402
2023	5,178	225	5,403
2024	5,191	212	5,403
2025-2029	26,151	863	27,014
2030-2034	26,481	534	27,015
2035-2039	<u>26,813</u>	<u>201</u>	<u>27,014</u>
	<u>\$ 101,433</u>	<u>\$ 2,586</u>	<u>\$ 104,019</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>\$ 40,000</u>	<u>\$ 30,000</u>	<u>\$ 70,000</u>
<u>Balance of Transfers</u>			
Transfer to Library Fund	\$ 40,000	From General Fund	
Transfer to Proprietary Funds	<u>30,000</u>	From General Fund	
Total Interfund Transfers Between Governmental and Business-Type Activities	<u>\$ 70,000</u>		

10. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

<u>Revenues</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>
Accrual basis	\$ 661,991	\$ 85,714
Budget basis	<u>666,410</u>	<u>85,714</u>
Increase (decrease) in receivables/ Due from other funds	<u>\$ 4,419</u>	<u>\$ -</u>
 <u>Expenditures</u>		
Accrual basis	\$ 492,661	\$ 423,921
Budget basis	<u>495,832</u>	<u>423,921</u>
Increase (decrease) in compensated absences/payables	<u>\$ 3,171</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. 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 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 in effect during FY18						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		Tier 1	Tier 2	
STATE PLAN						
State Plan 3	7.42%	8.5%	7.4%	2.0%	2.0%	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%	10.4%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.4%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.9%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.9%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.9%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.4%	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, 2019, the Village of Magdalena reported a liability of \$307,714 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2018, the Village of Magdalena's proportion was 0.0193%, which was increased 0.0053% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village of Magdalena recognized pension expense of \$56,412. At June 30, 2019 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	\$ 27,899	\$ 1,769
Experience versus actual	8,893	8,079
Difference between projected and actual earnings on pension plan investments	22,822	-
Change in proportion	53,116	554
Village of Magdalena's contributions subsequent to the measurement date	<u>17,361</u>	<u>-</u>
Total	<u>\$ 130,091</u>	<u>\$ 10,402</u>

\$17,361 reported as deferred outflows of resources related to pensions resulting from Village of Magdalena contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended June 30:

2020	\$ 52,533
2021	29,248
2022	19,240
2023	1,307
2024	-

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: Municipal Police Division at June 30, 2019, the Village of Magdalena reported a liability of \$175,352 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2018, the Village of Magdalena's proportion was 0.0257%, which was decreased 0.0012% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village of Magdalena recognized pension expense of \$32,153. At June 30, 2019 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	\$ 20,008	\$ 1,072
Experience versus actual	8,584	17,382
Difference between projected and actual earnings on pension plan investments	12,067	-
Change in proportion	18,416	5,051
Village of Magdalena's contributions subsequent to the measurement date	<u>8,085</u>	<u>-</u>
Total	<u>\$ 67,160</u>	<u>\$ 23,505</u>

\$8,085 reported as deferred outflows of resources related to pensions resulting from Village of Magdalena contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended June 30:

2020	\$ 25,423
2021	7,121
2022	2,412
2023	614
2024	-

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA

Actuarial valuation date	June 30, 2017
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	7.25% annual rate, net of investment expense
- Projected benefit payment	100 years
- Payroll growth	3%
- Projected salary increases	3.25% to 13.50% annual rate
- Includes inflation at	2.50% - 2.75% all other years
- Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
-Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 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%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include		
Real Estate Equity	<u>20.00%</u>	6.48%
Total	<u>100.00%</u>	

Discount rate: A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Sensitivity of the 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

PERA Fund Municipal General Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Village of Magdalena's proportionate share of the net pension liability	<u>\$ 474,166</u>	<u>\$ 307,714</u>	<u>\$ 170,114</u>
PERA Fund Municipal Police Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.52%)
Village of Magdalena's proportionate share of the net pension liability	<u>\$ 269,619</u>	<u>\$ 175,352</u>	<u>\$ 98,501</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.

13. DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND

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

Utility Aid deposits	\$ 1,233
Hydrant Meter deposits	<u>17,780</u>
	<u>\$ 19,013</u>

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

Residential properties	\$ 75
Commercial properties	\$ 150

14. TAX ABATEMENTS

The Village of Magdalena has evaluated GASB 77 with regard to tax abatements and has determined that the Village is not a party to any agreements that abate taxes.

15. 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>Restricted for:</u>				
Fire protection	-	19,475	-	19,475
Public safety	-	-	-	-
Solid waste	-	-	9,678	9,678
Recreation services	-	-	21,002	21,002
Corrections	-	-	20,590	20,590
State mandated cash reserves	33,071	-	-	33,071
Capital outlay	-	-	-	-
Debt service	-	291	827	1,118
Total restricted	<u>33,071</u>	<u>19,766</u>	<u>52,097</u>	<u>104,934</u>
<u>Committed to:</u>				
Other purposes	-	-	-	-
Total committed	-	-	-	-
<u>Unassigned:</u>	<u>271,191</u>	<u>-</u>	<u>-</u>	<u>271,191</u>
Total Fund Balances	<u>\$ 304,262</u>	<u>\$ 19,766</u>	<u>\$ 52,097</u>	<u>\$376,125</u>

16. SUBSEQUENT EVENTS

A review of subsequent events through June 9, 2020, the date the financial statements were available to be issued, indicated nothing of audit significance.

**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, 2019

Statement A-1

	EMS Fund	Lodger's Tax Fund	Law Enforcement Protection Fund	Library Fund	Environmental GRT Fund	Corrections Fund	Total
ASSETS							
Cash on deposit	\$ -	\$ 2,356	\$ 827	\$ 18,646	\$ 9,198	\$ 20,590	\$ 51,617
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480</u>	<u>-</u>	<u>480</u>
Total assets	<u>\$ -</u>	<u>\$ 2,356</u>	<u>\$ 827</u>	<u>\$ 18,646</u>	<u>\$ 9,678</u>	<u>\$ 20,590</u>	<u>\$ 52,097</u>
LIABILITIES							
Accounts payable	<u>\$ -</u>	<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>	<u>-</u>
FUND BALANCE							
Restricted	<u>-</u>	<u>2,356</u>	<u>827</u>	<u>18,646</u>	<u>9,678</u>	<u>20,590</u>	<u>52,097</u>
Total fund balance	<u>-</u>	<u>2,356</u>	<u>827</u>	<u>18,646</u>	<u>9,678</u>	<u>20,590</u>	<u>52,097</u>
Total fund balance and liabilities	<u>\$ -</u>	<u>\$ 2,356</u>	<u>\$ 827</u>	<u>\$ 18,646</u>	<u>\$ 9,678</u>	<u>\$ 20,590</u>	<u>\$ 52,097</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, 2019

Statement A-2

	EMS Fund	Lodger's Tax Fund	Law Enforcement Protection Fund	Library Fund	Environmental GRT Fund	Corrections Fund	Totals
REVENUES							
Lodger's Taxes	\$ -	\$ 4,302	\$ -	\$ -	\$ -	\$ -	\$ 4,302
Gas taxes	-	-	-	-	-	-	-
Environmental gross receipts taxes	-	-	-	-	5,394	-	5,394
Charges for services	-	-	-	391	-	-	391
Licenses and permits	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	48	-	10,738	10,786
Local sources	-	-	-	1,003	-	-	1,003
State sources	13,643	-	20,600	13,535	-	-	47,778
Federal sources	-	-	-	-	-	-	-
Earnings from investments	-	-	196	-	-	-	196
Total revenues	13,643	4,302	20,796	14,977	5,394	10,738	69,850
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Public safety	-	-	7,070	-	-	-	7,070
Culture and recreation	-	5,978	-	38,290	-	-	44,268
Capital outlay	13,643	-	-	-	-	-	13,643
NMFA principal	-	-	13,061	-	-	-	13,061
NMFA interest	-	-	39	-	-	-	39
Total expenditures	13,643	5,978	20,170	38,290	-	-	78,081
Excess (deficiency) of revenues over expenditures	-	(1,676)	626	(23,313)	5,394	10,738	(8,231)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	40,000	-	-	40,000
Transfers out	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	40,000	-	-	40,000
Net change in fund balance	-	(1,676)	626	16,687	5,394	10,738	31,769
Fund balance, beginning of year	-	4,032	201	1,959	4,284	9,852	20,328
Fund balance, end of year	\$ -	\$ 2,356	\$ 827	\$ 18,646	\$ 9,678	\$ 20,590	\$ 52,097

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	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
Village of Magdalena's proportion of net pension liability (asset)	0.01930%	0.01400%	0.01410%	0.01260%	0.01250%
Village of Magdalena's proportionate share of the net pension liability (asset)	\$ 307,714	\$ 192,372	\$ 225,270	\$ 128,468	\$ 97,513
Village of Magdalena's covered-employee payroll	\$ 234,476	\$ 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	131.23%	91.56%	141.19%	76.22%	72.56%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the 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	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
Village of Magdalena's proportion of net pension liability (asset)	0.02570%	0.02690%	0.02270%	0.01700%	0.01500%
Village of Magdalena's proportionate share of the net pension liability (asset)	\$ 175,352	\$ 149,447	\$ 167,488	\$ 81,746	\$ 48,898
Village of Magdalena's covered-employee payroll	\$ 79,839	\$ 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	219.63%	151.46%	166.44%	104.00%	79.05%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the 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*

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 17,361	\$ 15,547	\$ 13,199	\$ 12,336	\$ 9,979
Contributions in relation to the contractually required contribution	<u>(17,361)</u>	<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>	<u>\$ -</u>
Village of Magdalena's covered-employee payroll	\$ 234,476	\$ 210,108	\$ 159,547	\$ 168,567	\$ 134,385
Contributions as a percentage of covered-employee payroll	7.4%	7.4%	7.4%	7.4%	7.4%

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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*

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 8,085	\$ 10,262	\$ 10,467	\$ 8,145	\$ 6,305
Contributions in relation to the contractually required contribution	<u>(8,085)</u>	<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>	<u>\$ -</u>
Village of Magdalena's covered-employee payroll	\$ 79,839	\$ 98,672	\$ 100,627	\$ 78,321	\$ 61,859
Contributions as a percentage of covered-employee payroll	10.4%	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
Year Ended June 30, 2019

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

Assumptions. The Public Employee Retirement Association of New Mexico Annual Actuarial Valuations as of June 2018 report is available at <http://www.nmpera.org/>.

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 VILLAGE OF MAGDALENA
 Schedule of Changes in Assets
 and Liabilities - All Agency Funds
 Year Ended June 30, 2019

	Balances June 30, 2018	Additions	Deletions	Balances June 30, 2019
ASSETS				
Cash	\$ 2,341	\$ 15,145	\$ 10,334	\$ 7,152
Total assets	<u>\$ 2,341</u>	<u>\$ 15,145</u>	<u>\$ 10,334</u>	<u>\$ 7,152</u>
LIABILITIES				
Deposits held for others	\$ 1,961	\$ 8,029	\$ 4,089	\$ 5,901
Due to other agencies	360	6,516	6,075	801
Due to other funds	20	600	170	450
Total liabilities	<u>\$ 2,341</u>	<u>\$ 15,145</u>	<u>\$ 10,334</u>	<u>\$ 7,152</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. Brian Colón
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, 2019 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 June 9, 2020.

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.

We consider the deficiencies described in the accompanying Schedule of Findings and Responses listed as Drug Test Listing - (2019-010), Prior Village Clerks Signature Being Used After Their Resignation - (2019-013), Municipal Court Software Infiltrated as a Result of Malware - (2019-015), No Closeout Policy or Procedures for Employees/Clerk When They Leave - (2019-020), and Notifications Concerning Possible Criminal Acts - (2019-021) to be material weaknesses.

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 consider the deficiencies described in the accompanying Status of Findings and Responses listed as Significant Deficiencies; Ambulance Service Billings and Accounts Receivable - (2018-002), Capital Asset Listing/Depreciation Schedule - (2019-004), Tipping Fees not Being Paid Timely - (2019-006), Southwest Council of Governments Acting as Chief Procurement Officer for the Village - (2019-007), Salary Budgets - (2019-009), and Outstanding Utility Receivables and Allowance for Doubtful Accounts - (2019-014) to be Significant Deficiencies.

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), Court Reports Prepared and Submitted Late - (2018-003) and Library Receipts Not Deposited Timely - (2018-004), Late Audit Report - (2019-001), Chief Procurement Officer - (2019-002), Transfers Between Funds - (2019-003), Water Meter Deposits - (2019-005), Missing Documents - (2019-008), Budget Overruns - (2019-011), Court Bonds Incorrect - (2019-012), Board Meeting Minutes not Approved - (2019-016), Returned Check Still Outstanding - (2019-017), Unknown Revenues Received - (2019-018) and Stale Dated Check - (2019-019).

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.

Rosa Acosta, CPA

Albuquerque, New Mexico

June 9, 2020

STATUS OF FINDINGS AND RESPONSES

Prior Year Audit Findings:

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

Current Year Audit Findings:

1. Late Audit Report - (2019-001)
2. Chief Procurement Officer - (2019-002)
3. Transfers Between Funds - (2019-003)
4. Capital Asset Listing/Depreciation Schedule - (2019-004)
5. Water Meter Deposits - (2019-005)
6. Tipping Fees not Being Paid Timely - (2019-006)
7. Southwest Council of Governments Acting as Chief Procurement Officer for Village - (2019-007)
8. Missing Documents - (2019-008)
9. Salary Budgets - (2019-009)
10. Drug Test Listing - (2019-010)
11. Budget Overruns - (2019-011)
12. Court Bonds Incorrect - (2019-012)
13. Prior Village Clerks Signature Being Used After their Resignation - (2019-013)
14. Outstanding Utility Receivables and Allowance for Doubtful Accounts - (2019-014)
15. Municipal Court Software Infiltrated as a Result of Malware - (2019-015)
16. Board Meeting Minutes Not Approved - (2019-016)
17. Returned Check Still Outstanding - (2019-017)
18. Unknown Revenues Received - (2019-018)
19. Stale Dated Check - (2019-019)
20. No Closeout Policy or Procedures for When Employee/Clerk Leave - (2019-020)
21. Notifications Concerning Possible Criminal Acts - (2019-021)

SUMMARY OF AUDIT RESULTS:

Type of auditor's report issued:	Unmodified
• Material weakness(es) identified	Drug Test Listing-(2019-010), Prior Village Clerks Signature Being Used After Their Resignation-(2019-013), Municipal Court Software Infiltrated as a Result of Malware-(2019-015, No Closeout Policy on Procedures for When Employees/Clerk Leave-(2019-020) and Notifications Concerning Possible Criminal Acts-(2019-021).
• Significant deficiency(ies) identified that are not considered to be material weaknesses	Ambulance Service Billings and Accounts Receivable-(2018-002), Capital Asset Listing/Depreciation Schedule-(2019-004), Tipping Fees not Being Paid Timely-(2019-006), Southwest Council of Governments Acting as Chief Procurement Office for the Village-(2019-007), Salary Budgets-(2019-009) and Outstanding Utility Receivables and Allowance for Doubtful Accounts-(2019-014).
• Noncompliance material to financial statements noted	None

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. The Village has made no progress in this area.
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 lodger's tax audit completed by June 30, 2021. Due to multiple persons filling the Clerk/Treasurer's position since January 2019, there has been minimal or no oversight of Village finance operations. In addition, there have been challenges in working without current accounting software. The Governing body will examine policies pertaining to which business pay Lodger's tax.

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. The Village has made no progress in this area.
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	Due to multiple persons filling the Clerk/Treasurer's position since January 2019, there has been minimal oversight of the Village finance operations. In addition, there have been challenges in working with our current accounting software. The Assistant Clerk & Deputy Clerk will be assigned the task of reconciling EMS Billing Services. These records will be up-to date by September 1, 2020.

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

CONDITION	For one out of twelve months the AOC and JEC reports were prepared and filed late. The Village has made no progress in this area.
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 are being submitted on time. The finding was the only late report submitted in Fiscal Year 2019. The Court Clerk will continue to submit reports each month in a timely manner. The Deputy Clerk/Court Clerk is the responsible arty.

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. The Village has made no progress in this area.
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. The Village Clerk will ensure that library monies are receipted on the days they are received. Process has been addressed and will begin on June 1, 2020.

Late Audit Report - Other Non-Compliance

(2019-001)

CONDITION	The audit report was not submitted to the State Auditors Office by the required deadline of December 15, 2019.
CRITERIA	The State Audit Rule requires all Municipal audits to be submitted by the December 15 deadline.
CAUSE	There was a change in management which created a problem obtaining required documents to perform the 2019 fiscal year audit.
EFFECT	The SAO Rule has not been followed.
RECOMMENDATION	The Village has a new Village Clerk helping resolve issues and restore the books to the auditable state. This process should continue to ensure all future audits are submitted by the required deadline.
RESPONSE	Due to multiple persons filling the Clerk/Treasurer's position since January 2019, there has been minimal or no oversight of the Village finance operations. In addition, there have been challenges in working with our current accounting software. The Village has committed additional resources to bring our records up-to-date. The Mayor will see that the 2020 audit is submitted by the December 2020 deadline.

Chief Procurement Officer - Other Non-Compliance
(2019-002)

CONDITION As of June 30, 2019, the Village did not have a Chief Procurement Officer.

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

CAUSE The employee that had the CPO certification resigned in February, 2019. Between March, 2019 to June, 2019 another employee was not certified to perform this duty.

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

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

RESPONSE Due to turnover in the Clerk/Treasurer's position and with the advent of the COVID-19 pandemic, training has not been available to the Clerk and Deputy Clerk. Management will instruct at least employee to participate in the next available training and to move towards securing Chief Procurement Officer status.

Transfers Between Funds - Other Non-Compliance
(2019-003)

CONDITION	The DFA quarterly report did not properly report transfers between funds.
CRITERIA	Transfers between funds should be accurate and properly supported.
CAUSE	Management was not adequately trained on how to record transfers between funds.
EFFECT	The books of record incorrectly shows transfers. Other financing sources and uses are recorded that are incorrect.
RECOMMENDATION	New management should be trained on how to record transfers between bank accounts immediately.
RESPONSE	Due to multiple persons filling the Clerk/Treasurer position since January 2019, there has been minimal or no oversight of Village finance operations. In addition, there have been challenges in working with the current accounting software. Management will see that the Village Treasurer is trained to record transfers between funds no later than December 31, 2020.

Capital Asset Listing/Depreciation Schedule -
Significant Deficiency
(2019-004)

CONDITION	The Village did not provide a Capital Asset Listing and Depreciation Schedule that had current year additions and current year depreciation for the fiscal year ending June 30, 2019.
CRITERIA	A complete clear capital asset listing segregated by fund by major class needs to be prepared annually. A depreciation schedule should be maintained. The depreciation schedule should be separated by each major class of asset to comply with GASB 34.177a. Also, a depreciation schedule is required to comply with 2.20.1.12 NMAC.
CAUSE	A change in management occurred during the year. Because of this, this information was not prepared before the audit commenced.
EFFECT	Management is not complying with Generally Accepted Accounting Principles.
RECOMMENDATION	Management should update their capital asset list including depreciation based on the policy approved by the Board.
RESPONSE	Due to multiple persons filling the Clerk/Treasurer position since January 2019, there has been minimal or no oversight of Village finances. In addition, there have been challenges in working with our current accounting software. This matter will be addressed as quickly as possible, and by June 30, 2021 at the latest.

Water Meter Deposits - Other Non-Compliance

(2019-005)

CONDITION The Village did not reconcile the meter deposit at the end of the fiscal year. The list only posts \$16,955 in deposits due. The bank account however, shows \$17,780 due.

CRITERIA The monthly meter deposit list should be reconciled and agreed to the reconciled bank account each month. This complies with good accounting practices.

CAUSE A change in management occurred during the year. Because of this, this information was not adequately reconciled.

EFFECT Amounts owed to water users are not being properly accounted for.

RECOMMENDATION Management should designate an employee to perform this duty each month, identify differences and resolve those differences.

RESPONSE Due to multiple persons filling the Clerk/Treasurer position since January 2019, there has been minimal or no oversight of Village finances. In addition, there have been challenges in working with our current accounting software. The monthly meter deposit list is now being reconciled in a timely manner. The Deputy Clerk will be responsible for resolving and identifying water user account differences. This practice will go into effect no later than September 1, 2020.

Tipping Fees not Being Paid Timely -
Significant Deficiency
(2019-006)

CONDITION	A total of \$17,083 worth of tipping fees were not submitted to the City of Socorro for services rendered for the months of January, 2018 to June, 2018 until the 2020 fiscal year.
CRITERIA	Proper accounting procedures dictate that all amounts due are paid promptly to avoid any penalties or interest charges.
CAUSE	The cause is unknown.
EFFECT	The Solid Waste Fund owes \$17,083 to the City of Socorro as of June 30, 2019.
RECOMMENDATION	Management should ensure that all monies due are paid timely to avoid penalties and interest charges.
RESPONSE	Every effort is being made to pay past tipping fees. A Budget Adjustment Resolution was recently passed by the Governing Body. This BAR allowed for late payments to be made. Management plans to continue to pay late fees along with current fees at least on a quarterly basis. The Village plans to have all back fees paid no later than March 2021. This is subject to revenue coming in.

Southwest Council of Governments Acting as Chief Procurement
Officer for the Village - Significant Deficiency
(2019-007)

CONDITION The SWCOG was providing their signature on Purchase Orders as the Chief Procurement Officer for the Village. The situation however showed payments on the Purchase Orders occurred before the SWCOG could properly review and approve those purchases. Thus, defeating the purpose of having an outside entity review these purchase orders. Also, there is no regulation allowing an outside entity to perform these duties.

CRITERIA NM State Statute 13-1-95.2 allows only certified Chief Procurement Officers to approve procurements pursuant to the Procurement Code.

CAUSE A change over in management occurred during the fiscal year. Because of this the only employee that was a certified CPO no longer worked at the Village. Management did not ensure another employee obtained the certification.

EFFECT Management is not complying with NM State Statute 13-1-95.2.

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

RESPONSE I believe that this is a duplicate of finding 2019-002, the same statutes are cited. Due to restrictions implemented because of the COVID-19 pandemic, neither the Deputy Clerk nor the Clerk/Treasurer, have had an opportunity to get training and certification. At least one employee will be sent for training and certification at the first possible opportunity. The goal for completion will be no late than June 30, 2021.

Missing Documents - Other Non-Compliance
(2019-008)

CONDITION	There was no supporting documentation for \$867 spent through the Agency Fund. There was no requisition purchase order or invoice to support this expenditure.
CRITERIA	DFA regulations require supporting documentation for all expenditures.
CAUSE	The cause is unknown.
EFFECT	This expenditure may not be owed by the Village.
RECOMMENDATION	Management should ensure all payments have the supporting documentation required by DFA.
RESPONSE	Due to multiple persons filling the Clerk/Treasurer position since January 2019, there has been minimal or no oversight of Village finances. In addition, there have been challenges in working with our current accounting software. This matter will be addressed by ensuring that supporting documentation is supplied for all future expenditures.

Salary Budgets - Significant Deficiency
(2019-009)

CONDITION	Six out of six employees tested were paid more than the amount budgeted for in the DFA budget report approved by the Council and DFA.
CRITERIA	All positions are budgeted at the beginning of the fiscal year. All employees in those positions must be paid within those approved budgets.
CAUSE	The cause is unknown.
EFFECT	Employees may have been paid over the approved budget.
RECOMMENDATION	Management should ensure that all payroll records are available and reviewed periodically to ensure no positions are paid over the approved budgeted amount.
RESPONSE	Due to multiple persons filling the Clerk/Treasurer position since January 2019, there has been minimal or no oversight of Village finances. In addition, there have been challenges in working with our current accounting software. This matter will be addressed by management no later than June 20, 2021.

Drug Test Listing - Material Weakness
(2019-010)

CONDITION	Management did not place any CDL employees on a list of any kind so that a random drug test could occur.
CRITERIA	According to the Federal Motor Carrier Safety Administration employees with CDL duties must be tested upon their hiring and then be placed on a list to ensure a random drug test can be done.
CAUSE	Management did not ensure this list was complete and updated for the new fiscal year.
EFFECT	The Village could be fined \$10,000 by the FMCSA.
RECOMMENDATION	The Village needs to place drivers on a drug-testing list immediately.
RESPONSE	Our Village has no designated Human Resource person. Management will implement a drug-testing list no later than December 31, 2020.

Budget Overruns - Other Non-Compliance
(2019-011)

CONDITION	The Village overspent the final approved budgets of the Lodgers Tax Fund by \$1,019.
CRITERIA	NMSA 1978 Section 22-8-11 B requires all funds to be spent within the established guidelines set for budgets.
CAUSE	Management did not ensure budget adjustment requests were obtained from the DFA by the required deadline.
EFFECT	The Village had the adequate cash to pay the overruns but not the required budget authority from DFA.
RECOMMENDATION	Management should review its budget quarterly and request all budget adjustments at that time to ensure budget overruns do not occur.
RESPONSE	Due to multiple persons filling the Clerk/Treasurer position since January 2019, there has been minimal or no oversight of Village finances. In addition, there have been challenges in working with our current accounting software. The Village has recently invested resources to help get caught up with quarterly reports, Budget Adjustment Resolutions and finance record keeping. This issue is currently being addressed

Court Bonds Incorrect - Other Matter
(2019-012)

CONDITION	Management is reporting \$139 due to an individual for a Court Bond Payment. This amount however was applied to the individuals ticket according to the judge.
CRITERIA	Financial Statements need to be accurate and properly supported.
CAUSE	There was a change in Management during the year.
EFFECT	The Books of Record show a Court Bond amount of \$139 due to the bond holder incorrectly.
RECOMMENDATION	Management should ensure all cash amounts and payables are correctly reported on the books of record.
RESPONSE	The Deputy Clerk who is also the Court Clerk, is or has corrected this error. The Court Clerk will ensure that all future cash amounts and payables are correctly reported on the books of record.

Prior Village Clerks Signature Being Used After Their Resignation
- Material Weakness
(2019-013)

CONDITION Purchase Orders were being approved with the newly resigned Clerks signature. (For up to 3 months after she resigned).

CRITERIA All uses of signatures must cease when an employee resigns or retires.

CAUSE The cause is unknown.

EFFECT Documents used with a prior employees signature could invalidate those documents.

RECOMMENDATION Management needs to discontinue using prior employees signature immediately.

RESPONSE The Mayor will see that this mistake is not made again. There is an interim CPO handling Purchase Orders until one or more staff members has an opportunity to attend training and to receive certification. Our goal is to have this take place by December 31, 2020. Staff has been informed of the severity of using another party's signature, regardless of their employment status. Once the Mayor discovered the signed form, he immediately corrected the situation.

Outstanding Utility Receivables and Allowance for
Doubtful Accounts - Significant Deficiency
(2019-014)

CONDITION	The Utilities department did not print the aged accounts receivable reports monthly so the finance department can reconcile the balances to the trial balances. Because of this situation the allowance for doubtful accounts could not be analyzed to see if it was adequate or not.
CRITERIA	The Utilities department is to produce the aged accounts receivable report so the finance department can reconcile it to the trial balances. Also, the aged accounts receivable report needs to be used to review the allowance and determine if that allowance is adequate.
CAUSE	A change in management occurred during the year.
EFFECT	Management may be overstating/understating their receivables. Also, the allowance for doubtful accounts may be understated.
RECOMMENDATION	The Utility department needs to start printing this report monthly as soon as possible. Once this report is obtained the allowance should be reviewed and determined adequate or adjusted.
RESPONSE	Due to multiple persons filling the Clerk/Treasurer position since January 2019, there has been minimal or no oversight of Village finances. In addition, there have been challenges in working with our current accounting software. This matter will be addressed as quickly as possible by staff, no later than June 30, 2021.

Municipal Court Software Infiltrated as a Result of
Malware - Material Weakness
(2019-015)

CONDITION	The Courts computer was infiltrated by malware which resulted in the information being encrypted and ransom-ware installed.
CRITERIA	All computers/computer programs need to have the proper anti-malware/anti-virus/firewall protections.
CAUSE	The cause is unknown.
EFFECT	The Village had to obtain \$3,000 to change the Courts access (remote) to the information needed.
RECOMMENDATION	The Village should continue limiting the software as a remote access from the Court and continue installing any new software at the Village Hall so it can be adequately protected and backed up daily.
RESPONSE	The Village will seek expert advice on this matter no later than September 1, 2020.

Board Meeting Minutes Not Approved - Other Matter
(2019-016)

CONDITION	The Board Meeting Minutes of February 25, 2019 and April 13, 2020 were not approved.
CRITERIA	According to 10-16-1 G of the Open Meetings Act "Minutes shall not become official until approval by the policy making body."
CAUSE	The cause is unknown.
EFFECT	The February 25, 2019 minutes do not appear to be official in the format they are currently presented.
RECOMMENDATION	Each official set of minutes should be approved to comply with the Open Meetings Act.
RESPONSE	Due to multiple persons filling the Clerk/Treasurer's position since January 2019, there has been minimal or no oversight of Clerk operations. Staff has been informed of the importance of details when it comes to public records. More attention will be paid to compliance with Open Meetings Act.

Returned Check Still Outstanding - Other Matter
(2019-017)

CONDITION	A traffic citation in the amount of \$179 is still shown as a receivable on the books of record because the individuals payment bounced at the bank. To date, (eleven months later) no one at the Village has tried to obtain the amount due.
CRITERIA	Assets of the Village need to be adequately safeguarded. This includes enforcing the receipt of all monies owed.
CAUSE	The Village has had several turnovers in staff during the year.
EFFECT	Revenues owed to the Village are not being received.
RECOMMENDATION	Management should take steps to investigate and collect the amount due to the Village.
RESPONSE	The Court Clerk will address this matter with the Judge. This matter will be resolved no later than September 30, 2020.

Unknown Revenues Received - Other Matter
(2019-018)

CONDITION	The Village received \$475 from the U.S. Treasury. No one at the Village knows why this amount was received, what it is for or which fund it belongs to. It was recorded in the General Fund under Miscellaneous.
CRITERIA	All revenues need to be adequately characterized and recorded (posted) to the correct fund.
CAUSE	The Village has had several turnovers in staff during the year.
EFFECT	The Village may owe this back to the U.S. Treasury or it may not be recorded in the correct fund.
RECOMMENDATION	Any monies deposited directly into the Village's bank account should be investigated immediately to ensure it is earned, valid and which fund it belongs to.
RESPONSE	Due to multiple persons filling the Clerk/Treasurer position since January 2019, there has been minimal or no oversight of Village finances. In addition, there have been challenges in working with our current accounting software. Better oversight is already happening and will continue to improve.

Stale Dated Check - Other Matter
(2019-019)

CONDITION The Village has a check dated 9/18/18 for \$23 that is still being carried as outstanding on the Meter bank reconciliation.

CRITERIA Section 7-8A NMSA 1978, and related regulations require the Village provide information about the payee and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for checks that were distributed but not cashed within one year.

CAUSE The Village did not implement an internal control policy to account for stale dated outstanding checks.

EFFECT The Village is in violation of Section 7-8A NMSA 1978, and related regulations.

RECOMMENDATION The Village should implement a procedure to review the outstanding check list for all bank accounts and track stale dated checks. If checks on the outstanding check list are greater than one year old take appropriate steps to ensure the funds are reported to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

RESPONSE Due to multiple persons filling the Clerk/Treasurer position since January 2019, there has been minimal or no oversight of Village finances. In addition, there have been challenges in working with our current accounting software. Every effort is being made to review outstanding checks and to deal with "stale" dated checks. Staff will get instruction on how to work with the Unclaimed Property Division of the New Mexico Taxation and Revenue Department to report old checks.

No Closeout Policy or Procedures for When Employees/Clerk Leave -
Material Weakness
(2019-020)

CONDITION Management has no Policy documenting the procedures that need to be followed when an employee (especially the Village Clerk) leaves.

CRITERIA Proper internal controls includes a policy documenting closeout procedures when an employee/Clerk leaves.

CAUSE The cause is unknown.

EFFECT The prior Village Clerks signature was still being used on documents.

RECOMMENDATION The Council should approve a policy immediately.

RESPONSE The Clerk/Treasurer has prepared a Departing Employee Checklist and is working with legal to write a policy for documenting end-of-employment procedures. This process will be completed and brought before the Governing Body no later than July 31, 2020.

Notifications Concerning Possible Criminal Acts - Material
Weakness
(2019-021)

CCNDITION	The Village had two situations during the year that should have been brought to the attention of the State Auditor's Office, according to NMSA 1978 Section 12-6-6. The first is the violation of using the prior Village Clerk's Signature after their resignation. (Please see Finding 2019-013). The second is the Municipal Court Software that was infiltrated as a result of Malware. (Please see Finding 2019-015).
CRITERIA	According to NMSA 1978 Section 12-6-6 concerning possible criminal violations "An agency shall report a violation immediately to the State Auditor."
CAUSE	Neither Management nor the Board notified the State Auditor's Office. Also, neither the Board nor Management may have been aware of this requirement.
EFFECT	The Village did not comply with this specific State Statute. Also, possible criminal violations occurred that were not investigated properly with the State Auditor's Offices knowledge.
RECOMMENDATION	When any possible criminal violation occurs the Village must notify the State Auditor's Office immediately.
RESPONSE	<p>The Village has experienced considerable turnover in the Clerk/Treasurer positions.</p> <p>As the issuing of Purchase Orders is an automated process, use of the former Clerk's electronic signature was an oversight, and will not be allowed in the future.</p> <p>Village personnel report notifying the Administrative office of the Courts and Judicial Education about the infiltration of the Municipal Court Software.</p>

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2019 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 June 9, 2020, to discuss the current audit report. In attendance were Mr. Richard Rumph, Mayor, Ms. Harvan Conrad, Trustee, Ms. Deborah Abingdon, Clerk/Treasurer, Ms. Carleen Gomez, Deputy Clerk and Ms. Pamela A. Rice, CPA, Contract Auditor.