

**STATE OF NEW MEXICO**

**VILLAGE OF MAXWELL**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2016**

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## **INTRODUCTORY SECTION**

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State of New Mexico  
Village of Maxwell  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2016

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OFFICIAL ROSTER  
June 30, 2016

| <u>Name</u> | <u>Title</u> |
|-------------|--------------|
| Don Flynn   | Mayor        |

Village Council

|                    |                |
|--------------------|----------------|
| Ben Garcia         | Mayor Pro Tem  |
| Steve Pompeo       | Council Member |
| Linda McFadden     | Council Member |
| Shantelle Gallegos | Council Member |

Village Officials

|                    |                        |
|--------------------|------------------------|
| Shawn Jeffrey, MMC | Clerk/Treasurer        |
| Joy Terry          | Deputy Clerk           |
| Elmer Chavez       | Maintenance Supervisor |

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
Village of Maxwell  
Maxwell, New Mexico

### **Report on Financial Statements**

We were engaged to audit 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 of the general fund of the Village of Maxwell (the "Village") as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Village of Maxwell's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the Village of Maxwell's nonmajor special revenue funds and the budgetary comparisons for the nonmajor special revenue funds and major capital project funds, and the enterprise presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents. We did not audit the 2016 Village of Maxwell Housing Authority. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Village, is based solely on the report of the other auditors. We also did not audit the 2015 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employees Retirement Association (PERA), the administrator of the cost sharing pension plan for the Village. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Village, is based solely on the report of the other auditors.

### **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. Because of the matters described in the Basis for Disclaimer of Opinions paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements as identified above under Report on Financial Statements.

An audit involves performing procedures to obtain 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 Village of Maxwell'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 Village of Maxwell'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 were not able to obtain sufficient and appropriate audit evidence to provide a basis for our audit opinions.

### **Basis for Disclaimer of Opinion**

The Village of Maxwell was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the Village's financial statements as of and for the year ended June 30, 2016, particularly with respect to the expenditures.

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Salaries and wages make up 36% of the Village's total expenditures and they could not be validated along with other non-payroll expenditures.

It was impracticable to extend our audit procedures sufficiently to determine the extent to which Village of Maxwell's financial statements as of and for the year ended June 30, 2016 may have been affected by the matters discussed in the preceding paragraph; accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements as of and for the year ended June 30, 2016.

### **Disclaimer of Opinion**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13-20, the Schedule of Proportionate Share of Net Pension liability on page 85, the Schedule of Contributions on page 87, and the notes to required supplementary information on page 89 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 the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our engagement to audit 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**

We were engaged for the purpose of forming opinions on the Village of Maxwell's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the engaged auditing procedures applied in the engagement to audit the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2017 on our consideration of the Village of Maxwell'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 Maxwell's internal control over financial reporting and compliance.

*Precision Accounting, LLC*

Precision Accounting, LLC  
Albuquerque, New Mexico  
January 27, 2017

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STATE OF NEW MEXICO  
Village of Maxwell  
Management's Discussion and Analysis  
for the Year Ended June 30, 2016  
Unaudited

As management of the Village of Maxwell, we offer readers of the Village of Maxwell's financial statements this narrative overview and analysis of the financial activities of the Village of Maxwell for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements of the Village of Maxwell and additional information provided.

#### FINANCIAL HIGHLIGHTS

- The assets \$1,942,107 of the Village of Maxwell exceeded its liabilities of \$275,742 at the close of the most recent fiscal year by \$1,666,365 (*net position*). Of this amount, \$161,369 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$(93,117) during the fiscal year.
- As of June 30, 2016, the Village's governmental funds reported combined ending fund balances of \$428,867 of this total; \$165,782 is restricted for special revenue funds and \$115 is restricted for capital projects funds.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Maxwell's basic financial statements. The Village of Maxwell's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Maxwell's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Village of Maxwell's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village of Maxwell is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Maxwell that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Maxwell include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the Village include Garbage, Sewer and Water Utility billing, Cemetery services and various licensing.

The government-wide financial statements can be found at Exhibits A-1 and A-2 of this report.

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Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Maxwell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Maxwell can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds.* *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Village's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Maxwell maintains six individual governmental funds organized according to their type. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund and the CDBG Capital Project Funds, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village of Maxwell adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund and the CDBG Capital Project Funds to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found at exhibits B-1 through D-3 of this report.

*Proprietary funds.* Proprietary funds are generally used to account for services for which the Village charges customers either outside customers or internal units or departments of the Village. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-55 of this report.

Combining statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 63-81 of this report.

Component Unit, Maxwell Housing Authority. The Management Discussion and Analysis is addressed in a separately issued audit report. The financial reporting entity information is presented in note 1.A. Financial Reporting Entity.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the second year that the Village has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB #34), *Basic Financial Statements –and Management's Discussion and Analysis (MD&A) -for State and Local Governments*.

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Maxwell, the governmental activities assets exceeded liabilities by \$680,859 at the close of the current fiscal year.

The largest portion of the Village of Maxwell's net position represents the Village's investment of \$1,349,842 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment); less any related outstanding debt used to acquire those assets. The Village of Maxwell uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Maxwell's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

| <b>Village of Maxwell's Net Position</b>                           |               |                   |            |               |                   |             |
|--|---------------|-------------------|------------|---------------|-------------------|-------------|
|  | June 30, 2016 |                   |            | June 30, 2015 |                   |             |
|  | Governmental  | Business-<br>Type | Total      | Governmental  | Business-<br>Type | Total       |
| <b>Assets</b>  |               |                   |            |               |                   |             |
| Current and other assets   | \$ 457,517    | \$ 40,822         | \$ 498,339 | \$ 428,294    | \$ 30,988         | \$ 459,282  |
| Capital assets, net of accumulated depreciation                    | 427,134       | 1,010,785         | 1,437,919  | 406,044       | 1,057,573         | 1,463,617   |
| Total Assets   | 884,651       | 1,051,607         | 1,936,258  | 834,338       | 1,088,561         | 1,922,899   |
| Deferred outflows of resources                                     | 8,674         | -                 | 8,674      | 9,190         | -                 | 9,190       |
| <b>Liabilities</b>   |               |                   |            |               |                   |             |
| Long-term liabilities outstanding                                  | 84,228        | 2,792             | 87,020     | 89,038        | 5,272             | 94,310      |
| Other Liabilities  | 28,650        | 63,309            | 91,959     | 13,589        | 62,081            | 75,670      |
| Total Liabilities  | 112,878       | 66,101            | 178,979    | 102,627       | 67,353            | 169,980     |
| Deferred inflows of resources                                      | 96,763        | -                 | 96,763     | 34,853        | -                 | 34,853      |
| <b>Net position</b>  |               |                   |            |               |                   |             |
| Net investment in Capital Assets                                   | 292,269       | 1,010,785         | 1,303,054  | 292,269       | 1,057,573         | 1,349,842   |
| Restricted   | 201,942       | -                 | 201,942    | 137,718       | -                 | 137,718     |
| Unrestricted   | 186,648       | (25,279)          | 161,369    | 276,061       | (36,365)          | 239,696     |
| Total Net Position   | 680,859       | 985,506           | 1,666,365  | 706,048       | 1,021,208         | 1,727,256   |
| Total Liabilities, Deferred inflows of resources, and Net Position | 890,500       | 1,051,607         | 1,942,107  | \$ 843,528    | \$ 1,088,561      | \$1,932,089 |

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A portion of the Village of Maxwell's net position represents resources that are subject to restrictions. The restrictions relate to capital projects and debt service.

At the end of the current fiscal year, the Village of Maxwell is able to report positive balances in all of the categories of net position, for the government as a whole as well as for the business-type activities.

The Village of Maxwell's total net position decreased by \$93,117 during the current fiscal year. This decrease is explained in the government and business-type activities discussion below, and is primarily a result of increased expenses in the governmental activities and increased expenses in the business-type activities during the fiscal year.

Changes in Net Position  
For the Year Ended June 30, 2016

| Analysis of Changes in Net Position           | Governmental Activities | Business-Type Activities | Total        |
|---|-------------------------|--------------------------|--------------|
| <b><u>Revenue</u></b>                         |                         |                          |              |
| <b>Program revenue</b>                        |                         |                          |              |
| Charges for Service                           | \$ 78,225               | \$ 116,149               | \$ 194,374   |
| Operating grants and contributions            | 136,992                 | -                        | 136,992      |
| Capital Grants and Contributions              | -                       | -                        | -            |
| <b>General Revenue</b>                        |                         |                          |              |
| Property Tax                                  | 14,088                  | -                        | 14,088       |
| Franchise Tax                                 | -                       | -                        | -            |
| Gross Receipts Tax                            | 25,055                  | -                        | 25,055       |
| Public Service Tax                            | -                       | -                        | -            |
| Interest Income                               | 88                      | -                        | 88           |
| Miscellaneous Revenues                        | 115,634                 | -                        | 115,634      |
| Total Revenue                                 | 357,402                 | 116,149                  | 473,551      |
| <b><u>Expenses</u></b>                        |                         |                          |              |
| General Government                            | 280,852                 | -                        | 280,852      |
| Public Safety                                 | 47,086                  | -                        | 47,086       |
| Culture and Recreation                        | 29,371                  | -                        | 29,371       |
| Health and Welfare                            | 58,388                  | -                        | 58,388       |
| Public Works                                  | 12,604                  | -                        | 12,604       |
| Capital Outlay                                | -                       | -                        | -            |
| Proprietary Funds                             | -                       | 152,365                  | 152,365      |
| Total Expenses                                | 428,301                 | 152,365                  | 580,666      |
| (Decrease) Increase in Assets before transfer | (56,940)                | (36,177)                 | (93,117)     |
| Transfers                                     | 1,279                   | -                        | 1,279        |
| (Decrease) Increase in Net position           | (56,940)                | (36,177)                 | (93,117)     |
| Net position, Beginning of Year restated      | 737,799                 | 1,021,683                | 1,759,482    |
| Ending Net position                           | \$ 680,859              | \$ 985,506               | \$ 1,666,365 |

Governmental activities: Governmental activities increased the Village of Maxwell's net position by \$(56,940). The key element of this increase is a result of the Village receiving additional funding through CDBG and mall cities assistance grants.

Business-type activities: Business-type activities decreased the Village's net position by \$36,177. The key element of this is that the Villages expenditures to operate the utilities exceeds its revenues.

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Changes in Net Position  
For the Year Ended June 30, 2015

|   | Governmental<br>Activities | Business-Type<br>Activities | Total        |
|---|----------------------------|-----------------------------|--------------|
| <b>Revenue</b>                                |                            |                             |              |
| <b>Program revenue</b>                        |                            |                             |              |
| Charges for Service                           | \$ 83,666                  | \$ 69,927                   | \$ 153,593   |
| Operating grants and contributions            | 128,801                    | -                           | 128,801      |
| Capital Grants and Contributions              | -                          | -                           | -            |
| <b>General Revenue</b>                        |                            |                             |              |
| Property Tax                                  | 17,256                     | -                           | 17,256       |
| Franchise Tax                                 | -                          | -                           | -            |
| Gross Receipts Tax                            | 23,967                     | -                           | 23,967       |
| Public Service Tax                            | -                          | -                           | -            |
| Interest Income                               | 288                        | -                           | 288          |
| Miscellaneous Revenues                        | 121,697                    | (377)                       | 121,320      |
| Total Revenue                                 | 375,675                    | 69,550                      | 445,225      |
| <b>Expenses</b>                               |                            |                             |              |
| General Government                            | 280,774                    | -                           | 259,161      |
| Public Safety                                 | 50,901                     | -                           | 62,337       |
| Culture and Recreation                        | -                          | -                           | -            |
| Health and Welfare                            | 10,469                     | -                           | -            |
| Public Works                                  | 16,679                     | -                           | -            |
| Capital Outlay                                | -                          | -                           | -            |
| Proprietary Funds                             | -                          | 104,817                     | 104,817      |
| Total Expenses                                | 358,823                    | 104,817                     | 463,640      |
| (Decrease) Increase in Assets before transfer | 16,852                     | (35,267)                    | (18,451)     |
| Transfers                                     | -                          | -                           | -            |
| (Decrease) Increase in Net position           | 16,852                     | (35,267)                    | (18,415)     |
| Net position, Beginning of Year, restated     | 689,186                    | 1,056,475                   | 1,745,671    |
| Ending Net position                           | \$ 706,048                 | \$ 1,021,208                | \$ 1,847,318 |

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Unaudited

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As noted earlier, the Village of Maxwell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Village of Maxwell's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village of Maxwell's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The types of Governmental funds reported by the Village include the General Fund, Special Revenue Funds, and Capital Project Funds.

As of the end of the current fiscal year, the Village of Maxwell's governmental funds reported combined ending fund balances of \$428,867 an increase of \$14,162 in comparison with the prior year. Of this amount, \$262,970 constitutes *unreserved fund balance*, which is available for spending at the government's discretion, \$165,782 constitutes reserved fund balances for special revenues and \$115 reserved fund balances for capital projects funds.

Revenues for governmental activities overall totaled \$371,714 in the fiscal year ended June 30, 2016, which represents a decrease of \$3,961 from the fiscal year ended June 30, 2015. Expenditures for governmental activities, totaling \$360,957 decreased by \$117,002 from the fiscal year ended June 30, 2015. In the fiscal year ended June 30, 2016, revenues exceeded expenditures by \$10,757.

The General Fund is the chief operating fund of the Village of Maxwell. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$262,970 of which was also unassigned.

The fund balance of the Village of Maxwell's general fund decreased by \$14,017 during the current fiscal year due to a decrease in revenues.

*CDBG Capital Project Fund.* The CDBG Capital Project Fund has a fund balance of \$115.

*Proprietary Funds.* The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the net position for the Garbage Fund, the Water & Sewer Fund, and the Cemetery Fund was \$(275), \$980,007 and \$5,774 respectively. The change in net position for the proprietary funds was \$(37,727). Factors concerning the finances of this fund have been addressed previously in the discussion of the Village's business-type activities.

STATE OF NEW MEXICO  
Village of Maxwell  
Management's Discussion and Analysis  
for the Year Ended June 30, 2016  
Unaudited

General Fund Budgetary Highlights

The Village budgets reflect the same pattern as seen in the revenue and expenditures of the Village. The State of New Mexico budget process is defined under state law and regulation. To enhance the process of developing a budget at the Village level, the Village of Maxwell utilizes goals and objectives defined by the Village Councilors, community input meetings, long term plans and input from various staff groups to develop the Village budget. The Village priorities are well defined through this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

General Fund Expenditure Budget Performance

| Final Budget | Actual non-GAAP<br>Cash Basis | Favorable/(Unfavorable)<br>Variance |
|--------------|-------------------------------|-------------------------------------|
| \$510,780    | \$265,785                     | \$244,995                           |

The Capital Project Funds are included in the original budget which is submitted to the Department of Finance and Administration (DFA). However, these funds are spent on a project-by-project basis so the budgets are constantly changing. The individual project budgets for these funds are created during the year through budget adjustment requests (BAR's).

Capital Asset and Debt Administration

Capital assets. The Village of Maxwell's capital assets for its governmental and business-type activities as of June 30, 2016 amount to \$1,437,919 (net of accumulated depreciation). Capital assets include land, infrastructure, buildings, and equipment. There was \$134,283 increase to the Village's governmental capital assets (excluding accumulated depreciation) for the current fiscal year due to the additions of buildings and improvements and equipment. There was \$78,244 increase (excluding accumulated depreciation) in business-type capital assets during the current fiscal year which was the result of a transfer from CDBG Grant Fund to the Water and Sewer Fund.

Capital Assets, June 30, 2016

|   | Governmental<br>Activities | Business-Like<br>Activities | Total        |
|---|----------------------------|-----------------------------|--------------|
| Land  | \$ 47,931                  | \$ -                        | \$ 47,931    |
| Buildings & Improvements                        | 867,895                    | -                           | 867,895      |
| Equipment                                       | 814,727                    | 44,162                      | 858,889      |
| Water & Sanitation Plant                        | -                          | 1,694,131                   | 1,694,131    |
| Construction in Progress                        | 6,807                      | -                           | 6,807        |
| Total capital assets                            | 1,737,360                  | 1,738,293                   | 3,475,653    |
| Accumulated depreciation                        | (1,331,316)                | (680,720)                   | (2,012,036)  |
| Capital assets, net of accumulated depreciation | \$ 406,044                 | \$ 1,057,573                | \$ 1,463,617 |

STATE OF NEW MEXICO  
Village of Maxwell  
Management's Discussion and Analysis  
for the Year Ended June 30, 2016  
Unaudited

Village of Maxwell's Outstanding Debt

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 7 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

Debt Administration- At the end of the current fiscal year, the Village of Maxwell had no long-term obligations, only long-term accrued compensated absences of \$2,792 in the business-like activities

See Note 8 in the accompanying Notes to the Financial Statements for further information regarding the Village of Maxwell's long-term debt.

Economic Factors and Next Year's Budgets and Rates

The Village of Maxwell has the approval of federal funding to explore water resources over the next couple of years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village of Maxwell's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

The Village of Maxwell Administration, Joy Terry, Village Clerk, Village of Maxwell, P.O. Box 356, 316 Maxwell Ave., Maxwell, New Mexico, 87728.



**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF NET POSITION**  
June 30, 2016

Exhibit A-1

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>        | <u>Component Unit<br/>Housing Authority</u> |
|---|------------------------------------|-------------------------------------|---------------------|---|
| <b>Assets</b>                               |                                    |                                     |                     |   |
| Current Assets                              |                                    |                                     |                     |   |
| Cash and cash equivalents                   | \$ 397,127                         | \$ 36,753                           | \$ 433,880          | \$ 52,703                                   |
| Taxes receivable                            | 4,947                              | -                                   | 4,947               | -   |
| Accounts receivable                         | 11,520                             | 2,687                               | 14,207              | 41  |
| Prepaid Insurance                           | -                                  | -                                   | -                   | 51  |
| Due from other funds                        | 43,923                             | -                                   | 43,923              | 300   |
| Inventory                                   | -                                  | 1,382                               | 1,382               | 3,858                                       |
| <b>Total Current Assets</b>                 | <u>457,517</u>                     | <u>40,822</u>                       | <u>498,339</u>      | <u>56,953</u>                               |
| Noncurrent Assets                           |                                    |                                     |                     |   |
| Restricted Cash                             | -                                  | -                                   | -                   | 4,156                                       |
| Capital assets                              | 1,773,405                          | 1,738,293                           | 3,511,698           | 1,029,502                                   |
| Less: accumulated depreciation              | (1,346,271)                        | (727,508)                           | (2,073,779)         | (851,803)                                   |
| <b>Total Capital Assets</b>                 | <u>427,134</u>                     | <u>1,010,785</u>                    | <u>1,437,919</u>    | <u>177,699</u>                              |
| Deferred outflows of resources              |                                    |                                     |                     |   |
| Post Measurement Date Contributions         | 5,849                              | -                                   | 5,849               | 2,825                                       |
| Change in Proportion                        | -                                  | -                                   | -                   | 715   |
| <b>Total Deferred outflows of resources</b> | <u>5,849</u>                       | <u>-</u>                            | <u>5,849</u>        | <u>3,540</u>                                |
| <b>Total Noncurrent Assets</b>              | <u>432,983</u>                     | <u>1,010,785</u>                    | <u>1,443,768</u>    | <u>185,395</u>                              |
| <b>Total Assets</b>                         | <u>\$ 890,500</u>                  | <u>\$ 1,051,607</u>                 | <u>\$ 1,942,107</u> | <u>\$ 242,348</u>                           |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF NET POSITION**  
June 30, 2016

Exhibit A-1

|  | Governmental<br>Activities | Business-type<br>Activities | Total               | Component Unit<br>Housing Authority |
|--|----------------------------|-----------------------------|---------------------|-------------------------------------|
| <b>Liabilities</b>   |                            |                             |                     |                                     |
| Current Liabilities  |                            |                             |                     |                                     |
| Accounts payable   | \$ 20,479                  | \$ 4,327                    | \$ 24,806           | \$ 1,738                            |
| Accrued salaries and benefits  | 6,427                      | 2,448                       | 8,875               | 2,071                               |
| Prepaid Rent   | -                          | -                           | -                   | 12                                  |
| Accrued compensated absences   | -                          | -                           | -                   | 2,334                               |
| Due to other funds   | 1,744                      | 42,179                      | 43,923              | -                                   |
| <b>Total Current Liabilities</b>   | <b>28,650</b>              | <b>48,954</b>               | <b>77,604</b>       | <b>6,155</b>                        |
| Noncurrent Liabilities   |                            |                             |                     |                                     |
| Accrued Compensated Absences   | -                          | 2,792                       | 2,792               | 4,147                               |
| Tenant Security Deposits   | -                          | 14,355                      | 14,355              | 4,156                               |
| Net Pension Liability  | \$ 84,228                  | -                           | 84,228              | 36,083                              |
| <b>Total Noncurrent Liabilities</b>                                      | <b>84,228</b>              | <b>17,147</b>               | <b>101,375</b>      | <b>44,386</b>                       |
| <b>Total Liabilities</b>   | <b>112,878</b>             | <b>66,101</b>               | <b>178,979</b>      | <b>50,541</b>                       |
| Deferred inflows of resources  |                            |                             |                     |                                     |
| Unavailable revenue-property taxes                                       | 4,947                      | -                           | 4,947               | -                                   |
| Change in Assumptions-Net Pension Liability                              | 33                         | -                           | 33                  | 14                                  |
| Actuarial Experience-Net Pension Liability                               | 1,865                      | -                           | 1,865               | 800                                 |
| Investment Experience-Net Pension Liability                              | 89,918                     | -                           | 89,918              | 114                                 |
| <b>Total Deferred inflows of resources</b>                               | <b>96,763</b>              | <b>-</b>                    | <b>96,763</b>       | <b>928</b>                          |
| <b>Net Position</b>  |                            |                             |                     |                                     |
| Net Investment in Capital Assets   | 292,269                    | 1,010,785                   | 1,303,054           | 177,699                             |
| Restricted for:  |                            |                             |                     |                                     |
| Capital projects   | 115                        | -                           | 115                 | -                                   |
| Special revenue funds  | 201,827                    | -                           | 201,827             | -                                   |
| Debt Service funds   | -                          | -                           | -                   | -                                   |
| Unrestricted   | 186,648                    | (25,279)                    | 161,369             | 13,180                              |
| <b>Total Net Position</b>  | <b>680,859</b>             | <b>985,506</b>              | <b>1,666,365</b>    | <b>190,879</b>                      |
| <b>Total Liabilities, Deferred inflows of resources and Net Position</b> | <b>\$ 890,500</b>          | <b>\$ 1,051,607</b>         | <b>\$ 1,942,107</b> | <b>\$ 242,348</b>                   |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF ACTIVITIES**  
For the Year Ending June 30, 2016

Exhibit A-2

|                                       | <b>Program Revenues</b> |   |                   |
|---------------------------------------|-------------------------|---|-------------------|
| Expenses                              | Charges for<br>Services | Operating Grants<br>and Contributions       |                   |
| <b>Primary Government</b>             |                         |   |                   |
| General government                    | \$ 269,420              | \$ 11,520                                   | \$ 25,035         |
| Public safety                         | 47,086                  | -   | 111,957           |
| Public works                          | 12,604                  | -   | -                 |
| Culture and recreation                | 29,371                  | -   | -                 |
| Health and welfare                    | 3,115                   | -   | -                 |
| Capital Outlay                        | -                       | -   | -                 |
|                                       | <u>361,596</u>          | <u>11,520</u>                               | <u>136,992</u>    |
| <i>Total governmental activities</i>  |                         |   |                   |
| <b>Business-type Activities:</b>      |                         |   |                   |
| Joint Utilities                       | 152,365                 | 116,149                                     | -                 |
|                                       | <u>152,365</u>          | <u>116,149</u>                              | <u>-</u>          |
| <i>Total business type activities</i> |                         |   |                   |
|                                       | <u>152,365</u>          | <u>116,149</u>                              | <u>-</u>          |
| <i>Total Primary Government</i>       | <u>\$ 513,961</u>       | <u>\$ 127,669</u>                           | <u>\$ 136,992</u> |
| <b>Component Unit:</b>                |                         |   |                   |
| Housing Authority                     | \$ 135,141              | \$ 39,387                                   | \$ 52,301         |
|                                       |                         |   |                   |
|                                       |                         | <b>General Revenues:</b>                    |                   |
|                                       |                         | Taxes                                       |                   |
|                                       |                         | Property taxes, levied for general purposes |                   |
|                                       |                         | Gross receipts taxes                        |                   |
|                                       |                         | Public service taxes                        |                   |
|                                       |                         | Franchise taxes                             |                   |
|                                       |                         | Interest income                             |                   |
|                                       |                         | Miscellaneous income                        |                   |
|                                       |                         | Transfers                                   |                   |
|                                       |                         | <br>Total General Revenues and Transfers    |                   |
|                                       |                         | <br>Changes in net position                 |                   |
|                                       |                         | <br>Net position, beginning                 |                   |
|                                       |                         | Restatement for change in meter deposits    |                   |
|                                       |                         | Net position, beginning -restated           |                   |
|                                       |                         | <br>Net position, ending                    |                   |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF ACTIVITIES**  
For the Year Ending June 30, 2016

Exhibit A-2

| <u>Program Revenues</u>                     | <u>Net Program (Expense) Revenue and Changes in Net Position</u> |   |                     |   |
|---|--|---|---------------------|---|
|   | <u>Primary Government</u>  |   |                     | <u>Component Unit<br/>Housing Authority</u> |
| <u>Capital Grants and<br/>Contributions</u> | <u>Government<br/>Activities</u>                                 | <u>Business<br/>Type<br/>Activities</u> | <u>Total</u>        |   |
| \$ -  | \$ (232,865)   | \$ -                                    | \$ (232,865)        | \$ -  |
| -   | 64,871   | -                                       | 64,871              | -   |
| -   | (12,604)   | -                                       | (12,604)            | (12,604)                                    |
| -   | (29,371)   | -                                       | (29,371)            | (29,371)                                    |
| -   | (3,115)  | -                                       | (3,115)             | (3,115)                                     |
| -   | -  | -                                       | -                   | -   |
| -   | (213,084)  | -                                       | (213,084)           | (45,090)                                    |
| -   | -  | (36,216)                                | (36,216)            | -   |
| -   | -  | (36,216)                                | (36,216)            | -   |
| <u>\$ -</u>                                 | <u>(213,084)</u>   | <u>(36,216)</u>                         | <u>(249,300)</u>    | <u>(45,090)</u>                             |
| \$ 15,637                                   | \$ -   | \$ -                                    | \$ -                | \$ (27,816)                                 |
|   | 14,088   | -                                       | 14,088              | -   |
|   | 25,055   | -                                       | 25,055              | -   |
|   | -  | -                                       | -                   | -   |
|   | -  | -                                       | -                   | -   |
|   | 88   | 39                                      | 127                 | 249   |
|   | 115,634  | -                                       | 115,634             | -   |
|   | 1,279  | -                                       | 1,279               | -   |
|   | 156,144  | 39                                      | 156,183             | 249   |
|   | (56,940)   | (36,177)                                | (93,117)            | (27,567)                                    |
|   | 737,799  | 1,021,208                               | 1,759,007           | 218,446                                     |
|   | -  | 475                                     | 475                 | -   |
|   | 737,799  | 1,021,683                               | 1,759,482           | 218,446                                     |
|   | <u>\$ 680,859</u>  | <u>\$ 985,506</u>                       | <u>\$ 1,666,365</u> | <u>\$ 190,879</u>                           |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2016

|  | General Fund      | CDBG Capital<br>Project Funds | Other<br>Governmental<br>Funds | Total             |
|--|-------------------|-------------------------------|--------------------------------|-------------------|
| <i>Assets</i>  |                   |                               |                                |                   |
| Cash and cash equivalents  | \$ 85,786         | \$ 115                        | \$ 170,287                     | \$ 256,188        |
| Investments  | 140,939           | -                             | -                              | 140,939           |
| Taxes receivable   | 4,947             | -                             | -                              | 4,947             |
| Other receivables  | 11,520            | -                             | -                              | 11,520            |
| Due from other funds   | 43,923            | -                             | -                              | 43,923            |
| <i>Total assets</i>  | <u>\$ 287,115</u> | <u>\$ 115</u>                 | <u>\$ 170,287</u>              | <u>\$ 457,517</u> |
| <i>Liabilities and fund balances</i>                                       |                   |                               |                                |                   |
| <i>Liabilities</i>   |                   |                               |                                |                   |
| Accounts payable   | \$ 17,718         | \$ -                          | \$ 2,761                       | \$ 20,479         |
| Accrued salaries and benefits  | 6,427             | -                             | -                              | 6,427             |
| Accrued compensated absences   | -                 | -                             | -                              | -                 |
| Due to other funds   | -                 | -                             | 1,744                          | 1,744             |
| <i>Total liabilities</i>   | <u>24,145</u>     | <u>-</u>                      | <u>4,505</u>                   | <u>28,650</u>     |
| <i>Deferred inflows of resources</i>                                       |                   |                               |                                |                   |
| Unavailable revenue-property taxes   | -                 | -                             | -                              | -                 |
| <i>Total deferred inflows of resources</i>                                 | <u>-</u>          | <u>-</u>                      | <u>-</u>                       | <u>-</u>          |
| <i>Fund Balances</i>   |                   |                               |                                |                   |
| Fund Balance   |                   |                               |                                |                   |
| Restricted for:  |                   |                               |                                |                   |
| General Fund   | -                 | -                             | -                              | -                 |
| Special Revenue Funds  | -                 | -                             | 165,782                        | 165,782           |
| Capital Projects Funds   | -                 | 115                           | -                              | 115               |
| Debt Service Funds   | -                 | -                             | -                              | -                 |
| Committed for:   |                   |                               |                                |                   |
| General Fund   | -                 | -                             | -                              | -                 |
| Special Revenue Funds  | -                 | -                             | -                              | -                 |
| Capital Projects Funds   | -                 | -                             | -                              | -                 |
| Assigned for:  |                   |                               |                                |                   |
| General Fund   | -                 | -                             | -                              | -                 |
| Special Revenue Funds  | -                 | -                             | -                              | -                 |
| Capital Projects Funds   | -                 | -                             | -                              | -                 |
| Unassigned for:  |                   |                               |                                |                   |
| General Fund   | 262,970           | -                             | -                              | 262,970           |
| <i>Total fund balances</i>   | <u>262,970</u>    | <u>115</u>                    | <u>165,782</u>                 | <u>428,867</u>    |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 287,115</u> | <u>\$ 115</u>                 | <u>\$ 170,287</u>              | <u>\$ 457,517</u> |

STATE OF NEW MEXICO  
VILLAGE OF MAXWELL  
RECONCILIATION OF BALANCE SHEET-GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2016

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

|   |    |                       |
|---|----|-----------------------|
| Fund balances - total governmental funds  | \$ | 428,867               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds                    |    | 427,134               |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds |    |                       |
| Net Pension Liability   |    | (84,228)              |
| Deferred Inflows and Outflows   |    | <u>(90,914)</u>       |
| Net position of governmental activities   | \$ | <u><u>680,859</u></u> |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**  
For the Year Ending June 30, 2016

|  | General Fund      | CDBG Capital<br>Project Fund | Other<br>Governmental<br>Funds | Total             |
|--|-------------------|------------------------------|--------------------------------|-------------------|
| <i>Revenues:</i>   |                   |                              |                                |                   |
| Taxes  |                   |                              |                                |                   |
| Gross receipts taxes                                     | \$ 25,222         | \$ -                         | \$ -                           | \$ 25,222         |
| Property taxes   | 19,035            | -                            | -                              | 19,035            |
| Gasoline tax   | 6,545             | -                            | -                              | 6,545             |
| MVD tax  | 333               | -                            | -                              | 333               |
| State Grant Income                                       | 36,388            | -                            | 107,013                        | 143,401           |
| Charges for services                                     | 1                 | -                            | -                              | 1                 |
| Licenses and Fees  | 2,340             | -                            | -                              | 2,340             |
| Investment Income (Loss)                                 | 88                | -                            | -                              | 88                |
| Miscellaneous  | 108,044           | -                            | -                              | 108,044           |
| <b>Total Revenues</b>                                    | <b>197,996</b>    | <b>-</b>                     | <b>107,013</b>                 | <b>305,009</b>    |
| <i>Expenditures:</i>                                     |                   |                              |                                |                   |
| <i>Current:</i>  |                   |                              |                                |                   |
| General Government                                       | 181,134           | -                            | -                              | 181,134           |
| Public Safety  | -                 | -                            | 82,239                         | 82,239            |
| Public Works   | -                 | -                            | -                              | -                 |
| Culture and Recreation                                   | 27,764            | -                            | -                              | 27,764            |
| Health and Welfare                                       | 3,115             | -                            | -                              | 3,115             |
| Capital Outlay   | -                 | -                            | -                              | -                 |
| Debt Service:  |                   |                              |                                |                   |
| Principal  | -                 | -                            | -                              | -                 |
| Interest   | -                 | -                            | -                              | -                 |
| <b>Total Expenditures</b>                                | <b>212,013</b>    | <b>-</b>                     | <b>82,239</b>                  | <b>294,252</b>    |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(14,017)</u>   | <u>-</u>                     | <u>24,774</u>                  | <u>10,757</u>     |
| <i>Other financing sources (uses)</i>                    |                   |                              |                                |                   |
| Transfers In   | -                 | -                            | 3,405                          | 3,405             |
| Transfers (Out)  | -                 | -                            | -                              | -                 |
| <b>Total other financing sources (uses)</b>              | <u>-</u>          | <u>-</u>                     | <u>3,405</u>                   | <u>3,405</u>      |
| <i>Net change in fund balance</i>                        | (14,017)          | -                            | 28,179                         | 14,162            |
| <i>Fund balance - beginning of year</i>                  | <u>276,987</u>    | <u>115</u>                   | <u>137,603</u>                 | <u>414,705</u>    |
| <i>Fund balance - end of year</i>                        | <u>\$ 262,970</u> | <u>\$ 115</u>                | <u>\$ 165,782</u>              | <u>\$ 428,867</u> |



STATE OF NEW MEXICO  
VILLAGE OF MAXWELL

Exhibit B-2  
Page 2 of 2

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ending June 30, 2016

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

|  |                           |
|--|---------------------------|
| Net change in fund balances - total governmental funds   | \$ 14,162                 |
| Governmental funds report capital outlays as expenditures. However in<br>the statement of activities, the cost of those assets is allocated over their<br>estimated useful lives and reported as depreciation expense:   |                           |
| Capital expenditures   | 36,045                    |
| Depreciation expense   | (14,955)                  |
| The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial<br>resources to governmental funds, while the repayment of the principal of long-term<br>debt consumes the current financial resources of governmental funds. Neither<br>transaction, however, has any effect on net position. |                           |
| Change in deferred inflows/outflows for Net Pension Liability  | (88,893)                  |
| Decrease in accrued compensated absences   | <u>106</u>                |
| Change in net position of governmental activities  | <u><u>\$ (53,535)</u></u> |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2016**

|   | Budgeted Amounts |           | Actual              | Variances                                     |
|---|------------------|-----------|---------------------|---|
|   | Original         | Final     | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |           |                     |   |
| Taxes   | \$ 74,800        | \$ 74,800 | \$ 49,610           | \$ (25,190)                                   |
| State Grant Income  | 36,388           | -         | 1                   | 1   |
| Charges For Services  | -                | -         | 59,687              | 59,687  |
| Licenses and Fees   | 1,500            | 1,500     | 2,404               | 904   |
| Interest Income   | 700              | 700       | 88                  | (612)   |
| Investment Income(Loss)   | -                | -         | -                   | -   |
| Miscellaneous   | 360,000          | 360,000   | 108,344             | (251,656)                                     |
| <i>Total revenues</i>   | 473,388          | 437,000   | 220,134             | (216,866)                                     |
| <i>Expenditures:</i>  |                  |           |                     |   |
| Current:  |                  |           |                     |   |
| General Government  | 475,780          | 475,780   | 165,941             | 309,839                                       |
| Public Safety   | -                | -         | -                   | -   |
| Public Works  | -                | -         | -                   | -   |
| Culture and Recreation  | 35,000           | 35,000    | 30,024              | 4,976   |
| Health and Welfare  | -                | -         | -                   | -   |
| Capital Outlay  | -                | -         | -                   | -   |
| Debt Service:   |                  |           |                     |   |
| Principal   | -                | -         | -                   | -   |
| Interest  | -                | -         | -                   | -   |
| <i>Total expenditures</i>   | 510,780          | 510,780   | 199,080             | 311,700                                       |
| <i>Excess (deficiency) of revenues over expenditures</i>  | (37,392)         | (73,780)  | 21,054              | 94,834  |
| <i>Other financing sources (uses)</i>   |                  |           |                     |   |
| Designated Cash   | 37,392           | 73,780    | -                   | (73,780)                                      |
| Transfers In  | -                | -         | -                   | -   |
| Transfers Out   | -                | -         | -                   | -   |
| <i>Total other financing sources (uses)</i>   | 37,392           | 73,780    | -                   | (73,780)                                      |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -         | 21,054              | 21,054  |
| <i>Cash Balance - Beginning of Year</i>   | -                | -         | 249,594             | 249,594                                       |
| <i>Cash Balance - End of Year</i>   | \$ -             | \$ -      | \$ 270,648          | \$ 270,648                                    |
| Excess (deficiency) of revenues over expenditures (Non-GAAP)  |                  |           | \$ 21,054           |   |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals                        |                  |           | (12,933)            |   |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals             |                  |           | (22,138)            |   |
| <i>Net Change in Fund Balance (GAAP basis)</i>  |                  |           | \$ (14,017)         |   |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
June 30, 2016

|   | <u>Garbage Fund</u> | <u>Water &amp; Sewer<br/>Fund</u> | <u>Cemetery</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|-----------------|---------------------|
| <i>Assets</i>                             |                     |                                   |                 |                     |
| <i>Current assets</i>                     |                     |                                   |                 |                     |
| Cash                                      | \$ -                | \$ 29,026                         | \$ 7,727        | \$ 36,753           |
| Investments                               | -                   | -                                 | -               | -                   |
| Accounts receivable                       | -                   | 2,687                             | -               | 2,687               |
| Taxes receivable                          | -                   | -                                 | -               | -                   |
| Due from other funds                      | -                   | -                                 | -               | -                   |
| Inventory                                 | -                   | 1,382                             | -               | 1,382               |
| <i>Total current assets</i>               | <u>-</u>            | <u>33,095</u>                     | <u>7,727</u>    | <u>40,822</u>       |
| <i>Capital assets</i>                     |                     |                                   |                 |                     |
| Capital assets                            | -                   | 1,738,293                         | -               | 1,738,293           |
| Accumulated depreciation                  | -                   | (727,508)                         | -               | (727,508)           |
| <i>Total Capital assets</i>               | <u>-</u>            | <u>1,010,785</u>                  | <u>-</u>        | <u>1,010,785</u>    |
| <i>Total Assets</i>                       | <u>\$ -</u>         | <u>\$ 1,043,880</u>               | <u>\$ 7,727</u> | <u>\$ 1,051,607</u> |
| <i>Liabilities and Net Position</i>       |                     |                                   |                 |                     |
| <i>Liabilities:</i>                       |                     |                                   |                 |                     |
| <i>Current liabilities</i>                |                     |                                   |                 |                     |
| Accounts payable                          | \$ -                | \$ 2,374                          | \$ 1,953        | \$ 4,327            |
| Accrued liabilities                       | -                   | 19,595                            | -               | 19,595              |
| Accrued compensated absences              | -                   | -                                 | -               | -                   |
| Due to other funds                        | 275                 | 41,904                            | -               | 42,179              |
| Current maturity of note payable          | -                   | -                                 | -               | -                   |
| <i>Total current liabilities</i>          | <u>275</u>          | <u>63,873</u>                     | <u>1,953</u>    | <u>66,101</u>       |
| <i>Noncurrent liabilities</i>             |                     |                                   |                 |                     |
| Notes payable                             | -                   | -                                 | -               | -                   |
| Accrued compensated absences payable      | -                   | -                                 | -               | -                   |
| <i>Total noncurrent liabilities</i>       | <u>-</u>            | <u>-</u>                          | <u>-</u>        | <u>-</u>            |
| <i>Total liabilities</i>                  | <u>275</u>          | <u>63,873</u>                     | <u>1,953</u>    | <u>66,101</u>       |
| <i>Net Position:</i>                      |                     |                                   |                 |                     |
| Net investment in capital assets          | -                   | 1,010,785                         | -               | 1,010,785           |
| Unreserved                                |                     |                                   |                 |                     |
| Unreserved, undesignated                  | (275)               | (30,778)                          | 5,774           | (25,279)            |
| <i>Total net position</i>                 | <u>(275)</u>        | <u>980,007</u>                    | <u>5,774</u>    | <u>985,506</u>      |
| <i>Total Liabilities and Net Position</i> | <u>\$ -</u>         | <u>\$ 1,043,880</u>               | <u>\$ 7,727</u> | <u>\$ 1,051,607</u> |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
 For the Year Ended June 30, 2016

|   | <u>Garbage Fund</u> | <u>Water &amp; Sewer Fund</u> | <u>Cemetery Fund</u> | <u>Total</u>      |
|---|---------------------|-------------------------------|----------------------|-------------------|
| <i>Operating revenues:</i>                            |                     |                               |                      |                   |
| Charges for services                                  | 32,337              | 80,878                        | 2,325                | \$ 115,540        |
| Miscellaneous Revenues                                | -                   | 609                           | -                    | 609               |
| <i>Total operating revenues</i>                       | <u>32,337</u>       | <u>81,487</u>                 | <u>2,325</u>         | <u>116,149</u>    |
| <i>Operating expenses:</i>                            |                     |                               |                      |                   |
| Operating Expenses                                    | 31,485              | 30,412                        | 2,203                | 64,100            |
| Travel  | -                   | -                             | -                    | -                 |
| Gross Receipts Tax                                    | -                   | -                             | -                    | -                 |
| Depreciation  | -                   | 46,788                        | -                    | 46,788            |
| Purchases for Resale                                  | -                   | -                             | -                    | -                 |
| Contract Services                                     | -                   | 53                            | -                    | 53                |
| Salaries  | -                   | 38,916                        | -                    | 38,916            |
| Supplies  | -                   | 2,508                         | -                    | 2,508             |
| <i>Total operating expenses</i>                       | <u>31,485</u>       | <u>118,677</u>                | <u>2,203</u>         | <u>152,365</u>    |
| <i>Operating income (loss)</i>                        | <u>852</u>          | <u>(37,190)</u>               | <u>122</u>           | <u>(36,216)</u>   |
| <i>Non-operating revenues (expenses):</i>             |                     |                               |                      |                   |
| Interest Income                                       | 1                   | 38                            | -                    | 39                |
| Interest expense                                      | -                   | -                             | -                    | -                 |
| Transfers   | -                   | -                             | -                    | -                 |
| <i>Total non-operating revenues (expenses)</i>        | <u>1</u>            | <u>38</u>                     | <u>-</u>             | <u>39</u>         |
| <i>Change in net position</i>                         | 853                 | (37,152)                      | 122                  | (36,177)          |
| <i>Total net position, beginning of year</i>          | (1,128)             | 1,018,709                     | 5,652                | 1,023,233         |
| <i>Restatement for Meter Deposits</i>                 | -                   | (1,550)                       | -                    | (1,550)           |
| <i>Total net position, beginning of year-restated</i> | <u>(1,128)</u>      | <u>1,017,159</u>              | <u>5,652</u>         | <u>1,021,683</u>  |
| <i>Total net position, end of year</i>                | <u>\$ (275)</u>     | <u>\$ 980,007</u>             | <u>\$ 5,774</u>      | <u>\$ 985,506</u> |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
For the Year Ended June 30, 2016

|  | <u>Garbage Fund</u> | <u>Water &amp;<br/>Sewer Fund</u> | <u>Cemetery<br/>Fund</u> | <u>Total</u>      |
|--|---------------------|-----------------------------------|--------------------------|-------------------|
| <i>Cash flows from operating activities:</i>   |                     |                                   |                          |                   |
| Cash received from user charges  | \$ 32,337           | \$ 81,487                         | \$ 2,325                 | \$ 116,149        |
| Cash payments to employees/suppliers for goods and services  | <u>(33,225)</u>     | <u>(69,924)</u>                   | <u>(250)</u>             | <u>(103,399)</u>  |
| <i>Net cash provided for (used by) operating activities</i>  | <u>(888)</u>        | <u>11,563</u>                     | <u>2,075</u>             | <u>12,750</u>     |
| <i>Cash flows from noncapital financing activities:</i>  |                     |                                   |                          |                   |
| Change in long term accrued compensated absences   | -                   | -                                 | -                        | -                 |
| Loans from other funds   | -                   | (41,904)                          | -                        | (41,904)          |
| Transfers  | -                   | -                                 | -                        | -                 |
| <i>Net cash provided (used) by noncapital financing activities:</i>                                  | <u>-</u>            | <u>(41,904)</u>                   | <u>-</u>                 | <u>(41,904)</u>   |
| <i>Cash flows from investing activities:</i>   |                     |                                   |                          |                   |
| Interest Income  | 1                   | 38                                | -                        | 39                |
| Purchase of capital assets   | <u>-</u>            | <u>-</u>                          | <u>-</u>                 | <u>-</u>          |
| <i>Net cash used by investing activities:</i>  | <u>1</u>            | <u>38</u>                         | <u>-</u>                 | <u>39</u>         |
| <i>Net increase (decrease) in cash and cash equivalents</i>  | (887)               | (30,303)                          | 2,075                    | (29,115)          |
| <i>Cash and cash equivalents - beginning of year</i>   | <u>887</u>          | <u>17,425</u>                     | <u>5,652</u>             | <u>23,964</u>     |
| <i>Cash and cash equivalents - end of year</i>   | <u>\$ -</u>         | <u>\$ (12,878)</u>                | <u>\$ 7,727</u>          | <u>\$ (5,151)</u> |
| <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i> |                     |                                   |                          |                   |
| Operating income (loss)  | \$ 852              | \$ (37,190)                       | \$ 122                   | \$ (36,216)       |
| Adjustments to reconcile operating (loss) to net cash (used) by operating activities:                |                     |                                   |                          |                   |
| Depreciation   | -                   | 46,788                            | -                        | 46,788            |
| Changes in assets and liabilities  |                     |                                   |                          |                   |
| Receivables  | -                   | 4,337                             | -                        | 4,337             |
| Accrued expenses   | -                   | 4,376                             | -                        | 4,376             |
| Inventory  | -                   | (1,382)                           | -                        | (1,382)           |
| Accounts payable   | (1,740)             | (94)                              | 1,953                    | 119               |
| Due to Others  | -                   | -                                 | -                        | -                 |
| Accrued compensation absences  | -                   | (5,272)                           | -                        | (5,272)           |
| <i>Net cash (used) by operating activities</i>   | <u>\$ (888)</u>     | <u>\$ 11,563</u>                  | <u>\$ 2,075</u>          | <u>\$ 12,750</u>  |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 1. Summary of Significant Accounting Policies**

The Village of Maxwell (the “Village”) was incorporated in 1916, under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Village of Maxwell is a body politic and corporate under the name and form of government selected by its qualified electors. The Village may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Village is presented to assist in the understanding of the Village’s financial statements. The financial statements and notes are the representation of the Village’s management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the Village's accounting policies are described below.

**A. Financial Reporting Entity**

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB statements No. 61. Blended component units are in substance, although legally separate entities, are part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-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. 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. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the Village’s application of these criteria, the Village has one discretely presented component unit, the Village of Maxwell Housing Authority.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 1.           A.       Financial Reporting Entity (continued)**

The financial data of the component unit is reported in a separate column to emphasize that they are a component unit of the Village based on the criteria described above. The significant account balances for the component unit as of June 30, 2016 are cash of \$56,859, capital assets (net of accumulated depreciation) of \$177,699 and net investment in capital assets of \$177,699 and Unrestricted Net Position of \$13,180.

The separate financial statements of the component unit can be obtained from the Housing Authority at P.O. Box 188, Maxwell, New Mexico 87728.

**B.       Government-wide and fund financial statements**

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

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement no. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

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

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

**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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 1. C. Measurement focus, basis of accounting, and financial statement presentation (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 the susceptible to accrual criteria have been met

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

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. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund and the Fire Discretionary Fund. No other funds were required to be presented as major at the discretion of management.

*General Fund* – the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through property, gross receipts and other miscellaneous taxes.

*Capital Project Fund*– to account for revenues and expenditures under a pass-through program from the State. Expenditures are restricted to the purposes approved in the CDBG grant application.

The government reports its Garbage Fund and Water & Sewer Fund (Proprietary funds) as major business-type funds. Additionally, the government reports the following fund types:

The *fiduciary funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Village has no fiduciary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 1. C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

Program revenues reduce the cost of the function to be financed from the Village's general revenues. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. 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.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services for the Village's garbage, water & sewer utilities, and cemetery services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Position or Equity**

**Deposits and Investments:** The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Village are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Receivables and Payables:** Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

**Prepaid Items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 1. D. Assets, Liabilities, and Net Position or Equity (continued)**

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Library books are expensed as purchased.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>            | <u>Years</u> |
|--------------------------|--------------|
| Buildings & Improvements | 50           |
| Infrastructure           | 50           |
| Equipment                | 5-10         |

**Unearned Revenues:** Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as Unearned Revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue.

**Deferred Inflow/Outflows of Resources:** GASB 63 amended previous guidance on Unearned Revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period. Property taxes levied but not received are recorded as deferred inflows of resources unless the amount is undetermined.

**Compensated Absences:** Qualified employees are entitled to accumulate compensated absences earned. All full-time employees are entitled to earn five (5) working days for one year of service and ten (10) working days for 2 years or more of service. Employees may accumulate annual leave up to 80 hours per fiscal year. An employee carrying over eighty (80) hours of annual leave or compensatory time may sell leave time back to the Village at two hours for one hour at the current wage (amended July 27, 2010 and rescinded September 14, 2010). There will be no carryover of unused annual leave and must be used by the employee's anniversary date. Upon termination, there will be no payments on accrued annual leave not yet taken. Qualified full time employees are entitled to accumulate sick leave on a basis of one half (1/2) working day each month of employment. Sick leave can be accrued up to thirty (30) days. Upon termination employees receive no pay for sick time accumulated.

All vacation pay and applicable accumulated sick leave is accrued when incurred in the governmental-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 and retirements. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of services by employees.

**STATE OF NEW MEXICO**  
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**D. Assets, Liabilities, and Net Position or Equity (continued)**

**Long-term Obligations:** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. 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.

**Net Position or Fund Equity:**

Committed fund balance represents amounts that are useable only for specified purposes by formal action of the governments' highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purpose, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high level body or official whom the governing body has delegated

Restricted fund balance represents amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unassigned fund balance is the residual classification for the general fund and represents the amount that have not been assigned to other funds, and that have not been restricted, committed or assigned to specific purposes.

Net investment in capital assets, net of related debt consists of net position including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

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

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

**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.

**Tax Revenues:** The Village receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1<sup>st</sup> of each year and are payable in two equal installments, on November 10<sup>th</sup> of the year in which the tax bill is prepared and April 10<sup>th</sup> of the following year with the levies becoming delinquent 30 days (one month) thereafter. The Village recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The Village records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. Descriptions of the individual general, debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.



**STATE OF NEW MEXICO**  
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**D. Assets, Liabilities, and Net Position or Equity (continued)**

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

**NOTE 2. Stewardship, Compliance, and Accountability**

*Budgetary Information*

Annual budgets of the Village are prepared prior to June 1 and must be approved by Village Council resolution, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Village Council and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

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

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

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The Village is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The Village Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016 is presented as part of the budgetary statements.

**NOTE 3. Deposits and Investments**

State statutes authorize the investment of the Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the Village properly followed State investment requirements as of June 30, 2016.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
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**Note 3. Deposits and Investments (continued)**

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

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. 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 Village of Maxwell has an interest bearing account.

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 Village for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Village's deposits.

|                              | International<br>Bank Checking | Washington<br>Federal<br>Checking | Component<br>Unit- Housing<br>Authority<br>International<br>Bank Checking |
|------------------------------|--------------------------------|-----------------------------------|---|
| Deposits                     | \$ 270,361                     | \$ 166,324                        | \$ 56,834   |
| Total Deposits               | 270,361                        | 166,324                           | 56,834  |
| Less: FDIC Coverage          | <u>(250,000)</u>               | <u>(166,324)</u>                  | <u>(56,834)</u>   |
| Total uninsured public funds | 20,361                         | -                                 | -   |
| 50% Collateral requirement   | 10,181                         | -                                 | -   |
| Pledged Securities           | <u>175,415</u>                 | <u>-</u>                          | <u>-</u>  |
| (Over)Under collateralized   | <u>\$ (165,234)</u>            | <u>\$ -</u>                       | <u>\$ -</u>   |

**Custodial Credit Risk-Deposits**

|  |                   |
|--|-------------------|
| Account Balance  | \$ 436,685        |
| FDIC Insured   | 416,324           |
| Collateral:  |                   |
| Collateral held by the pledging<br>bank, not in the Village's name | 20,361            |
| Uninsured and uncollateralized                                     | <u>-</u>          |
| Total Deposits   | <u>\$ 436,685</u> |

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$20,361 of the Village's bank balance is exposed to custodial credit risk.

The collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, district or political subdivision of the State of New Mexico.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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

**Reconciliation of Cash and Temporary Investments**

Carrying amounts by fund per financial statement at June 30, 2016 is:

|   |                   |
|---|-------------------|
| Governmental Funds- Balance Sheet         |                   |
| Cash and cash equivalents per Exhibit B-1 | \$ 397,127        |
| Cash and cash equivalents per Exhibit D-1 | 36,753            |
| Add outstanding deposits and checks       | 2,805             |
|   | <u>\$ 436,685</u> |

The Village of Maxwell Housing Authority, a component unit, has a carrying amount of \$56,834 at June 30, 2016.

**NOTE 4. Receivables**

Receivables as of June 30, 2016, are as follows:

|  | General<br>Fund  | Fire<br>Discretionary<br>Fund | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | Total            |
|--|------------------|-------------------------------|-----------------------------|--------------------------------|------------------|
| Property Taxes Receivables                               | \$ 4,947         | \$ -                          | \$ -                        | \$ -                           | \$ 4,947         |
| Due from other governments:<br>Other accounts receivable | 11,520           | -                             | -                           | -                              | 13,367           |
|  | <u>\$ 16,467</u> | <u>\$ -</u>                   | <u>\$ -</u>                 | <u>\$ -</u>                    | <u>\$ 18,314</u> |

|   | Garbage Fund | Water & Sewer Fund | Cemetery Fund |
|---|--------------|--------------------|---------------|
| Accounts receivable,<br>net of allowance of \$0 | \$ -         | \$ 2,687           | \$ -          |
| Total   | <u>\$ -</u>  | <u>\$ 2,687</u>    | <u>\$ -</u>   |

The above receivables are deemed 100% collectible. In accordance with GASB No.33, property tax receivables are presented net of unearned revenue in the governmental balance sheet. In accordance with GASB No.65, Deferred inflows of resources accounts for delinquent property taxes that are due to the Village but that have not been remitted to the Village. The Village does not have any deferred inflows of resources.

**STATE OF NEW MEXICO**  
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**NOTE 5. Interfund Receivables, Payables, and Transfers**

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The Village Council authorizes transfers between funds to cover the expenditures in the receiving funds. Interfund balances are due within one year. There were no transfers during the year.

| <b>Due from/to other funds</b> | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|--------------------------------|---------------------------------|------------------------------|
| General Fund                   | \$ 43,923                       | \$ -                         |
| Fire Protection Fund           | -                               | 355                          |
| Fire Discretionary Fund        | -                               | 1,389                        |
| Garbage Fund                   | -                               | 275                          |
| Water & Sewer Fund             | -                               | 41,904                       |
| <b>Total</b>                   | <b>\$ <u>43,923</u></b>         | <b>\$ <u>43,923</u></b>      |

  

| <b>Transfers</b>         | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------|---------------------|----------------------|
| General Fund             | \$ -                | \$ -                 |
| Other Governmental Funds | -                   | -                    |
| <b>Total</b>             | <b>\$ <u>-</u></b>  | <b>\$ <u>-</u></b>   |

**NOTE 6. Accounts Payables**

Accounts payable as of June 30, 2016, are as follows:

|  |                         |
|--|-------------------------|
| Payable to suppliers                               | \$ 20,479               |
| Accrued salaries and benefits                      | <u>6,427</u>            |
| <b>Total accounts payable and accrued expenses</b> | <b>\$ <u>26,906</u></b> |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 7. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows.

| <b>Governmental Activities</b>                       | <u>June 30, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2016</u> |
|--|----------------------|------------------|------------------|----------------------|
| Land   | \$ 47,931            | \$ -             | \$ -             | \$ 47,931            |
| Buildings & Improvements                             | 867,895              | 36,323           | -                | 904,218              |
| Equipment  | 814,727              | 6,529            | -                | 821,256              |
| Construction in progress                             | <u>6,807</u>         | <u>-</u>         | <u>6,807</u>     | <u>-</u>             |
| <b>Total Capital Assets</b>                          | <u>1,737,360</u>     | <u>42,852</u>    | <u>-</u>         | <u>1,773,405</u>     |
| Less accumulated depreciation:                       |                      |                  |                  |                      |
| Land   | -                    | -                | -                | -                    |
| Buildings & Improvements                             | 634,936              | 4,858            | -                | 639,794              |
| Equipment  | <u>696,380</u>       | <u>10,097</u>    | <u>-</u>         | <u>706,477</u>       |
| <b>Total Accumulated Depreciation</b>                | <u>1,331,316</u>     | <u>14,955</u>    | <u>-</u>         | <u>1,346,271</u>     |
| <b>Total Capital Assets,<br/>net of depreciation</b> | <u>\$ 406,044</u>    | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 427,134</u>    |

Capital assets, net of accumulated depreciation, at June 30, 2016 appear in the Statement of Net position as follows:

|                         |            |
|-------------------------|------------|
| Governmental activities | \$ 427,134 |
|-------------------------|------------|

Depreciation expense for the year ended June 30, 2016 was charged to the following functions and funds:

|   |                  |
|---|------------------|
| General Government                                    | \$ 10,097        |
| Public Safety   | 4,858            |
| Public Works  | -                |
| Culture and Recreation                                | -                |
| Health and Welfare                                    | -                |
| <b>Total depreciation expense, governmental funds</b> | <u>\$ 14,955</u> |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 7. Capital Assets (continued)**

| <b>Business-Like Activities</b>              | <u>June 30, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2016</u> |
|--|----------------------|------------------|------------------|----------------------|
| Water & Sanitation Plant                     | \$ 1,694,131         | \$ -             | \$ -             | \$ 1,694,131         |
| Equipment                                    | 44,162               | -                | -                | 44,162               |
| Construction in Progress                     | -                    | -                | -                | -                    |
| Total Capital Assets                         | <u>1,738,293</u>     | <u>-</u>         | <u>-</u>         | <u>1,738,293</u>     |
| Less accumulated depreciation:               |                      |                  |                  |                      |
| Water & Sanitation Plant                     | 644,533              | 33,061           | -                | 677,594              |
| Equipment                                    | 36,187               | 13,727           | -                | 49,914               |
| Construction in Progress                     | -                    | -                | -                | -                    |
| Total Accumulated Depreciation               | <u>680,720</u>       | <u>46,788</u>    | <u>-</u>         | <u>727,508</u>       |
| Total Capital Assets,<br>net of depreciation | <u>\$ 1,057,573</u>  | <u>\$ 46,788</u> | <u>\$ -</u>      | <u>\$ 1,010,785</u>  |

Depreciation expense relating to business-like activities for the year ended June 30, 2016 totaled \$46,788.

| <b>Component Unit Housing Authority</b>      | <u>June 30, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2016</u> |
|--|----------------------|------------------|------------------|----------------------|
| Land   | \$ 5,000             | \$ -             | \$ -             | \$ 5,000             |
| Construction in Progress                     | -                    | -                | -                | -                    |
| Buildings                                    | 924,589              | -                | -                | 924,589              |
| Non-Dwelling Structures                      | 66,936               | -                | -                | 66,936               |
| Machinery and Equipment                      | 32,977               | -                | -                | 32,977               |
| Total Capital Assets                         | <u>1,029,502</u>     | <u>-</u>         | <u>-</u>         | <u>1,029,502</u>     |
| Less accumulated depreciation:               |                      |                  |                  |                      |
| Buildings                                    | 767,228              | 21,555           | -                | 788,783              |
| Non-Dwelling Structures                      | 26,615               | 4,462            | -                | 31,077               |
| Machinery and Equipment                      | 31,550               | 393              | -                | 31,943               |
| Total Accumulated Depreciation               | <u>825,393</u>       | <u>26,410</u>    | <u>-</u>         | <u>851,803</u>       |
| Total Capital Assets,<br>net of depreciation | <u>\$ 204,109</u>    | <u>\$ 26,410</u> | <u>\$ -</u>      | <u>\$ 177,699</u>    |

**NOTE 8. Long-term Debt**

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government-wide statement of net position:

|  | Balance<br>June 30, 2015 | Additions       | Retirements     | Balance<br>June 30, 2016 | Due Within<br>One Year |
|--|--------------------------|-----------------|-----------------|--------------------------|------------------------|
| Accrued Compensated Absences- <b>Governmental</b>  | \$ 106                   | \$ 1,000        | \$ 1,000        | \$ -                     | \$ -                   |
| Accrued Compensated Absences- <b>Business Type</b> | <u>\$ 5,272</u>          | <u>\$ -</u>     | <u>\$ 2,898</u> | <u>\$ 2,374</u>          | <u>\$ -</u>            |
| Total Long-Term Debt                               | <u>\$ 5,378</u>          | <u>\$ 1,000</u> | <u>\$ 3,898</u> | <u>\$ 2,374</u>          | <u>\$ -</u>            |

In prior years, the General Fund has typically liquidated the compensated absences.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 9. Operating Leases**

The Village had a short term copier lease with payments of \$218 per month and has a lease for an easement, with annual payments of \$119 at June 30, 2016.

**NOTE 10. 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 and natural disasters. The Village of Maxwell participates in the New Mexico Self-Insurer's Fund risk pool. The Village pays an annual premium to the pool based on claim experience and the status of the pool. The Village is not liable for more than the premium paid.

The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2016, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

**NOTE 11. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures as part of the Combining Statements - Overview of certain information concerning individual funds including:

A. Deficit fund balance of individual funds.

|              |         |
|--------------|---------|
| Garbage Fund | \$(275) |
|--------------|---------|

Fund deficits will be funded by general fund transfers or by grant revenues.

B. There were no expenditures that exceeded appropriations by fund.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 12. PERA Pension Plans**

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

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

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf).

**Contributions.** The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf). The PERA coverage options that apply to Village is: the General Division. Statutorily required contributions to the pension plan from the Village were \$8,674, of which 2,825 was contributed by the component unit, Village of Maxwell Housing Authority, and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.



**STATE OF NEW MEXICO**  
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**NOTE 12. PERA Pension Plans (continued)**

For PERA Fund Division – General Division, at June 30, 2016, the Village reported a total liability of \$120,311 for its proportionate share of the net pension liability. At June 30, 2015, the Village’s proportion was 0.0118 percent, which was changed by 0.0004% from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the Village recognized PERA Fund Division – General Division pension expense of \$8,374. The proportionate share was allocated between the primary government and the component unit as \$6,771 and 1,603 respectively. At June 30, 2016, the proportionate share of the Village reported PERA Fund Division – General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ -                              | \$ -                             |
| Changes of assumptions   |                                   | 47                               |
| Net difference between projected and actual earnings on pension plan investments                                 | -                                 | 2,665                            |
| Changes in proportion and differences between the Village contributions and proportionate share of contributions | 715                               | -                                |
| Net difference between investment experience   |                                   | 90,032                           |
| Village contributions subsequent to the measurement date   | 8,674                             | -                                |
| Total  | \$ 9,389                          | \$ 92,744                        |

\$9,389 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                     |    |         |
|---------------------|----|---------|
| Year ended June 30: |    |         |
| 2017                | \$ | (3,187) |
| 2018                |    | (3,187) |
| 2019                |    | (3,187) |
| 2020                |    | 6,467   |
| Thereafter          | \$ | -       |

The allocation between the primary government and the component unit is reflected on the government wide financial statements.

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

|                                |  |
|--------------------------------|--|
| Actuarial valuation date       | June 30, 2015                                |
| Actuarial cost method          | Entry age normal                             |
| Amortization method            | Level percentage of pay                      |
| Amortization period            | Solved for based on statutory rates          |
| Asset valuation method         | Fair value                                   |
| Actuarial assumptions:         |  |
| • Investment of rate of return | 7.75% annual rate, net of investment expense |
| • Payroll growth               | 3.50% annual rate                            |
| • Projected salary increases   | 3.50% to 14.25% annual rate                  |
| • Includes inflation at        | 3.00% annual rate                            |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 12. PERA Pension Plans (continued)**

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

| ALL FUNDS – Asset Class      | Target Allocation | Long-term Expected Real Rate of Return |
|------------------------------|-------------------|--|
| US Equity                    | 21.1%             | 5.00%                                  |
| International Equity         | 24.8              | 5.20                                   |
| Private Equity               | 7.0               | 8.20                                   |
| Core and Global Fixed Income | 26.1              | 1.85                                   |
| Fixed Income Plus Sectors    | 5.0               | 4.80                                   |
| Real Estate                  | 5.0               | 5.30                                   |
| Real Assets                  | 7.0               | 5.70                                   |
| Absolute Return              | 4.0               | 4.15                                   |
| Total                        | 100.0%            |  |

**Discount rate:** The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Village’s proportionate share of the net pension liability to changes in the discount rate.** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Village’s net pension liability in each PERA Fund Division that Village participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

| PERA Fund Division – General Division                      | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|---------------------|-------------------------------|---------------------|
| Village’s proportionate share of the net pension liability | \$ 204,842          | \$ 120,311                    | \$ 50,029           |

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

**Payables to the pension plan.** At June 30, 2016, the Village had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2016.

**NOTE 13. Post-Employment Benefits**

The Retiree Health Care Act 10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the Village has elected not to participate in the program for the current year.

**NOTE 14. Contingent Liabilities**

There are no known contingent liabilities as of June 30, 2016.

**NOTE 15. Federal and State Grants**

In the normal course of operations, the Village receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 16. Joint Powers Agreements**

NM Department of Public Safety

*Purpose:* The agreement is to provide police protection and law enforcement services for the Village, including the enforcement of all state laws.

*Participants:* Village of Maxwell, NM and NM Department of Public Safety (NMDPS, SPD)

*Responsible Party for Operation and Audit:* Village of Maxwell and NMDPS, SPD

*Beginning and Ending Date of Agreement:* Agreed May 19, 2015 and expires on June 30, 2020

*Total Estimated Amount of Project and Actual Amount Contributed:* Covered by Law Enforcement Protection fund grants received on an annual basis

**NOTE 17. Related Party Transactions**

It was noted by the auditors that the Village's Mayor (July 1, 2015 to December 2015) is the spouse to the Village of Maxwell Housing Authority's Chair. The significance of this relationship is that the Housing Authority is a component unit of the Village of Maxwell.

**NOTE 18. Commitments**

There are no known commitments as of June 30, 2016.

**NOTE 19. Service with Village Component Unit**

The Village provides a payroll service for the Village of Maxwell Housing Authority, a component unit for the Village of Maxwell, for a monthly fee. The service requires the Village to prepare the payroll checks and filing of federal payroll tax reports and PERA reports as required. The Housing Authority is billed for all costs related to the payroll transactions. It was noted that the personnel costs as reflected in the Housing Authority Audit did not agree to the payroll processed by the Village. The Housing Authority refused to provide us with records to substantiate the amount of payroll, stating that they had already been audited by another IPA. The amount due from the component unit at June 30, 2016 for payroll services was \$11,710.

**NOTE 20. Subsequent Review**

The Village of Maxwell has evaluated subsequent events through January 27, 2017, which is the date the financial statements were available for issuance.

**NOTE 21.      RESTATEMENT OF NET POSITION**

The following restatement of Net Position is required for the prior year change in meter deposits for the Business-Type Activities.

| Business-Type Activities                 |                   |
|--|-------------------|
| Beginning Net Position                   | \$      1,021,208 |
| Restatement for change in meter deposits | 475               |
| Net Position Restated                    | \$      1,021,683 |

**SUPPLEMENTARY INFORMATION**

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**NON-MAJOR GOVERNMENTAL FUNDS**

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
June 30, 2016

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the Village with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

**Fire Protection Fund**

To account for the revenues for the state fire allotment and public safety related expenditures. Authority NMSA 1978 59A-53-2.

**Law Enforcement Fund**

To account for monies received under a Joint Powers Agreement entered into by the NM Department of Public Safety, State Police Division (NMDPS SPD) and the Village of Maxwell pursuant to the Joint Powers Act, Sections 11-1-1 through 11-1-7 NMSA 1978. The Village receives a Law Enforcement Protection Funds grant on an annual basis to be made available to NMDPS, NMSP for purchase and repair of equipment and office training for providing police protection and law enforcement as required within its municipality limits. The Village is responsible for administration of this agreement and NMDPS, SPD agrees to provide protection and law enforcement within the municipality limits of the Village.

**Fire Discretionary Fund**

To account for discretionary funds donated to be used for the fire department. Authority set by the Village and the Village's Fire Department through board approval.

**These funds are on an allotment basis and therefore there are no reverting funds.**

**PROPRIETARY MAJOR FUNDS**

**Garbage Fund**

To account for the activities of the Village's garbage collection services to residents.

**Water and Sewer Fund**

To account for the activities of the Village's water and sewer operations.

**Cemetery Fund**

To account for the activities of the Village's garbage cemetery operations.

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STATE OF NEW MEXICO  
VILLAGE OF MAXWELL  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2016

Schedule A-1

|  | Fire Protection<br>Fund | Law Enforcement<br>Protection Fund | Fire Discretionary<br>Fund | Debt Service Fund | Total Nonmajor<br>Governmental<br>Funds |
|--|-------------------------|------------------------------------|----------------------------|-------------------|---|
| <i>Assets</i>  |                         |                                    |                            |                   |   |
| Cash and cash equivalents  | \$ 147,755              | \$ 3,594                           | \$ 18,938                  | \$ -              | \$ 170,287                              |
| Other receivables  | -                       | -                                  | -                          | -                 | -                                       |
| <i>Total assets</i>  | <u>\$ 147,755</u>       | <u>\$ 3,594</u>                    | <u>\$ 18,938</u>           | <u>\$ -</u>       | <u>\$ 170,287</u>                       |
| <i>Liabilities</i>   |                         |                                    |                            |                   |   |
| Accounts payable   | \$ 2,761                | \$ -                               | \$ -                       | \$ -              | \$ 2,761                                |
| Accrued salaries and benefits  | -                       | -                                  | -                          | -                 | -                                       |
| Accrued compensated absences   | -                       | -                                  | -                          | -                 | -                                       |
| Due to other funds   | 355                     | -                                  | 1,389                      | -                 | 1,744                                   |
| <i>Total liabilities</i>   | <u>3,116</u>            | <u>-</u>                           | <u>1,389</u>               | <u>-</u>          | <u>4,505</u>                            |
| <i>Deferred inflows of resources</i>                                       |                         |                                    |                            |                   |   |
| Unavailable revenue-property taxes   | -                       | -                                  | -                          | -                 | -                                       |
| <i>Total deferred inflows of resources</i>                                 | <u>-</u>                | <u>-</u>                           | <u>-</u>                   | <u>-</u>          | <u>-</u>                                |
| <i>Fund Balances</i>   |                         |                                    |                            |                   |   |
| Fund Balance   |                         |                                    |                            |                   |   |
| Restricted for:  |                         |                                    |                            |                   |   |
| General Fund   | -                       | -                                  | -                          | -                 | -                                       |
| Special Revenue Funds  | 144,639                 | 3,594                              | 17,549                     | -                 | 165,782                                 |
| Capital Projects Funds   | -                       | -                                  | -                          | -                 | -                                       |
| Debt Service Funds   | -                       | -                                  | -                          | -                 | -                                       |
| Committed for:   |                         |                                    |                            |                   |   |
| General Fund   | -                       | -                                  | -                          | -                 | -                                       |
| Special Revenue Funds  | -                       | -                                  | -                          | -                 | -                                       |
| Capital Projects Funds   | -                       | -                                  | -                          | -                 | -                                       |
| Assigned for:  |                         |                                    |                            |                   |   |
| General Fund   | -                       | -                                  | -                          | -                 | -                                       |
| Special Revenue Funds  | -                       | -                                  | -                          | -                 | -                                       |
| Capital Projects Funds   | -                       | -                                  | -                          | -                 | -                                       |
| Unassigned for:  |                         |                                    |                            |                   |   |
| General Fund   | -                       | -                                  | -                          | -                 | -                                       |
| <i>Total fund balances</i>   | <u>144,639</u>          | <u>3,594</u>                       | <u>17,549</u>              | <u>-</u>          | <u>165,782</u>                          |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 147,755</u>       | <u>\$ 3,594</u>                    | <u>\$ 18,938</u>           | <u>\$ -</u>       | <u>\$ 170,287</u>                       |

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## STATE OF NEW MEXICO

Schedule A-2

## VILLAGE OF MAXWELL

## NONMAJOR GOVERNMENTAL FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2016

|  | Fire Protection<br>Fund | Law Enforcement<br>Protection Fund | Fire Discretionary<br>Fund | Debt Service Fund | Total Nonmajor<br>Governmental<br>Funds |
|--|-------------------------|------------------------------------|----------------------------|-------------------|---|
| <i>Revenues:</i>   |                         |                                    |                            |                   |   |
| Taxes  |                         |                                    |                            |                   |   |
| Gross receipts taxes                                     | \$ -                    | \$ -                               | \$ -                       | \$ -              | \$ -                                    |
| State Grant Income                                       | 82,067                  | 20,000                             | 4,946                      | -                 | 107,013                                 |
| Charges for Services                                     | -                       | -                                  | -                          | -                 | -                                       |
| Licenses and Fees  | -                       | -                                  | -                          | -                 | -                                       |
| Investment Income (Loss)                                 | -                       | -                                  | -                          | -                 | -                                       |
| Miscellaneous  | -                       | -                                  | -                          | -                 | -                                       |
| <i>Total revenues</i>                                    | <u>82,067</u>           | <u>20,000</u>                      | <u>4,946</u>               | <u>-</u>          | <u>107,013</u>                          |
| <i>Expenditures:</i>                                     |                         |                                    |                            |                   |   |
| Current:   |                         |                                    |                            |                   |   |
| General Government                                       | -                       | -                                  | -                          | -                 | -                                       |
| Public Safety  | 60,615                  | 16,512                             | 5,112                      | -                 | 82,239                                  |
| Public Works   | -                       | -                                  | -                          | -                 | -                                       |
| Culture and Recreation                                   | -                       | -                                  | -                          | -                 | -                                       |
| Health and Welfare                                       | -                       | -                                  | -                          | -                 | -                                       |
| Capital Outlay   | -                       | -                                  | -                          | -                 | -                                       |
| Debt Service:  |                         |                                    |                            |                   |   |
| Principal  | -                       | -                                  | -                          | -                 | -                                       |
| Interest   | -                       | -                                  | -                          | -                 | -                                       |
| <i>Total expenditures</i>                                | <u>60,615</u>           | <u>16,512</u>                      | <u>5,112</u>               | <u>-</u>          | <u>82,239</u>                           |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>21,452</u>           | <u>3,488</u>                       | <u>(166)</u>               | <u>-</u>          | <u>24,774</u>                           |
| <i>Other financing sources (uses)</i>                    |                         |                                    |                            |                   |   |
| Transfers In   | 3,405                   | -                                  | -                          | -                 | 3,405                                   |
| Transfers Out  | -                       | -                                  | -                          | -                 | -                                       |
| <i>Total other financing sources (uses)</i>              | <u>3,405</u>            | <u>-</u>                           | <u>-</u>                   | <u>-</u>          | <u>3,405</u>                            |
| <i>Net change in fund balances</i>                       | 24,857                  | 3,488                              | (166)                      | -                 | 28,179                                  |
| <i>Fund balances - beginning of year</i>                 | <u>119,782</u>          | <u>106</u>                         | <u>17,715</u>              | <u>-</u>          | <u>137,603</u>                          |
| <i>Fund balances - end of year</i>                       | <u>\$ 144,639</u>       | <u>\$ 3,594</u>                    | <u>\$ 17,549</u>           | <u>\$ -</u>       | <u>\$ 165,782</u>                       |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**FIRE PROTECTION SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2016**

|   | Budgeted Amounts |          | Actual              | Variances<br>Favorable<br>(Unfavorable) |
|---|------------------|----------|---------------------|---|
|   | Original         | Final    | (Non-GAAP<br>Basis) | Final to Actual                         |
| <i>Revenues:</i>  |                  |          |                     |   |
| Taxes   | \$ -             | \$ -     | \$ -                | \$ -                                    |
| State Grant Income  | 80,770           | 82,455   | 83,914              | 1,459                                   |
| Charges For Services  | -                | -        | -                   | -                                       |
| Licenses and Fees   | -                | -        | -                   | -                                       |
| Interest Income   | -                | -        | -                   | -                                       |
| Investment Income(Loss)   | -                | -        | -                   | -                                       |
| Miscellaneous   | -                | -        | -                   | -                                       |
| <i>Total revenues</i>   | 80,770           | 82,455   | 83,914              | 1,459                                   |
| <i>Expenditures:</i>  |                  |          |                     |   |
| <i>Current:</i>   |                  |          |                     |   |
| General Government  | -                | -        | -                   | -                                       |
| Public Safety   | 118,000          | 118,000  | 58,487              | 59,513                                  |
| Public Works  | -                | -        | -                   | -                                       |
| Culture and Recreation  | -                | -        | -                   | -                                       |
| Health and Welfare  | -                | -        | -                   | -                                       |
| Capital Outlay  | -                | -        | -                   | -                                       |
| <i>Debt Service:</i>  |                  |          |                     |   |
| Principal   | -                | -        | -                   | -                                       |
| Interest  | -                | -        | -                   | -                                       |
| <i>Total expenditures</i>   | 118,000          | 118,000  | 58,487              | 59,513                                  |
| <i>Excess (deficiency) of revenues over expenditures</i>  | (37,230)         | (35,545) | 25,427              | 60,972                                  |
| <i>Other financing sources (uses)</i>   |                  |          |                     |   |
| Designated Cash   | 37,230           | 35,545   | -                   | (35,545)                                |
| Transfers (In) Out  | -                | -        | 3,405               | 3,405                                   |
| <i>Total other financing sources (uses)</i>   | 37,230           | 35,545   | 3,405               | (32,140)                                |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -        | 28,832              | 28,832                                  |
| <i>Cash Balance - Beginning of Year</i>   | -                | -        | 118,923             | 118,923                                 |
| <i>Cash Balance - End of Year</i>   | \$ -             | \$ -     | 147,755             | \$ 147,755                              |
| <i>Excess (deficiency) of revenues over expenditures (Non-GAAP)</i>   |                  |          |                     |   |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals                        |                  |          | \$ 28,832           |   |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals             |                  |          | (1,847)             |   |
|   |                  |          | (2,128)             |   |
| <i>Net Change in Fund Balance (GAAP basis)</i>  |                  |          | \$ 24,857           |   |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2016**

|   | Budgeted Amounts |        | Actual              | Variances<br>Favorable<br>(Unfavorable) |
|---|------------------|--------|---------------------|---|
|   | Original         | Final  | (Non-GAAP<br>Basis) | Final to Actual                         |
| <i>Revenues:</i>  |                  |        |                     |   |
| Taxes   | \$ -             | \$ -   | \$ -                | \$ -                                    |
| State Grant Income  | 20,000           | 20,000 | 20,000              | -                                       |
| Charges For Services  | -                | -      | -                   | -                                       |
| Licenses and Fees   | -                | -      | -                   | -                                       |
| Interest Income   | -                | -      | -                   | -                                       |
| Investment Income(Loss)   | -                | -      | -                   | -                                       |
| Miscellaneous   | -                | -      | -                   | -                                       |
| <i>Total revenues</i>   | 20,000           | 20,000 | 20,000              | -                                       |
| <i>Expenditures:</i>  |                  |        |                     |   |
| <i>Current:</i>   |                  |        |                     |   |
| General Government  | -                | -      | -                   | -                                       |
| Public Safety   | 20,106           | 20,106 | 16,512              | 3,594                                   |
| Public Works  | -                | -      | -                   | -                                       |
| Culture and Recreation  | -                | -      | -                   | -                                       |
| Health and Welfare  | -                | -      | -                   | -                                       |
| Capital Outlay  | -                | -      | -                   | -                                       |
| <i>Debt Service:</i>  |                  |        |                     |   |
| Principal   | -                | -      | -                   | -                                       |
| Interest  | -                | -      | -                   | -                                       |
| <i>Total expenditures</i>   | 20,106           | 20,106 | 16,512              | 3,594                                   |
| <i>Excess (deficiency) of revenues over expenditures</i>  | (106)            | (106)  | 3,488               | 3,594                                   |
| <i>Other financing sources (uses)</i>   |                  |        |                     |   |
| Designated Cash   | 106              | 106    | -                   | (106)                                   |
| Transfers (In) Out  | -                | -      | -                   | -                                       |
| <i>Total other financing sources (uses)</i>   | 106              | 106    | -                   | (106)                                   |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -      | 3,488               | 3,488                                   |
| <i>Cash Balance - Beginning of Year</i>   | -                | -      | 106                 | 106                                     |
| <i>Cash Balance - End of Year</i>   | \$ -             | \$ -   | \$ 3,594            | \$ 3,594                                |
| Excess (deficiency) of revenues over expenditures (Non-GAAP)  |                  |        | \$ 3,488            |   |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals                        |                  |        | -                   |   |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals             |                  |        | -                   |   |
| <i>Net Change in Fund Balance (GAAP basis)</i>  |                  |        | \$ 3,488            |   |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**FIRE DISCRETIONARY SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2016**

|   | Budgeted Amounts |          | Actual              | Variances                                     |
|---|------------------|----------|---------------------|---|
|   | Original         | Final    | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |          |                     |   |
| Taxes   | \$ -             | \$ -     | \$ -                | \$ -  |
| State Grant Income  | 27,000           | 27,000   | 4,946               | (22,054)                                      |
| Charges For Services  | -                | -        | -                   | -   |
| Licenses and Fees   | -                | -        | -                   | -   |
| Interest Income   | -                | -        | -                   | -   |
| Investment Income(Loss)   | -                | -        | -                   | -   |
| Miscellaneous   | -                | -        | -                   | -   |
| <i>Total revenues</i>   | 27,000           | 27,000   | 4,946               | (22,054)                                      |
| <i>Expenditures:</i>  |                  |          |                     |   |
| <i>Current:</i>   |                  |          |                     |   |
| General Government  | -                | -        | -                   | -   |
| Public Safety   | 10,000           | 10,000   | 5,112               | 4,888   |
| Public Works  | -                | -        | -                   | -   |
| Culture and Recreation  | -                | -        | -                   | -   |
| Health and Welfare  | -                | -        | -                   | -   |
| Capital Outlay  | -                | -        | -                   | -   |
| <i>Debt Service:</i>  |                  |          |                     |   |
| Principal   | -                | -        | -                   | -   |
| Interest  | -                | -        | -                   | -   |
| <i>Total expenditures</i>   | 10,000           | 10,000   | 5,112               | 4,888   |
| <i>Excess (deficiency) of revenues over expenditures</i>  | 17,000           | 17,000   | (166)               | (17,166)                                      |
| <i>Other financing sources (uses)</i>   |                  |          |                     |   |
| Designated Cash   | (17,000)         | (17,000) | -                   | 17,000  |
| Transfers (In) Out  | -                | -        | -                   | -   |
| <i>Total other financing sources (uses)</i>   | (17,000)         | (17,000) | -                   | 17,000  |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -        | (166)               | (166)   |
| <i>Cash Balance - Beginning of Year</i>   | -                | -        | 19,104              | 19,104  |
| <i>Cash Balance - End of Year</i>   | \$ -             | \$ -     | \$ 18,938           | \$ 18,938                                     |
| Excess (deficiency) of revenues over expenditures (Non-GAAP)  |                  |          | \$ (166)            |   |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals                        |                  |          | -                   |   |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals             |                  |          | -                   |   |
| <i>Net Change in Fund Balance (GAAP basis)</i>  |                  |          | \$ (166)            |   |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**CDBG CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2016**

|   | Budgeted Amounts |           | Actual              | Variances<br>Favorable<br>(Unfavorable) |
|---|------------------|-----------|---------------------|---|
|   | Original         | Final     | (Non-GAAP<br>Basis) | Final to Actual                         |
| <i>Revenues:</i>  |                  |           |                     |   |
| Taxes   | \$ -             | \$ -      | \$ -                | \$ -                                    |
| State Grant Income  | 1,000,115        | 1,000,115 | -                   | (1,000,115)                             |
| Charges For Services  | -                | -         | -                   | -                                       |
| Licenses and Fees   | -                | -         | -                   | -                                       |
| Interest Income   | -                | -         | -                   | -                                       |
| Investment Income(Loss)   | -                | -         | -                   | -                                       |
| Miscellaneous   | -                | -         | -                   | -                                       |
| <i>Total revenues</i>   | 1,000,115        | 1,000,115 | -                   | (1,000,115)                             |
| <i>Expenditures:</i>  |                  |           |                     |   |
| Current:  |                  |           |                     |   |
| General Government  | -                | -         | -                   | -                                       |
| Public Safety   | -                | -         | -                   | -                                       |
| Public Works  | -                | -         | -                   | -                                       |
| Culture and Recreation  | -                | -         | -                   | -                                       |
| Health and Welfare  | -                | -         | -                   | -                                       |
| Capital Outlay  | 60,000           | 60,000    | -                   | 60,000                                  |
| Debt Service:   |                  |           |                     |   |
| Principal   | -                | -         | -                   | -                                       |
| Interest  | -                | -         | -                   | -                                       |
| <i>Total expenditures</i>   | 60,000           | 60,000    | -                   | 60,000                                  |
| <i>Excess (deficiency) of revenues over expenditures</i>  | 940,115          | 940,115   | -                   | (940,115)                               |
| <i>Other financing sources (uses)</i>   |                  |           |                     |   |
| Designated Cash   | (940,115)        | (940,115) | -                   | 940,115                                 |
| Transfers (In) Out  | -                | -         | -                   | -                                       |
| <i>Total other financing sources (uses)</i>   | (940,115)        | (940,115) | -                   | 940,115                                 |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -         | -                   | -                                       |
| <i>Cash Balance - Beginning of Year</i>   | -                | -         | 115                 | 115                                     |
| <i>Cash Balance - End of Year</i>   | \$ -             | \$ -      | \$ 115              | \$ 115                                  |
| Excess (deficiency) of revenues over expenditures (Non-GAAP)  |                  |           | \$ -                |   |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals                        |                  |           | (136,850)           |   |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals             |                  |           | 136,850             |   |
| <i>Net Change in Fund Balance (GAAP basis)</i>  |                  |           | \$ -                |   |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2016**

|   | Budgeted Amounts |       | Actual              | Variances                                     |
|---|------------------|-------|---------------------|---|
|   | Original         | Final | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |       |                     |   |
| Taxes   | \$ -             | \$ -  | \$ -                | \$ -  |
| State Grant Income  | -                | -     | -                   | -   |
| Charges For Services  | -                | -     | -                   | -   |
| Licenses and Fees   | -                | -     | -                   | -   |
| Interest Income   | -                | -     | -                   | -   |
| Investment Income(Loss)   | -                | -     | -                   | -   |
| Miscellaneous   | -                | -     | -                   | -   |
| <i>Total revenues</i>   | -                | -     | -                   | -   |
| <i>Expenditures:</i>  |                  |       |                     |   |
| Current:  |                  |       |                     |   |
| General Government  | -                | -     | -                   | -   |
| Public Safety   | -                | -     | -                   | -   |
| Public Works  | -                | -     | -                   | -   |
| Culture and Recreation  | -                | -     | -                   | -   |
| Health and Welfare  | -                | -     | -                   | -   |
| Capital Outlay  | -                | -     | -                   | -   |
| Debt Service:   |                  |       |                     |   |
| Principal   | 4,320            | -     | -                   | -   |
| Interest  | -                | -     | -                   | -   |
| <i>Total expenditures</i>   | 4,320            | -     | -                   | -   |
| <i>Excess (deficiency) of revenues over expenditures</i>  | (4,320)          | -     | -                   | -   |
| <i>Other financing sources (uses)</i>   |                  |       |                     |   |
| Designated Cash   | 4,320            | -     | -                   | -   |
| Transfers (In) Out  | -                | -     | -                   | -   |
| <i>Total other financing sources (uses)</i>   | 4,320            | -     | -                   | -   |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -     | -                   | -   |
| <i>Cash Balance - Beginning of Year</i>   | -                | -     | -                   | -   |
| <i>Cash Balance - End of Year</i>   | \$ -             | \$ -  | \$ -                | \$ -  |
| Excess (deficiency) of revenues over expenditures (Non-GAAP)  |                  |       | \$ -                |   |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals                        |                  |       | -                   |   |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals             |                  |       | -                   |   |
| <i>Net Change in Fund Balance (GAAP basis)</i>  |                  |       | \$ -                |   |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**GARBAGE PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2016**

|   | Budgeted Amounts |        | Actual  | Variances<br>Favorable<br>(Unfavorable)<br>Final to Actual |
|---|------------------|--------|---------|--|
|   | Original         | Final  |         |  |
| <i>Revenues:</i>  |                  |        |         |  |
| Taxes   | \$ -             | \$ -   | \$ -    | \$ -   |
| State Grant Income  | -                | -      | -       | -  |
| Charges For Services  | 33,630           | 33,630 | 32,337  | (1,293)  |
| Investment Income(Loss)   | -                | -      | 1       | 1  |
| Miscellaneous   | -                | -      | -       | -  |
| <i>Total revenues</i>   | 33,630           | 33,630 | 32,338  | (1,292)  |
| <i>Expenditures:</i>  |                  |        |         |  |
| <i>Current:</i>   |                  |        |         |  |
| Operating Expenses  | 33,000           | 33,000 | 31,485  | 1,515  |
| Travel  | -                | -      | -       | -  |
| Gross Receipts Tax  | -                | -      | -       | -  |
| Depreciation  | -                | -      | -       | -  |
| Purchases for Resale  | -                | -      | -       | -  |
| Contract Services   | -                | -      | -       | -  |
| Salaries  | -                | -      | -       | -  |
| Supplies  | -                | -      | -       | -  |
| <i>Debt Service:</i>  |                  |        |         |  |
| Principal   | -                | -      | -       | -  |
| Interest  | -                | -      | -       | -  |
| <i>Total expenditures</i>   | 33,000           | 33,000 | 31,485  | 1,515  |
| <i>Excess (deficiency) of revenues over expenditures</i>  | 630              | 630    | 853     | 223  |
| <i>Other financing sources (uses)</i>   |                  |        |         |  |
| Designated Cash   | (630)            | (630)  | -       | 630  |
| Transfers (In) Out  | -                | -      | -       | -  |
| <i>Total other financing sources (uses)</i>   | (630)            | (630)  | -       | 630  |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -      | 853     | 853  |
| <i>Fund balance - Beginning of Year</i>   | -                | -      | (1,128) | (1,128)  |
| <i>Fund balance - End of Year</i>   | \$ -             | \$ -   | (275)   | \$ (275)   |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**WATER & SEWER PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2016**

|   | Budgeted Amounts |                 | Actual           | Variances<br>Favorable<br>(Unfavorable)<br>Final to Actual |
|---|------------------|-----------------|------------------|--|
|   | Original         | Final           |                  |  |
| <i>Revenues:</i>  |                  |                 |                  |  |
| Taxes   | \$ -             | \$ -            | \$ -             | \$ -   |
| State Grant Income  | -                | -               | -                | -  |
| Charges For Services  | 140,000          | 140,000         | 80,878           | (59,122)   |
| Investment Income(Loss)   | 100              | 100             | 38               | (62)   |
| Miscellaneous   | -                | -               | 609              | 609  |
| <i>Total revenues</i>   | <u>140,100</u>   | <u>140,100</u>  | <u>81,525</u>    | <u>(58,575)</u>  |
| <i>Expenditures:</i>  |                  |                 |                  |  |
| <i>Current:</i>   |                  |                 |                  |  |
| Operating Expenses  | 79,000           | 79,000          | 31,962           | 47,038   |
| Travel  | -                | -               | -                | -  |
| Gross Receipts Tax  | -                | -               | -                | -  |
| Depreciation  | 50,000           | 50,000          | 46,788           | 3,212  |
| Purchases for Resale  | -                | -               | -                | -  |
| Contract Services   | 100              | 100             | 53               | 47   |
| Salaries  | 77,000           | 77,000          | 38,916           | 38,084   |
| Supplies  | 2,900            | 2,900           | 2,508            | 392  |
| <i>Debt Service:</i>  |                  |                 |                  |  |
| Principal   | -                | -               | -                | -  |
| Interest  | -                | -               | -                | -  |
| <i>Total expenditures</i>   | <u>209,000</u>   | <u>209,000</u>  | <u>120,227</u>   | <u>88,773</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>(68,900)</u>  | <u>(68,900)</u> | <u>(38,702)</u>  | <u>30,198</u>  |
| <i>Other financing sources (uses)</i>   |                  |                 |                  |  |
| Designated Cash   | 68,900           | 68,900          | -                | (68,900)   |
| Transfers (In) Out  | -                | -               | -                | -  |
| <i>Total other financing sources (uses)</i>   | <u>68,900</u>    | <u>68,900</u>   | <u>-</u>         | <u>(68,900)</u>  |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -               | (38,702)         | (38,702)   |
| <i>Fund balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>        | <u>1,018,709</u> | <u>1,018,709</u>   |
| <i>Fund balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>     | <u>980,007</u>   | <u>\$ 980,007</u>  |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**CEMETERY PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2016**

|   | Budgeted Amounts |         | Actual | Variances<br>Favorable<br>(Unfavorable)<br>Final to Actual |
|---|------------------|---------|--------|--|
|   | Original         | Final   |        |  |
| <i>Revenues:</i>  |                  |         |        |  |
| Taxes   | \$ -             | \$ -    | \$ -   | \$ -   |
| State Grant Income  | -                | -       | -      | -  |
| Charges For Services  | 3,600            | 3,600   | 2,325  | (1,275)  |
| Investment Income(Loss)   | -                | -       | -      | -  |
| Miscellaneous   | -                | -       | -      | -  |
| <i>Total revenues</i>   | 3,600            | 3,600   | 2,325  | (1,275)  |
| <i>Expenditures:</i>  |                  |         |        |  |
| <i>Current:</i>   |                  |         |        |  |
| Operating Expenses  | 2,500            | 2,500   | 2,203  | 297  |
| Travel  | -                | -       | -      | -  |
| Gross Receipts Tax  | -                | -       | -      | -  |
| Depreciation  | -                | -       | -      | -  |
| Purchases for Resale  | -                | -       | -      | -  |
| Contract Services   | -                | -       | -      | -  |
| Salaries  | -                | -       | -      | -  |
| Supplies  | -                | -       | -      | -  |
| <i>Debt Service:</i>  |                  |         |        |  |
| Principal   | -                | -       | -      | -  |
| Interest  | -                | -       | -      | -  |
| <i>Total expenditures</i>   | 2,500            | 2,500   | 2,203  | 297  |
| <i>Excess (deficiency) of revenues over expenditures</i>  | 1,100            | 1,100   | 122    | (978)  |
| <i>Other financing sources (uses)</i>   |                  |         |        |  |
| Designated Cash   | (1,100)          | (1,100) | -      | 1,100  |
| Transfers (In) Out  | -                | -       | -      | -  |
| <i>Total other financing sources (uses)</i>   | (1,100)          | (1,100) | -      | 1,100  |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -       | 122    | 122  |
| <i>Fund balance - Beginning of Year</i>   | -                | -       | 5,652  | 5,652  |
| <i>Fund balance - End of Year</i>   | \$ -             | \$ -    | 5,774  | \$ 5,774   |

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION LIABILITY**

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STATE OF NEW MEXICO  
Village of Maxwell  
Required Supplementary Information  
June 30, 2016

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND DIVISION – GENERAL**

**Public Employees Retirement Association (PERA) Plan**

**Last 10 Fiscal Years\***

|  | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| Village's proportion of the net pension liability (asset)  | 0.0118%     | 0.0114%     |
| Village's proportionate share of the net pension liability (asset)   | \$ 120,311  | \$ 88,932   |
| Village's covered-employee payroll   | \$ 111,546  | \$ 124,192  |
| Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 107.85%     | 71.61%      |
| Plan fiduciary net position as a percentage of the total pension liability   | 76.99%      | 81.29%      |

\* The amounts presented were determined as of June 30 as of the previous fiscal year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the State of New Mexico will present information for those years for which information is available.

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STATE OF NEW MEXICO  
Village of Maxwell  
Required Supplementary Information  
June 30, 2016

**SCHEDULE OF THE CONTRIBUTIONS**

**Public Employees Retirement Association (PERA) Plan**

**PERA Fund Division - General**

**Last 10 Fiscal Years\***

|  | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| Contractually required contribution                                  | \$ 8,674    | \$ 9,190    |
| Contributions in relation to the contractually required contribution | \$ 8,674    | \$ 9,190    |
| Contribution deficiency (excess)                                     | -           | -           |
| Village's covered-employee payroll                                   | \$ 111,546  | \$ 124,192  |
| Contributions as a percentage of covered-employee payroll            | 7.77%       | 7.36%       |

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

*Note: The employee contribution is not included in this schedule.*

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STATE OF NEW MEXICO  
Village of Maxwell  
Required Supplementary Information  
June 30, 2016

**Notes to Required Supplementary Information**

**For the Year Ended June 30, 2016**

**Changes of benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf).

**Changes of assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf). The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

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**SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF CASH AND INVESTMENT ACCOUNTS**  
**JUNE 30, 2016**

Schedule I

| Bank Account Type/Name                                       | International Bank | Washington Federal | Total             |
|--|--------------------|--------------------|-------------------|
| Checking - General Fund, Interest Bearing                    | \$ 87,997          | \$ -               | \$ 87,997         |
| Checking - Law Enforcement Protection Fund, Interest Bearing | 3,594              | -                  | 3,594             |
| Checking - Water & Sewer Fund, Interest Bearing              | 14,473             | -                  | 14,473            |
| Checking - Cemetery Fund, Interest Bearing                   | 7,727              | -                  | 7,727             |
| Checking - CDBG, Interest Bearing                            | 115                | -                  | 115               |
| Checking - Water Deposit Fund, Interest Bearing              | 15,516             | -                  | 15,516            |
| Checking - Fire Protection Fund, Interest Bearing            | -                  | 147,866            | 147,866           |
| Checking - Fire Discretionary Fund, Interest Bearing         | -                  | 18,458             | 18,458            |
| Certificates of Deposit- General Fund, Interest Bearing      | 140,939            | -                  | 140,939           |
| <b>Total On Deposit</b>                                      | <b>270,361</b>     | <b>166,324</b>     | <b>436,686</b>    |
| Reconciling Items  | (2,806)            | -                  | (2,806)           |
| <b>Reconciled Balance, June 30, 2016</b>                     | <b>\$ 267,555</b>  | <b>\$ 166,324</b>  | <b>\$ 433,880</b> |

This amount is reflected in the financial statements as follows:

|   |                   |
|---|-------------------|
| Cash and cash equivalents-Governmental activities Ex-B-1  | \$ 397,127        |
| Cash and cash equivalents-Business type activities Ex-D-1 | 36,753            |
|   | <u>\$ 433,880</u> |

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STATE OF NEW MEXICO

Schedule II

VILLAGE OF MAXWELL

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

FOR PUBLIC FUNDS

JUNE 30, 2016

| Name of<br>Depository | Description<br>of Pledged<br>Collateral     | Market<br>Value<br>June 30, 2016 | Name and<br>Location of<br>Safekeeper   |
|-----------------------|---|----------------------------------|---|
| International Bank    | FLMC<br>Cusip 3134G8ZV4, 1.50%<br>4/21/2021 | <u>\$ 175,415</u>                | Federal Reserve Bank<br>Kansas City, MO |
|                       |   | <u>\$ 175,415</u>                |   |

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| Agency Number | Agency Name | Agency Type | REB/RFPI (if applicable) | Type of Procurement | Vendor Name | Did Vendor Win Contract? | \$ Amount of Awarded Contract | \$ Amount of Amended Contract | Physical address of vendor (City, State) | Did the Vendor provide documentation of eligibility for in-state preference? | Did the Vendor provide documentation of eligibility for veterans preference? | Brief Description of the Scope of Work | If the procurement is attributable to a Component Unit, Name of Component Unit |
|---------------|-------------|-------------|--------------------------|---------------------|-------------|--------------------------|-------------------------------|-------------------------------|--|--|--|--|--|
| NONE          |             |             |                          |                     |             |                          |                               |                               |  |  |  |  |  |

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**VILLAGE OF MAXWELL HOUSING AUTHORITY**  
**(A Component Unit of the Town of Maxwell)**  
**Financial Data Schedule**  
**June 30, 2016**

| Line<br>Item # | Account Description  | Public<br>Housing<br>Low Rent<br>14,850 | Public Housing<br>Capital Fund<br>Program<br>14,872 | Total          |
|----------------|--|---|---|----------------|
| 111            | Cash - Unrestricted  | 17,105                                  | -   | 17,105         |
| 114            | Cash - Tenant Security Deposits  | 4,156                                   | -   | 4,156          |
| 100            | Total Cash   | 21,261                                  | -   | 21,261         |
| 122            | Accounts Receivable - HUD Other Projects   | -                                       | -   | -              |
| 124            | Accounts Receivable - Other Government   | -                                       | -   | -              |
| 126            | Accounts Receivable - Tenants  | -                                       | -   | -              |
| 126.1          | Allowance for Doubtful Accts - Tenants   | -                                       | -   | -              |
| 129            | Accrued Interest Receivable  | 41                                      | -   | 41             |
| 120            | Total Receivables, Net of Allowance for Doubtfull Accts                                  | 41                                      | -   | 41             |
| 131            | Investments - Unrestricted   | 35,598                                  | -   | 35,598         |
| 132            | Investments - Restricted   | -                                       | -   | -              |
| 142            | Prepaid Expenses and Other Assets  | 51                                      | -   | 51             |
| 143            | Inventories  | 4,287                                   | -   | 4,287          |
| 143.1          | Allowance for Obsolete Inventories   | (429)                                   | -   | (429)          |
| 150            | Total Current Assets   | 60,809                                  | -   | 60,809         |
| 161            | Land   | 5,000                                   | -   | 5,000          |
| 162            | Buildings  | 924,589                                 | -   | 924,589        |
| 163            | Furniture, Equipment & Machinery - Dwellings   | 66,937                                  | -   | 66,937         |
| 164            | Furniture, Equipment & Machinery - Administration  | 32,976                                  | -   | 32,976         |
| 165            | Leasehold Improvements   | -                                       | -   | -              |
| 166            | Accumulated Depreciation   | (851,803)                               | -   | (851,803)      |
| 167            | Construction in Progress   | -                                       | -   | -              |
| 160            | Total Capital Assets, Net of Accumulated Depreciation                                    | 177,699                                 | -   | 177,699        |
| 180            | Total Non-Current Assets   | 177,699                                 | -   | 177,699        |
| 190            | Total Assets   | 238,508                                 | -   | 238,508        |
| 200            | Deferred Outflow of Resources  | 2,909                                   | -   | 2,909          |
| <b>290</b>     | <b>Total Assets and Deferred Outflow of Resources</b>                                    | <b>241,417</b>                          | <b>-</b>  | <b>241,417</b> |
| 312            | Accounts Payable <= 90 Days  | 2,181                                   | -   | 2,181          |
| 321            | Accrued Wage/Payroll Taxes Payable   | 1,628                                   | -   | 1,628          |
| 322            | Accrued Compensated Absences - Current Portion   | 2,334                                   | -   | 2,334          |
| 341            | Tenant Security Deposits   | 4,156                                   | -   | 4,156          |
| 342            | Deferred Revenue   | 12                                      | -   | 12             |
| 310            | Total Current Liabilities  | 10,311                                  | -   | 10,311         |
| 354            | Accrued Compensated Absences - Non-Current   | 4,147                                   | -   | 4,147          |
| 357            | Accrued Pension and OPEB Liabilities   | 24,901                                  | -   | 24,901         |
| 350            | Total Noncurrent Liabilities   | 29,048                                  | -   | 29,048         |
| 300            | Total Liabilities  | 39,359                                  | -   | 39,359         |
| 400            | Deferred Inflow of Resources   | 9,759                                   | -   | 9,759          |
| 508.1          | Net Investment of Capital Assets   | 177,699                                 | -   | 177,699        |
| 511.4          | Restricted Net Position  | -                                       | -   | -              |
| 512.4          | Unrestricted Net Position  | 14,600                                  | -   | 14,600         |
| 513            | Total Equity - Net Position  | 192,299                                 | -   | 192,299        |
| <b>600</b>     | <b>Total Liabilities, Deferred Inflows of Resources and Equity - Net Assets/Position</b> | <b>241,417</b>                          | <b>-</b>  | <b>241,417</b> |
| 70300          | Net Tenant Rental Revenue  | 38,719                                  | -   | 38,719         |
| 70400          | Tenant Revenue - Other   | 668                                     | -   | 668            |
| 70500          | Total Tenant Revenue   | 39,387                                  | -   | 39,387         |
| 70600          | HUD PHA Operating Grants   | 52,301                                  | -   | 52,301         |
| 70610          | Capital Grants   | -                                       | 15,637  | 15,637         |
| 70700          | Total Fee Revenue  | 52,301                                  | 15,637  | 67,938         |

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**VILLAGE OF MAXWELL HOUSING AUTHORITY**  
**(A Component Unit of the Town of Maxwell)**  
**Financial Data Schedule**  
**June 30, 2016**

| Line<br>Item # | Account Description  | Public<br>Housing<br>Low Rent<br>14,850 | Public Housing<br>Capital Fund<br>Program<br>14,872 | Total           |
|----------------|--|---|---|-----------------|
| 71100          | Investment Income - Unrestricted                               | 249                                     |   | 249             |
| 71500          | Other Revenue  | -                                       |   | -               |
| 70000          | Total Revenue  | 91,937                                  | 15,637  | 107,574         |
| 91100          | Administrative Salaries  | 32,410                                  | -   | 32,410          |
| 91200          | Auditing Fees  | 3,209                                   | 2,500   | 5,709           |
| 91400          | Advertising & Marketing  | 150                                     | -   | 150             |
| 91500          | Employee Benefit Contributions - Administrative                | 2,858                                   | -   | 2,858           |
| 91600          | Office Expenses  | 5,466                                   | 277   | 5,743           |
| 91700          | Legal Expenses   | -                                       | -   | -               |
| 91800          | Travel   | 94                                      | 257   | 351             |
| 91900          | Other  | 5,390                                   | -   | 5,390           |
| 91000          | Total Operating - Administrative                               | 49,577                                  | 3,034   | 52,611          |
| 92400          | Tenant Services - Other  | -                                       | -   | -               |
| 92500          | Total Tenant Services  | -                                       | -   | -               |
| 93100          | Water  | 276                                     | -   | 276             |
| 93200          | Electricity  | 3,129                                   | -   | 3,129           |
| 93300          | Gas  | 1,059                                   | -   | 1,059           |
| 93600          | Sewer  | 56                                      | -   | 56              |
| 93800          | Other Utilities  | -                                       | -   | -               |
| 93000          | Total Utilities  | 4,520                                   | -   | 4,520           |
| 94100          | Ordinary Maintenance and Operations - Labor                    | 20,958                                  | -   | 20,958          |
| 94200          | Ordinary Maintenance and Operations - Materials & Other        | 3,140                                   | 3,710   | 6,850           |
| 94300          | Ordinary Maintenance and Operations Contracts                  | 721                                     | 2,893   | 3,614           |
| 94500          | Employee Benefit Contributions - Ordinary Maintenance          | 3,300                                   | -   | 3,300           |
| 94000          | Total Maintenance  | 28,119                                  | 6,603   | 34,722          |
| 96110          | Property Insurance   | 6,035                                   | -   | 6,035           |
| 96120          | Liability Insurance  | 1,639                                   | -   | 1,639           |
| 96130          | Workmen's Compensation   | 2,158                                   | -   | 2,158           |
| 96140          | All Other Insurance  | 1,752                                   | -   | 1,752           |
| 96100          | Total Insurance Premiums                                       | 11,584                                  | -   | 11,584          |
| 96200          | Other General Expenses   | 364                                     | -   | 364             |
| 96210          | Compensated Absences   | 3,135                                   | -   | 3,135           |
| 96400          | Bad Debt - Tenant Rents  | 375                                     | -   | 375             |
| 96000          | Total Other General Expenses                                   | 3,874                                   | -   | 3,874           |
| 96900          | Total Operating Expenses                                       | 97,674                                  | 9,637   | 107,311         |
| 97000          | Excess Revenue over Operating Expenses                         | (5,737)                                 | 6,000   | 263             |
| 97400          | Depreciation Expense   | 26,410                                  | -   | 26,410          |
| 90000          | Total Expenses   | 124,084                                 | 9,637   | 133,721         |
| 10010          | Operating Transfers In   | 6,000                                   | -   | 6,000           |
| 10020          | Operating Transfers Out  | -                                       | (6,000)   | (6,000)         |
| 10100          | Total Other Financing Sources (Uses)                           | 6,000                                   | (6,000)   | -               |
| <b>10000</b>   | <b>Excess (Deficiency) of Total Rev Over (Under) Total Exp</b> | <b>(26,147)</b>                         | <b>-</b>  | <b>(26,147)</b> |
| 11030          | Beginning Equity   | \$ 214,579                              | \$ 3,867  | \$ 218,446      |
| 11040          | Prior Period Adj, Equity Transfers, Correction of Errors       | \$ 3,867                                | \$ (3,867)  | \$ -            |
| 11190          | Unit Months Available  | 248                                     | -   | 248             |
| 11210          | Number of Unit Months Leased                                   | 232                                     | -   | 232             |

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**COMPLIANCE SECTION**

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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**

Timothy M. Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
Village of Maxwell  
Maxwell, NM

We were engaged to audit, 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, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the General fund of the Village of Maxwell as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village of Maxwell's basic financial statements, and the combining and individual and related budgetary comparisons of the Village of Maxwell, presented as supplemental information, and have issued our report thereon dated January 27, 2017. Our report disclaims an opinion on such financial statements because The Village of Maxwell was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the Village's financial statements as of and for the year ended June 30, 2016, particularly with respect to the expenditures. Salaries and wages make up 36% of the Village's total expenditures and they could not be validated along with other non-payroll expenditures. It was impracticable to extend our audit procedures sufficiently to determine the extent to which Village of Maxwell's financial statements as of and for the year ended June 30, 2016 may have been affected by the matters discussed in the preceding paragraph; accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements as of and for the year ended June 30, 2016.

**Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements, we considered the Village of Maxwell's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Maxwell's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Maxwell's internal control.

Our consideration of the 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 significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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 function, 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 to be material weaknesses. The material weaknesses are described as 2013-003, 2010-003, 2010-006, 2013-003, 2015-004, 2016-001 and 2016-002.

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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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. The significant deficiency is described as 2015-001 and 2016-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance in connection with our engagement to audit the financial statements of the Village of Maxwell, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item 2013-003.

### **The Village of Maxwell's Response to Findings**

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

*Precision Accounting LLC*

Precision Accounting LLC  
Albuquerque, New Mexico  
January 27, 2017

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2016

**A. CURRENT FINDINGS - FINANCIAL STATEMENT AUDIT**

**2010-003[2010-03] Capital Assets Inventory (Material Weakness) repeated**

CONDITION: The Village did not take an inventory of capital assets to ensure the completeness of their list. Although the Village has a Capital Asset list, it was derived from the 2007 audit and may not be complete for items purchased and disposed of from 2007 to current. Additions for 2016 were added to the list and depreciation was computed. The lack of progress on this finding is due to limited staffing and funding to hire someone to take inventory.

CRITERIA: Each Agency is required to maintain a capital assets list as per section 12-6-10 NMSA, 1978.

CAUSE: It appears that during the 2007 audit a list of capital assets was prepared but the listing has only been updated for additions from 2013 to current and may not include disposals.

EFFECT: Without a complete and accurate capital asset inventory list, there is a greater risk of undetected misappropriation of assets. This may have a material effect on the financial statements if left unaccounted for.

RECOMMENDATION: The Village should take inventory of its capital assets to ensure completeness and should maintain the listing of all Village capital assets and related depreciation.

CLIENT RESPONSE: The Village of Maxwell is maintaining a list of Capital Assets and related depreciation on an annual basis. The Mayor will be responsible for ensuring that an inventory is taken and that the results are provided to the clerk for inclusion in the Capital Asset listing. The Village Mayor and Clerk are currently obtaining pricing for a asset management software that has depreciation schedules built in. This corrective action is expected to be completed by June 30, 2017.

**2010-006 [2010-6][2010-7] Controls over Disbursements (Material Weakness) repeated and revised**

CONDITION: During our test work of cash disbursements, we noted fifty (50) transactions that could not be located, six (6) disbursements did not have supporting documents, two (2) disbursements that had unauthorized purchases, thirteen (13) disbursements that had a missing or unauthorized Purchase Order, and two (2) transactions where the same check number was used for more than one disbursements. This resulted in a total of seventy- one (71) errors over a sample of one hundred and forty (140) transactions tested. This resulted in a 52% error rate, and when projected to the population of 567 checks represents approximately 294 errors. There was a lack of progress due to the Village experiencing a high employee turnover in the Clerk position.

CRITERIA: NMSA 1978, section 6-5-8, states that purchases for goods and services, other than personnel, must be accompanied by supporting invoices and documentation. In addition, the New Mexico Procurement Code (13-1-28 to 13-1-199 NMSA 1978) states that purchase orders should be approved by management prior to purchases, including P.O. revisions as necessary.

CAUSE: The Village had nine (9) clerks throughout the year which resulted in inconsistent application of procedures for purchases.

EFFECT: Without adequate supporting documentation for purchases, and inconsistent use of P.O.s, there can be risks for unsupported or improper purchases, Precision accounting was unable to apply auditing procedures to determine if purchases were properly authorized and were a valid Village expenditure.

RECOMMENDATION: We recommend implementing controls over cash disbursements where a P.O. is required for all documents, all supporting documentation are required for all purchases, and implementing a filing system for documents so that all records can be accessed or located. It was noted that a procurement policy was put into place for fiscal year 2016-2017.

CLIENT RESPONSE: Staff is trained to submit a requisition for purchase orders which are generated ensuring the funding is available for the purchase. Once the transaction has been processed and the invoice has been received, the check is written and mailed. All supporting documentation and expenditures are properly filed accordingly per month per fund. The files are being kept in an expenditure file. Please note: Maxwell has a Chief Procurement Officer for Maxwell and this position ensures proper procedures and process will be implemented. This corrective action is expected to be completed by June 30, 2017.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2016

**2013-003 Non-Compliance with IRS rules on Contract Labor (Material Weakness & Compliance) repeated**

CONDITION: During our test work, we noted that the Village provides payroll services to the Maxwell Housing Authority, a component unit of the Village of Maxwell. The Executive Director was changed from an employee to an independent contractor but still held the same responsibilities as though he was an employee submitting time sheets for his hours worked. A 1099 was issued at year end for the contract labor. The lack of progress was due to the Village Clerk only processing the payroll based on the determinations made by the Housing Authority. As of fiscal year 2016-2017 this employee is no longer employed by the Housing Authority.

CRITERIA: IRS Publication 1779 states that there are three categories that determine if an employee is a contractor vs an employee. Criteria for determining contractor vs employee falls into the categories:

- Behavioral Control:
  - How, when or where to do the work.
  - What tools or Equipment to use.
  - Where to purchase supplies, and services
- Financial Control:
  - Opportunity for Profit or Loss
  - Significant Investment
  - Expenses
- Relationship of Parties
  - Employee Benefits
  - Written Contracts

CAUSE: It appears that the staff may not be aware of the employer-employee relationship as set forth by the Federal IRS regulations.

EFFECT: Misclassification of employee as an independent contractor without a reasonable basis can result in the Village and the Maxwell Housing Authority being held liable for all employment taxes for that worker.

RECOMMENDATION: We recommend that the Village review the IRS regulations regarding independent contractor vs employee guidelines and determine the employer-employee relationship by documenting reasonable basis for the selection on file.

CLIENT RESPONSE: The Village Mayor and Clerk have reviewed the IRS rules and has requested successfully to have the contract employee removed from the position. The position has since been filled by an Executive Director. All employees are currently being correctly classified and will be completed by June 30, 2017.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2016

**2015-001 Trial Balance/SAS 115 (Significant Deficiency)**

CONDITION: The Village's accounting software is not set up for fund accounting. Specifically, the profit and loss statement is not maintained by fund, making it difficult to determine proper classification. Cash per Quickbooks did not agree with the bank reconciliations at June 30, 2016. There was no progress with this finding from the prior year due to the high turnover in employees in the clerk position.

CRITERIA: Governmental accounting practices dictate that the Village's books should be maintained by funding source and that each fund be self-balancing. Statement on Auditing Standards section 325, Communication of Internal Control Related Matters Identified in an Audit, requires that management accept responsibility for the internal controls over financial reporting.

CAUSE: The Village's previous clerk's lacked the knowledge of how to set up the books in order to facilitate fund accounting. The Village has been through (9) nine clerks during the year causing inconsistencies in reporting.

EFFECT: The Village does not have financial information readily available that is accurate and consistent with GAAP requirements.

RECOMMENDATION: The Village should continue to improve its knowledge of GAAP and implement a chart of accounts that can be utilized with fund accounting. Transactions should be recorded with consistency so a procedure manual should be created for such times as turnover in positions.

CLIENT RESPONSE: The Village Clerk and CPO are currently in the process of re-structuring the Quickbooks chart of accounts so that classification of the transactions can be reported to the correct fund. The Utility department is currently in the process of transitioning to Caselle which is a fund accounting system for all utility AP and AR. The Village will eventually purchase the GL modules so that all funds are being recorded in the Caselle program. This corrective action is expected to be completed by June 30, 2017.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**OTHER DISCLOSURES**  
June 30, 2016

**2015-004 Utility Receipting (Material Weakness)- Repeated and revised**

CONDITION: During the course of the audit, we noted 40 exceptions out of a population of 40 where the billing is not being calculated or billed properly. The Village is not utilizing the Caselle billing system.

1. The Village had no support to validate sewer or landfill charges for Fiscal Year 2015-2016.
2. Conservation fees were not billed according to the Village's ordinances and policies.
3. Rate changes that were approved in the September 9, 2015 minutes were not implemented and had no new rate sheet.
4. Meter reads were not inputted correctly in the billing spreadsheet used to create customer billing invoices. The Village is performing manual meter readings and manually calculating utility bills on an excel spreadsheet using these manual meter readings. We noted that the majority of the utility bills are billed at the minimum water usage rates due to the incorrect meter read.
5. Payments recorded in QuickBooks are only available from February 2016 to present. No past records are available to verify if amount was recorded properly.

The following are features on Caselle billing system that are not being utilized by the Village:

1. Electronic meter readers to perform the monthly meter.
2. Calculating utility bills

Due to the condition noted above PALLC was unable to ascertain the customer billings to ensure that customer billings were being calculated accurately. There was a lack of progress due to the Village experiencing a high employee turnover in the Clerk position.

CRITERIA: The Village is in violation of their ordinances in regards to water, sewer, and landfill billing. The Village did not implementing the new ordinance that was passed regarding billing rates from the September 5, 2015 board meeting.

EFFECT: The manual process for utility billing can cause errors in calculating customer utility billings. This can potentially cause misstatement in utility revenues. Additionally, the Village is not making proper use of public funds by paying for Caselle services and not utilizing those services.

RECOMMENDATION: The Village is recommended to perform a final check prior to final billing to ensure that all meter reads, sewer rates, and landfill rates are calculated correctly. The Village is also encouraged to begin using Caselle so that they can transfer from manual billing to begin executing accurate customer utility billings.

CLIENT RESPONSE: All current meter readings and spreadsheets are being filed on a monthly basis and are cross referenced to the current billing system in QuickBooks. The Village Clerk and CPO have begun the process of transitioning from the QuickBooks program to the hosted Caselle program. The Caselle program will provide the Village with an off-site back up and a structured Utility billing system as well as an accurate receipt process. All ordinances are being reviewed by the Mayor and Clerk and updated rates are being implemented into the Caselle system. Caselle provides the option of electronic meter reads that are uploaded to the program automatic, thus eliminating the inaccurate meter readings as well as provide a more efficient process of billing. This corrective action is expected to be completed by June 30, 2017.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**OTHER DISCLOSURES**  
June 30, 2016

**2016-001 Under Billing for Payroll Services (Material Weakness)**

CONDITION: During the course of the audit, we noted that The Village is under billing the Maxwell Housing Authority (MXHA) for payroll services. Total payroll for MXHA paid out of The Village was \$56,535.34. The total amount remitted from MXHA was \$45,015. The total amount due from MXHA is \$11,520.34. Of this amount, \$2,814.05 was under billed by The Village and \$8,706.29 is the amount previously billed but not paid by MXHA. In addition to under billing for payroll services The Village did not bill the correct amount for PERA and SUTA for MXHA employees. The amount due from MXHA is \$1,657.60 and \$548.33 respectively. During the review of MXHA financial statement audit report, PALLC noted that there was a difference in payroll services of approximately \$26,000.

CRITERIA: NMSA 1978 section 6-5-2 “Internal Controls” states that proper internal controls should be designed and employed to prevent accounting errors and violations of state and federal law and rules related to financial matters, including payroll. GAAP requirements and accounting principles must be followed for recording and maintaining proper accounting records.

EFFECT: The Village is under billing the MXHA and is therefore not recapturing the total amount of payroll services they provide.

RECOMMENDATION: The Village is recommended to perform a final check prior to final billing to ensure that all payroll services are captured properly.

CLIENT RESPONSE: The previous Village staff had previously been using an outdated program for payroll and the results were inaccurate payroll and reports. Currently the Village Clerk and CPO are using an updated and current QuickBooks for payroll and performing final review of the payroll before it is distributed. The Village is currently not processing payroll for the Maxwell Housing and has requested for the Maxwell Housing to generate their own payroll. The Village Clerk will be billing the Maxwell Housing for the difference in the payroll as stated by PALLC. The Maxwell Housing will be invoiced for the balance due to the Village. This corrective action is expected to be completed by June 30, 2017.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**OTHER DISCLOSURES**  
June 30, 2016

**2016-002 Noncompliance with Payroll (Material Weakness)**

CONDITION: During our test work of twenty- four (24) payroll employees across 4 pay periods we noted the following issues:

1. Sixteen (16) W-4s that could not be located, and two (2) W-4s that did not match what was entered into the accounting system.
2. Twenty- three (23) I-9s that could not be located, and one (1) I-9 that was not properly filled out.
3. The Village could not locate personnel records for employee's wages in accordance with Village policies.
4. Accrued vacation/sick time is not being calculated. Employees are accruing over maximum hours and are accruing more hours than The Village personnel policy allows.
5. One (1) 941 Quarterly Report could not be located, 941 payments could not be reconciled to the general ledger because payroll could not be validated.
6. PERA reports are being submitted but all payments were not being remitted, PERA could not be reconciled to the general ledger because payroll could not be validated.

CRITERIA: NMSA 1978 section 6-5-2 "Internal Controls" states that proper internal controls should be designed and employed to prevent accounting errors and violations of state and federal law and rules related to financial matters, including payroll. GAAP requirements and accounting principles must be followed for recording and maintaining proper accounting records.

CAUSE: The Village had nine (9) clerks throughout the year which resulted in inconsistent application of procedures for payroll.

EFFECT: Precision accounting was unable to apply auditing procedures to determine if payroll was properly processed. Without proper review and agreement of all payroll files and processes (including W4s, I9s, employee contracts, accrued sick/vacation time, PERA rates, and 941 reporting), the Village is at risk of making inaccurate payroll disbursements. The result could be an overstatement/understatement of wages, tax, and other benefit liabilities/expenditures for the 2015- 2016 fiscal year.

RECOMMENDATION: The Village is encouraged to have staff perform a review and agreement of employee contracts, W4s, I9s, and payroll setup for accrued sick/vacation to ensure accuracy of wage payments. Additionally, we recommend staff perform a review of processes and controls to ensure accuracy of the reporting and payments.

CLIENT RESPONSE: All employees are currently required to submit an I9, W4, health insurance, and PERA forms so proper deductions can be processed in payroll. 941 reports are generated in Quickbooks and are filed on a quarterly basis. These 941 reports are being compared to the final figures of payroll and the computer generated 941 information for accuracy.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**OTHER DISCLOSURES**  
June 30, 2016

**2016- 003 Late Audit Report (Significant Deficiency)**

**CONDITION:** The annual financial and compliance audit for the year ending June 30, 2016 was not submitted to the State Auditor on or before December 15, 2016.

**CRITERIA:** NMAC 2.2.2.9 requires that the financial and compliance audit of a municipality be completed and submitted to the New Mexico State Auditor on or before December 15.

**CAUSE:** The Village hired another CPA firm that did not fulfill their contract. The Village then had to go through the Office of the State Auditor to void their contract with that firm and receive permission to enter into another engagement with a different firm to perform the fiscal year 2015-2016 audit. The new accounting firm was engaged to perform the fiscal year audit 2015-2016 in January 2017.

**EFFECT:** The Village of Maxwell is in violation of NMAC 2.2.2.9 having failed to submit their annual audit by the required date which could jeopardize the Village's eligibility for funding from the State Legislature and Federal agencies.

**RECOMMENDATION:** We recommend that the Village comply with the regulatory requirements regarding the completion of the financial and compliance.

**MANAGEMENT RESPONSE:** The Village entered into a contract with a CPA firm for the fiscal year 2015-2016. The CPA firm did not fulfill their contract. Due to the timing of this matter, the Village then had to go through the Office of the State Auditor to void their contract with that firm and receive permission to enter into another engagement with a different firm to perform the fiscal year 2015-2016 audit. We entered into a new contract with a different accounting firm in January 2017

**B. PRIOR YEAR AUDIT FINDINGS**

2010-003 [2010-03] Capital Assets Inventory – Repeated and revised  
2010-006 [2010-6][2010-7] Controls over Disbursements – Repeated and revised  
2013-003 Non-Compliance with IRS rules on Contract Labor (Material Weakness)-repeated- and revised  
2014-002 Violation of Anti-Donation Clause- Cleared  
2014-003 Excess Expenditures over Budget- Cleared  
2015-002 Chief Procurement Officer (Significant Deficiency)- Cleared  
2015-003 Cash Receipts (Material Weakness)- Cleared  
2015-004 Utility Receipting (Material Weakness)- Repeated and revised

Note: For traceability purposes, the audit finding reference numbers reported in prior year audit reports are presented in brackets, and where applicable, have been renumbered to comply with reporting standards.

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

With explanation by the auditor, the Village Clerk has the capability of understanding and accepting responsibility for the Village's GAAP-basis financial statements, however, the Village's personnel do not have the software or time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

**B. EXIT CONFERENCE**

The contents of this report were discussed on January 27, 2017. The following individuals were in attendance.

Village of Maxwell  
Don Flynn, Mayor  
Shawn Jeffrey, Clerk-Treasurer  
Joy Terry, Deputy Clerk  
Elmer Chavez, Maintenance

Precision Accounting LLC  
Melissa R. Santistevan, CPA, CFE, CGMA  
Alexandra Yebra, Staff Accountant  
Zachary Hayes, Staff Accountant