STATE OF NEW MEXICO
VILLAGE OF MAXWELL

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2018

FIERRO & FIERRO, P.A.
Certified Public Accountants • 527 Brown Road • Las Cruces, NM 88005 • (575) 525-0313 • FAX (575) 525-9708

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STATE OF NEW MEXICO
VILLAGE OF MAXWELL
Directory of Officials
June 30, 2018

ELECTED OFFICIALS

Shantelle Gallegos	Mayor
Vacant	Mayor Pro-Tem
Lannon Floyd	Councilor
Steve Pompeo	Councilor
Linda McFadden	Councilor
Mark Cruz	Councilor

DEPARTMENT HEADS

Shawn Jeffrey, MMC	Administrator
Joy Terry	Deputy Clerk
Shawn Mitchell	Fire Chief
Elmer Chavez	Maintenance Supervisor

FIERRO & FIERRO, P.A. CERTIFIED PUBLIC ACCOUNTANTS

Ed Fierro, CPA • Rose Fierro, CPA

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Independent Auditors' Report

Wayne Johnson, State Auditor
and
Mayor and Village Council
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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Village of Maxwell (Village), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Village'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's nonmajor governmental funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2018, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We were not able to obtain sufficient and appropriate evidence to provide a basis for our opinions.

Basis for Disclaimer of Opinion

The Village did not maintain adequate accounting records to support amounts reported within the financial statements. The Village failed to determine and record financial data needed for the financial statements. The Village failed to reconcile cash recorded in their accounting records with the cash held by the financial institutions. As of June 30, 2018, the Village recorded $403,265 in their accounting records; however, the reconciliations and the financial statements reflect a combined balance of $329,915.

The Village did not determine receivables, prepaid items, and inventory at June, 30, 2018. Further, even though the Village had assistance from an outside source, they did not review and or reconcile the capital assets subsidiary records that indicate depreciation expense. With the expectation of the Housing Authority fund, the Village did not record depreciation expense for June 30, 2018.

The Village did not prepare schedules with supporting documentation for accounts payable, accrued wages and benefits, all other accrual of liabilities and compensated absences. Concerning the meter deposits held for its customers, the Village does not have complete and accurate subsidiary records that detail the amounts held by each customer's account. The June 30, 2018 financial statements reflect a liability of $15,223, while the bank account balance reflects $16,323. The Village has not reported their share of the net pension liability, or the pension related deferred outflows and inflows of resources. The Village failed to disclose pension obligations within the notes to the financial statements

Disclaimer of Opinions

Because of the significance of the matter described in the Basis of Disclaimer of Opinion section, 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 the financial statements of the Village referred to in the first paragraph as of and for the year ended June 30, 2018.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of the Village's proportionate share of the net pension liability and the schedule of the Village's contributions be presented to supplement the basic financial statements. The Village did not determine and thus did not record their proportionate share of the net pension liability and the Village's contributions. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. However, the scope of our audit of the financial statements was not sufficient to enable us to express an opinion because of the reason described in the Basis of Disclaimer of Opinion section and accordingly we did not express an opinion on such financial statements.

The combining and individual fund financial statements, the schedules of cash accounts and pledged collateral, and the financial data schedules required by 2.2.2 of the New Mexico Administrative Code (NMAC) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, the schedules of cash accounts and pledged collateral, and the financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America.

Because of the significance of the matter described in the Basis of Disclaimer of Opinion section, 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 the combining and individual fund financial statements, the schedules of cash accounts and pledged collateral, and the financial data schedules of the Village as of and for the year ended June 30, 2018.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of the Village'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's internal control over financial reporting and compliance.

Fierro & Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

December 12, 2018

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash	$ 295,167	$ 18,425	$ 313,592
Receivables, net	5,390	16,821	22,211
Inventory	-	1,382	1,382
Total current assets	300,557	36,628	337,185
Noncurrent assets:			
Restricted cash	-	16,323	16,323
Capital assets:			
Land and construction in progress	148,574	102,334	250,908
Other capital assets, net of depreciation	761,899	963,997	1,725,896
Total capital assets	910,473	1,066,331	1,976,804
Total noncurrent assets	910,473	1,082,654	1,993,127
Deferred Outflows of Resources:			
Pension related	36,181	-	36,181
Total assets and deferred outflows of resources	$ 1,247,211	$ 1,119,282	$ 2,366,493
Liabilities:			
Current liabilities:			
Accounts payable	$ 2,592	$ 3,430	$ 6,022
Accrued salaries and benefits	1,870	2,265	4,135
Deposits payable	-	15,223	15,223
Total current liabilities	4,462	20,918	25,380
Noncurrent liabilities:			
Compensated absences	-	3,680	3,680
Net pension liability	164,560	-	164,560
Total noncurrent liabilities	164,560	3,680	168,240
Total liabilities	169,022	24,598	193,620
Deferred Inflows of Resources:			
Pension related	13,485	-	13,485
Net Position:			
Net investment in capital assets	910,473	1,066,331	1,976,804
Restricted for:			
State mandated per statutes	48,368	-	48,368
Unrestricted	105,863	28,353	134,216
Total net position	1,064,704	1,094,684	2,159,388
Total liabilities, deferred inflows of resources and net position	$ 1,247,211	$ 1,119,282	$ 2,366,493

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

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	$ 158,262	$ 34,172	$ 90,000	$ -	$ (34,090)	$ -	$ (34,090)
Public safety	28,177	10,919	99,262	-	82,004	-	82,004
Public works	-	-	-	70,000	70,000	-	70,000
Total governmental activities	186,439	45,091	189,262	70,000	117,914	-	117,914
Business-type activities:							
Joint utility	115,210	96,252	-	95,357	-	76,399	76,399
Cemetery	577	875	-	-	-	298	298
Housing Authority	97,587	27,820	42,306	-	-	(27,461)	(27,461)
Total business-type activities	213,374	124,947	42,306	95,357	-	49,236	49,236
Total primary government	$ 399,813	$ 170,038	$ 231,568	$ 165,357	117,914	49,236	167,150
General Revenues:							
Gross receipts taxes					31,818	-	31,818
Property taxes, levied for general purposes					18,543	-	18,543
Franchise taxes					1,883	-	1,883
Public service taxes					7,509	-	7,509
Interest income					2,239	533	2,772
Extraordinary item - disposal of housing authority					-	(198,558)	(198,558)
Transfers					(24,664)	24,664	-
Total general revenues, extraordinary item and transfers					37,328	(173,361)	(136,033)
Change in net position					155,242	(124,125)	31,117
Net position, beginning of year					909,462	1,218,809	2,128,271
Net position, end of year					$ 1,064,704	$ 1,094,684	$ 2,159,388

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Fire Protection Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 223,030	$ 22,742	$ 15,187	$ 34,208	$ 295,167
Receivables, net	5,390	-	-	-	5,390
Due from other funds	1,389	-	-	-	1,389
Total assets	$ 229,809	$ 22,742	$ 15,187	$ 34,208	$ 301,946
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 1,263	$ 1,329	$ -	$ -	$ 2,592
Accrued payroll liabilities	1,870	-	-	-	1,870
Due to other funds	-	-	-	1,389	1,389
Total liabilities	3,133	1,329	-	1,389	5,851
Fund Balances:					
Nonspendable:					
Interfund advances	1,389	-	-	-	1,389
Restricted for:					
State mandated per statutes	-	21,413	-	26,955	48,368
State mandated budget reserve	18,586	-	-	-	18,586
Committed for:					
Subsequent years' expenditures	-	-	15,187	115	15,302
Assigned	-	-	-	5,749	5,749
Unassigned	206,701	-	-	-	206,701
Total fund balances	226,676	21,413	15,187	32,819	296,095
Total liabilities, deferred inflows of resources and fund balances	$ 229,809	$ 22,742	$ 15,187	$ 34,208	$ 301,946

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

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

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

Total fund balance governmental funds (page seven)	$	296,095
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		910,473
Deferred outflows of resources related to pensions are applicable to future periods and are not reported in the funds.		36,181
Deferred inflows of resources related to pensions are applicable to future periods and are not reported in the funds.		(178,045)
Net position of governmental activities (page five)	$	1,064,704

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

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Fire Protection Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Gross receipts taxes	$ 31,818	$ -	$ -	$ -	$ 31,818
Property taxes	18,543	-	-	-	18,543
Franchise taxes	1,883	-	-	-	1,883
Public service taxes	7,509	-	-	-	7,509
Intergovernmental:					
State	90,000	79,262	70,000	20,000	259,262
Charges for services	13,709	-	-	10,919	24,628
Licenses and permits	1,211	-	-	-	1,211
Interest	2,239	-	-	-	2,239
Miscellaneous	19,252	-	-	-	19,252
Total revenues	186,164	79,262	70,000	30,919	366,345
Expenditures:					
Current:					
General government	158,262	-	-	-	158,262
Public safety	-	19,955	-	8,222	28,177
Capital outlay	-	324,669	54,813	17,951	397,433
Total expenditures	158,262	344,624	54,813	26,173	583,872
Excess (deficiency) revenues over expenditures	27,902	(265,362)	15,187	4,746	(217,527)
Other Financing Sources (Uses):					
Transfers in	880	75,533	-	-	76,413
Transfers (out)	(101,077)	-	-	-	(101,077)
Total other financing sources (uses)	(100,197)	75,533	-	-	(24,664)
Net change in fund balances	(72,295)	(189,829)	15,187	4,746	(242,191)
Fund balance, beginning of year	298,971	211,242	-	28,073	538,286
Fund balance, end of year	$ 226,676	$ 21,413	$ 15,187	$ 32,819	$ 296,095

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

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported governmental funds are different from the statement of activities because:

Net change in fund balances total governmental fund (page nine)	$	(242,191)
Governmental funds report capital outlay as expenditures in the amount of $397,433; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives		397,433
Net change in net position - statement of activities (page six)	$	155,242

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

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Gross receipts taxes	$ 34,500	$ 34,500	$ 31,818	$ -	$ 31,818	$ (2,682)
Property taxes	26,000	26,000	18,543	-	18,543	(7,457)
Franchise taxes	2,300	2,300	1,883	-	1,883	(417)
Public service taxes	11,504	11,504	7,509	-	7,509	(3,995)
Intergovernmental:						
State	90,000	90,000	90,000	-	90,000	-
Charges for services	15,000	15,000	13,709	-	13,709	(1,291)
Licenses and permits	600	600	1,211	-	1,211	611
Interest	50	50	2,239	-	2,239	2,189
Miscellaneous	30,000	89,106	19,252	-	19,252	(69,854)
Total revenues	209,954	269,060	186,164	-	186,164	(82,896)
Expenditures:						
Current:						
General government	170,500	170,500	158,262	-	158,262	12,238
Capital outlay	111,550	111,550	-	-	-	111,550
Total expenditures	282,050	282,050	158,262	-	158,262	123,788
Excess (deficiency) of revenues over expenditures	(72,096)	(12,990)	27,902	-	27,902	40,892
Other Financing Sources (Uses):						
Transfers in	-	-	880	-	880	880
Transfers (out)	-	-	(101,077)	-	(101,077)	(101,077)
Total other financing sources (uses)	-	-	(100,197)	-	(100,197)	(100,197)
Net change	(72,096)	(12,990)	(72,295)	$ -	(72,295)	(59,305)
Cash balance, beginning of year	295,325	295,325	295,325			-
Cash balance, end of year	$ 223,229	$ 282,335	$ 223,030			$ (59,305)

Explanation of Differences:
None

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

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	$ 361,232	$ 361,232	$ 79,262	$ -	$ 79,262	$ (281,970)
Expenditures:						
Current:						
Public safety	50,180	50,180	19,955	-	19,955	30,225
Capital outlay	517,024	517,024	324,669	-	324,669	192,355
Total expenditures	567,204	567,204	344,624	-	344,624	222,580
Excess (deficiency) of revenues over expenditures	(205,972)	(205,972)	(265,362)	-	(265,362)	(59,390)
Other Financing Sources (Uses):						
Transfers in	-	-	75,533	-	75,533	75,533
Net change	(205,972)	(205,972)	(189,829)	$ -	$ (189,829)	16,143
Cash balance, beginning of year	212,571	212,571	212,571			-
Cash balance, end of year	$ 6,599	$ 6,599	$ 22,742			$ 16,143

Explanation of Differences:
None

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds			
	Joint Utility Fund	Other Enterprise Fund	Housing Authority Fund	Total
Assets:				
Current assets:				
Cash	$ 11,379	$ 7,046	$ -	$ 18,425
Receivables, net	16,821	-		16,821
Inventory	1,382	-		1,382
Total current assets	29,582	7,046	-	36,628
Noncurrent assets:				
Restricted assets:				
Cash	16,323	-	-	16,323
Capital assets:				
Land and construction in progress	102,334	-	-	102,334
Other capital assets, net of accumulated depreciation	963,997	-	-	963,997
Total noncurrent assets	1,082,654	-	-	1,082,654
Total assets	$ 1,112,236	$ 7,046	$ -	$ 1,119,282
Liabilities:				
Current liabilities:				
Accounts payable	$ 3,279	$ 151	$ -	$ 3,430
Accrued liabilities	2,265	-	-	2,265
Deposits payable	15,223	-	-	15,223
Total current liabilities	20,767	151	-	20,918
Noncurrent Liabilities:				
Compensated absences	3,680	-	-	3,680
Total noncurrent liabilities	3,680	-	-	3,680
Total liabilities	24,447	151	-	24,598
Net Position:				
Net investment in capital assets	1,066,331	-	-	1,066,331
Unrestricted (deficit)	21,458	6,895	-	28,353
Total net position	1,087,789	6,895	-	1,094,684
Total liabilities and net positiion	$ 1,112,236	$ 7,046	$ -	$ 1,119,282

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

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, 2018

	Enterprise Funds			
	Joint Utility Fund	Other Enterprise Fund	Housing Authority Fund	Total
Operating Revenues:				
Charges for services	$ 96,252	$ 875	$ 27,820	$ 124,947
Operating Expenses:				
Personnel services	38,165	-	10,740	48,905
Utilities	6,141	-	6,496	12,637
Contractual services	25,189	-	-	25,189
Professional services	4,691	-	14,011	18,702
Repairs and maintenance	499	-	-	499
General operating	35,715	577	46,908	83,200
Other operating expenses	4,810	-	-	4,810
Insurance claims and expenses	-	-	974	974
Depreciation	-	-	18,458	18,458
Total operating expenses	115,210	577	97,587	213,374
Operating income (loss)	(18,958)	298	(69,767)	(88,427)
Non-Operating Revenues (Expenses):				
Intergovernmental revenues	-	-	42,306	42,306
Interest income	28	-	505	533
Total non-operating revenues (expenses)	28	-	42,811	42,839
Income (loss) before transfers	(18,930)	298	(26,956)	(45,588)
Capital Contributions and Transfers:				
Capital contributions	95,357	-	-	95,357
Transfers in	25,544	-	-	25,544
Transfers (out)	(880)	-	-	(880)
Total capital contributions and transfers	120,021	-	-	120,021
Extraordinary Item:				
Disposal of housing authority	-	-	(198,558)	(198,558)
Change in net position	101,091	298	(225,514)	(124,125)
Net position, beginning of year	986,698	6,597	225,514	1,218,809
Net position, end of year	$ 1,087,789	$ 6,895	$ -	$ 1,094,684

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

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds			
	Joint Utility Fund	Other Enterprise Fund	Housing Authority Fund	Total
Cash Flows From Operating Activities:				
Cash received from customers	$ 96,252	$ 875	$ 27,820	$ 124,947
Cash payments to suppliers for goods and services	(77,045)	(577)	(68,389)	(146,011)
Cash payments to employees for services	(38,165)	-	(10,740)	(48,905)
Net cash provided (used) by operating activities	(18,958)	298	(51,309)	(69,969)
Cash Flows From Non-Capital and Related Financing Activities:				
Intergovernmental	95,357	-	42,306	137,663
Transfers	24,664	-	(53,634)	(28,970)
Net cash provided (used) by non-capital and related financing activities	120,021	-	(11,328)	108,693
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(102,334)	-	-	(102,334)
Cash Flows From Investing Activities:				
Interest income	28	-	505	533
Net increase (decrease) in cash	(1,243)	298	(62,132)	(63,077)
Cash and cash equivalents, beginning of year	28,945	6,748	62,132	97,825
Cash and cash equivalents, end of year	$ 27,702	$ 7,046	$ -	$ 34,748
Displayed as:				
Cash	$ 11,379	$ 7,046	$ -	$ 18,425
Restricted cash	16,323	-	-	16,323
	$ 27,702	$ 7,046	$ -	$ 34,748
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	$ (18,958)	$ 298	$ (69,767)	$ (88,427)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	-	18,458	18,458
Total adjustments	(18,958)	298	(51,309)	(69,969)
Net cash provided (used) by operating activities	$ (18,958)	$ 298	$ (51,309)	$ (69,969)

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Village of Maxwell, a political subdivision of the state of New Mexico, operates under the council-treasurer form of government. The Village provides the following authorized services: public safety, public works, water, sanitation, health and welfare, culture and recreation, public improvements (including street construction, repairs, and maintenance), planning and zoning, and general administrative services. The Village's basic financial statements include all activities and accounts of the Village's *financial reporting entity*. The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

As required by GAAP, the Village has reported the financial statements of the Village of Maxwell Housing Authority as a blended component unit. The Village governing board serves as the governing board for the housing authority, and is responsible for the housing authority. The housing authority's financial activity has been reported as a separate proprietary enterprise fund within the Village's financial statements.

On April 1, 2018, the Village's governing board relinquished ownership of the housing authority and completed a transfer of all assets, liabilities, and equity to Raton Housing Authority. Revenue and expenses subsequent to the transfer date are the responsibility of Raton Housing Authority. Please see note 14 for further information.

There are no other entities or organizations that should be considered a component unit. Further, the Village is not considered a component unit or another governmental agency.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Village as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 on 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 government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. 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 activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service taxes, interest income, etc.). The Village does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities. Separate fund based 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 government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

The Village's fiduciary fund (which has been refined and narrowed in scope) is presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party (other than state and local governments), and cannot be used to address activities or obligations of the government; this fund is not incorporated in the governmental-wide statements.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. 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. For this purpose, the Village considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. 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, claims and judgments, are recorded only when payment is made.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

In addition to assets, the statement of position will, at time, report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future reporting period(s); therefore, is not recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of position will, at times, report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future reporting period(s); therefore, will not be recognized as an inflow of resources (revenue) until that time.

Property, franchise, sales, and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Village; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the Village's water and sewer, solid waste, ambulance and public housing funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the Village, except for items included in other funds.

The *fire protection fund* accounts for proceeds of the state fire allotment, and the expenditures for public safety therefrom. New Mexico state law requires these funds be used to help maintain the fire department. The fund was established by local ordinance and in accordance with state law Section 59A-53-1, NMSA 1978. Section 59A-53-8 of the code restricts the use of the funds for only the maintenance of the Village's fire department.

The *capital outlay* fund is a capital project fund that accounts for receipts and disbursements for infrastructure and improvements. Financing is provided from federal and state grants.

The Village maintains three other individual governmental funds that are considered non-major funds. A description of each non-major governmental fund is as follows:

Special Revenue Funds

The *law enforcement protection fund* is a special revenue fund that accounts for state grants used for the repair and/or replacement of law enforcement equipment, according to state law Section 29-13.1 through 29-13.9, NMSA, 1978. The fund was established by local ordinance to comply with state statutes. Section 29-13-17A, NMSA 1978 limits distributions from the fund for law enforcement related expenditures, including, but not limited to, the purchase of equipment, expenses associated with advanced law enforcement planning and training.

The *fire discretionary fund* accounts 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.

Capital Projects Fund

The *CDBG fund* is used to account for federal grant revenues and expenditures from the community development block grant.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Village reports the following business-type funds:

The *water and sewer fund* is a major fund used to account for the provision of water and sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The *housing authority fund* is a major fund whose function is to administer the Housing and Urban Development (HUD) programs to provide housing for qualified individuals in the Village of Maxwell area. The funding is provided through various HUD grant programs and charges for services from the tenants. The Housing Authority is a blended component unit of the Village and is accounted for as a proprietary fund under the HUD UFRS guidelines.

The *cemetery fund* is a non-major fund that accounts for the operation and maintenance of the Village cemetery. Financing is provided through lot sales and fees for services. The funding is authorized by Section 3-40-1 through 3-40-9, NMSA 1978.

D. Budgets

Budgets for all village funds are prepared by management and approved by the Village Council and the New Mexico Department of Finance and Administration. The clerk-administrator is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the Village Council for approval by resolution.

The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a committed portion of fund balance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between “funds” or a budget increase is required, approval must be obtained from the NM Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. Assets, Liabilities, and Net Position or Equity

1. Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank 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 of America or by collateral deposited as security or by bond given by the financial institution.

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. Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer’s investment pool, or 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.

2. 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 interfund balance. Long-term advances between funds, reported in the fund financial statements are considered noncurrent, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Inventories

Inventories are recorded using first-in, first-out cost method. The costs of inventories in governmental fund types are recorded as expenditures when purchased, therefore, the inventory amount is not available for appropriation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Position or Equity (continued)

5. Restricted Assets

Certain assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as *deposits held in trust for others*.

6. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

7. Capital Assets

Property, plant, and equipment purchased or acquired are carried at historical cost or estimated cost. Contributed capital assets are recorded at estimated fair market value at the time received. The Village does not capitalize library books as the cost of the library books are generally under the capitalization threshold. Purchased computer software is recorded at historical cost.

Infrastructure capital assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. The Village defines capital assets as assets with an estimated useful life in excess of one year and costing greater than $5,000. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed when material.Net revenue bond interest cost incurred during construction is capitalized as part of the construction project.

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

Assets	Years
Infrastructure	20-50
Water and sewer utility system	7-40
Buildings and other improvements	20-50
Machinery and equipment, including computer software	5-15

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Position or Equity (continued)

8. Compensated Absences

Village employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned is reported in the government-wide financial statements.

Village employees do not accumulate sick leave that is paid upon termination or retirement.

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent consumption of resources of net assets that is applicable to future reporting periods that are reported in a separate section after assets in the statement of financial position.

Deferred inflows of resources represent acquisition of net assets by the Village that is applicable to a future reporting period. The deferred inflows are reported in the separate section after liabilities in the statement of financial position.

10. Short-Term Obligations

No short-term debt occurred during the current fiscal year.

11. Long-Term Obligations

In the government-wide and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities within a statement of net position.

12. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets – This category reflects the portion of net position that is associated with capital assets less outstanding capital asset related debt.

Restricted net position – This category reflects the portion of net position that has third party limitations on their use.

Unrestricted net position – This category reflects net position of the Village, not restricted for any project or other purpose.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Position or Equity (continued)

13. Fund Equity Reservation and Designations

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Village council – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Village council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the Village's "intent" to be used for specific purposes, but are neither restricted nor committed. The Village Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. 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.

G. Other Matters

1. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

2. Cash Flows

For the purposes of the statement of cash flows, the Village considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH

The amounts reported as cash within the financial statement is displayed as:

Statement of Net Position:	
Cash	$ 313,592
Restricted cash	16,323
Total cash reported on financial statements	$ 329,915

2. CASH (continued)

Cash at various locations:

Cash held at International Bank	$	312,366
Cash held at Wells Fargo Bank		17,549
Total cash	$	329,915

Cash Deposited with Financial Institution

The Village maintains cash deposits in one financial institution within Maxwell, New Mexico, and one financial institution in Springer, New Mexico. The Village's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the financial institution. As of June 30, 2018, the amount of cash reported on the financial statements differs from the amount on deposit with the institution because of transactions in transit and outstanding checks. The location and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
International Bank	$ 314,510	$ (2,144)	$ 312,366
Wells Fargo Bank	17,549	-	17,549
	$ 332,059	$ (2,144)	$ 329,915

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Village. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Village carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	International Bank	Wells Fargo Bank
Total deposits in bank	$ 314,510	$ 17,549
Less FDIC coverage	(250,000)	-
Uninsured public funds	64,510	$ 17,549
Pledged collateral held by pledging bank's agent, but not in the Village's name	(92,691)	
Uninsured and uncollateralized public funds	$ -	
Total pledged collateral	$ 92,691	
50% pledged collateral requirement per state statute	32,255	
Over (under) collateralization	$ 60,436	

2. CASH (continued)

Cash Deposited with Financial Institution (continued)

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report.

Custodial Credit Risk – Deposits – 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 Village does not have a deposit policy for custodial credit risk. As of June 30, 2018, $64,510 of the Village's bank balance of $332,059 was exposed to custodial credit risk as follows:

	International Bank
Uninsured and collateralized held by pledging bank's trust department or agent not in the Village's name.	$ 64,510

Restricted Cash

The amounts reported as restricted cash for the Village within the financial statements are displayed as:

	Government Activities	Business-Type Activities	Total
Statement of Net Position:			
Restricted - cash	$ -	$ 16,323	$ 16,323
Purpose of the Restriction:			
Utility meter deposits	$ -	$ 16,323	$ 16,323

3. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2018, consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	$ -	$ 16,821
Miscellaneous	5,390	-
Total	$ 5,390	$ 16,821

The Village's policy is to provide for uncollectible amounts based upon expected defaults.

4. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1^{st}. Property tax rates for the year are set no later than September 1^{st} each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Colfax County Assessor to develop the property tax schedule by October 1^{st}. Tax notices are sent by the Colfax County Treasurer to property owners by November 1^{st} of each year.

Taxes are payable in equal semiannual installments by November 10^{th} and April 10^{th} of the subsequent year. Thirty days later the bill becomes delinquent and the county treasurer assesses penalties and interest. Taxes are collected on behalf of the Village by the county treasurer, and are remitted to the Village in the month following collection.

The Colfax County treasurer is statutorily required to collect taxes as an intermediary agency for all governments within the county. Distribution of taxes collected is made through the county treasurer's office.

The Village is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each $1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Village is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the Village. The Village's total tax rate to finance general government services for the tax year 2017, was $7.650 per $1,000 for non-residential and $5.423 for residential property. In the year 2017, there was no tax rate established for payment of bonds principal and interest.

Tax abatement agreements are reductions in tax revenues that result from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promise to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. Presently, the Village of Maxwell has no tax abatement agreements.

5. CAPITAL ASSETS

Governmental activities capital assets for the fiscal year ended June 30, 2018:

	Balance 06/30/17	Increases	Decreases	Balance 06/30/18
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 47,931	$ -	$ -	$ 47,931
Construction in progress	85,830	14,813	-	100,643
Total capital assets not being depreciated	133,761	14,813	-	148,574
Other capital assets, being depreciated:				
Buildings and improvements	904,218	40,000	-	944,218
Equipment	837,220	342,620	-	1,179,840
Total other capital assets	1,741,438	382,620	-	2,124,058
Less accumulated depreciation for:				
Buildings and improvements	644,652	-	-	644,652
Equipment	717,507	-	-	717,507
Total accumulated depreciation	1,362,159	-	-	1,362,159
Other capital assets, net	379,279	382,620	-	761,899
Total capital assets, net	$ 513,040	$ 397,433	$ -	$ 910,473

The Village did not record depreciation expense for the year ending June 30, 2018.

Business-type activities capital assets for the fiscal year ended June 30, 2018:

	Balance 06/30/17	Increases	Decreases	Adjustments	Balance 06/30/18
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	$ 5,000	$ -	$ -	$ (5,000)	$ -
Construction in progress		102,334			102,334
Total capital assets not being depreciated	5,000	102,334	-	(5,000)	102,334
Other capital assets, being depreciated:					
Buildings	924,589	-	-	(924,589)	-
Water and sanitation plant	1,694,131	-	-	-	1,694,131
Non-dwelling structures	66,936	-	-	(66,936)	-
Equipment	44,162	-	-	-	44,162
Equipment - Housing Authority	32,977	-	(6,926)	(26,051)	-
Total other capital assets	2,762,795	-	(6,926)	(1,017,576)	1,738,293

5. CAPITAL ASSETS (continued)

	Balance 06/30/17	Increases	Decreases	Adjustments	Balance 06/30/18
Less accumulated depreciation for:					
Buildings	805,202	15,111	-	(820,313)	-
Water and sanitation plant	710,655	-	-	-	710,655
Non-dwelling structures	40,002	3,347	-	(43,349)	-
Equipment	63,641	-	-	-	63,641
Equipment-Housing Authority	32,976	-	(6,926)	(26,050)	-
Total accumulated depreciation	1,652,476	18,458	(6,926)	(889,712)	774,296
Other capital assets, net	1,110,319	(18,458)	-	(127,864)	963,997
Total capital assets, net	$ 1,115,319	$ 83,876	$ -	$ (132,864)	$ 1,066,331

The Village recorded depreciation of $18,458 for the capital assets of the Housing Authority. The Village did not record depreciation expense for the other business-type activities as of June 30, 2018.

6. LONG-TERM OBLIGATIONS

Compensated Absences

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

— leave or compensation is attributable to services already rendered.

— leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

Business-Type Activities Debt

Changes in business-type activities loan activity during the year ended June 30, 2018, were as follows:

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18	Amounts Due Within One Year
Business-Type Activities:					
Compensated absences	$ 3,680	$ -	$ -	$ 3,680	$ -

7. OPERATING LEASES

The Village has a lease for an easement with Burlington Northern Santa Fe (BNSF) Railway, with annual payments of $119 at June 30, 2018.

8. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

The composition of interfund balances as of June 30, 2018, is as follows:

Receivable Fund	Payable Fund	Amount
General	Fire Discretionary	$ 1,389

These balances resulted from the time lag between the transactions and the receipt of revenue to offset the expenditures an advances of pooled cash between funds. The Village has not established a plan for repayment of the funds. At the present time, $1,389 is considered current.

Transfers

	Transfer In			
	General Fund	Non-major Funds	Joint Utility Fund	Total
Transfers (Out):				
General Fund	$ -	$ 75,533	$ 25,544	$ 101,077
Joint Utility Fund	880	-	-	880
	$ 880	$ 75,533	$ 25,544	$ 101,957

The Village uses transfers to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. 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:

None.

In the event of a deficit fund balance, deposits will be funded by general fund transfers or by grant revenues.

10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

Plan description - The *Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Audit Correction Officers, 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 Public Employees Retirement 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), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Tier I Benefits – Benefits are generally available at age sixty-five with five or more years of service or after twenty-five years of service regardless of age for Tier I members. Provisions also exist for retirement between ages sixty and sixty-five, with varying amounts of service required. Certain police and fire members may retire at any age with twenty or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average salary for the thirty-six consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2.00% to 3.50% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

Tier II Benefits – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the members' age and service credit equals at least eighty-five or at age sixty-seven with eight or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with twenty-five or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with twenty-five or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in twenty-five year retirement plans; however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age sixty with six or more years of service credit.

10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

General Information about the Pension Plan (continued)

Tier II Benefits (continued) –Generally, under Tier II pension factors were reduced by 0.50%, employee contribution increased by 1.50% and effective July 1, 2014, employer contributions were raised by 0.50%. The computation of final average salary increased as the average of salary for sixty consecutive months.

Contributions – See PERA's comprehensive annual financial report for contribution provided description.

PERA Contribution Rates and Pension Factors as of July 1, 2016

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor Per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than $20,000	Annual Salary greater than $20,000		Tier 1	Tier 2	
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90%
Municipal Plan 1 (plan open to new employers	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employe	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employe	15.65%	17.15%	12.05%	3.0%	2.5%	90%
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%

10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

General Information about the Pension Plan (continued)

Contributions (continued) –

PERA Contribution Rates and Pension Factors as of July 1, 2016

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor Per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than $20,000	Annual Salary greater than $20,000		Tier 1	Tier 2	
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.80%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3-Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the Village reported a liability of $164,500 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll forward liabilities as of June 30, 2016. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

PERA Fund Municipal General Division

At June 30, 2017, the Village reported a liability of $164,500 for its proportionate share of the net pension liability within the municipal general division. For the year ended June 30, 2018, the Village did not determine, and thus did not record, its proportionate share of the net pension liability. Further, the amounts of $36,181 and $13,485, recorded as deferred outflows of resources and deferred inflows of resources on the statement of net position respectively, are related to the net pension liability recorded at June 30, 2017. The Village did not determine or record deferred outflows of resources and deferred inflows of resources related to the net pension liability on the statement of net position at June 30, 2018.

Actuarial Information

Actuarial assumption – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.48% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	2.75% for the first 10 years, then 3.25% annual rate
• Projected salary increases	2.75% to 14.00% annual rate
• Includes inflation at	2.25% annual rate for 10 years, then 2.75% all other years
• Mortality Assumption	RP-2000 Mortality Tables (combined table for healthy post-retirements, Employee Table for active members, and Disabled table for disable retirees before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

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

10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Actuarial Information (continued)

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.00%	

Discount rate – A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial report.

11. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978) provides comprehensive group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. The Village has elected not to participate in the post-employment health insurance plan.

12. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has joined together with other local governments in the state, and obtained insurance through the New Mexico Self Insured Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Village pays an annual premium to New Mexico Self Insured Fund for its general insurance coverage, and all risk of loss is transferred.

13. EXCESS OF EXPENDITURES BEYOND APPROPRIATIONS

During the fiscal year, the Village incurred expenditures beyond appropriations within certain funds as detailed below:

Fund	Expenditures and Transfers	Appropriations	Excess Expenditures and Transfers
Housing Authority	$ 91,610	$ 97,587	$ (5,977)

The Housing Authority was transferred to the Raton Housing Authority effective April 1, 2018.

14. DISPOSAL OF MAXWELL HOUSING AUTHORITY

On April 3, 2017, the Village governing board dissolved the Maxwell Housing Authority's governing board and assumed responsibility for the housing authority by appointing an acting governing board from sitting elected members of the Maxwell Village Council. Commencing with the fiscal year ended June 30, 2017, the housing authority's financial activity has been reported as a blended component unit of the Village. Also on April 3, 2017, the governing board entered into a professional services contract with the Raton Housing Authority to assist in operating the Maxwell Housing Authority. On October 7, 2017, the Village governing board passed Resolution #2017-18 authorizing the transfer of the low rent public housing program of the Maxwell Housing Authority to the Raton Housing Authority. On March 3, 2018, the U.S. Department of Housing and Urban Development authorized and approved the transfer of all 22 public housing units.

Effective April 1, 2018, the Village completed the transfer to the Raton Housing Authority, thereby relinquishing the component unit. The Village has recorded the transfer of assets, liabilities, and equity. All housing authority revenue and expenses for the period April 1, 2018 through June 30, 2018 have been reported by Raton Housing Authority.

15. SUBSEQUENT EVENT

Subsequent events were evaluated through December 12, 2018, which is the date of the independent auditors' report.

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL OTHER GOVERNMENTAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds				
	Law Enforcement Protection Fund	Fire Discretionary Fund	Total Special Revenue Fund	CDBG Capital Projects Fund	Total Other Governmental Funds
ASSETS					
Cash and cash equivalents	$ 26,955	$ 7,138	$ 34,093	$ 115	$ 34,208
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	$ -	$ 1,389	$ 1,389	$ -	$ 1,389
Fund Balances:					
Restricted for:					
Debt service	26,955	-	26,955	-	26,955
State mandated per statutes	-	-	-	-	-
Committed for:					
Subsequent years' expenditures	-	-	-	115	115
Assigned	-	5,749	5,749	-	5,749
Total fund balances	26,955	5,749	32,704	115	32,819
Total liabilities and fund balances	$ 26,955	$ 7,138	$ 34,093	$ 115	$ 34,208

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

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds				
	Law Enforcement Protection Fund	Fire Discretionary Fund	Total Special Revenue Funds	CDBG Capital Projects Fund	Total Other Governmental Funds
Revenues:					
Intergovernmental:					
State	$ 20,000	$ -	$ 20,000	$ -	$ 20,000
Charges for services	-	10,919	10,919	-	10,919
Total revenues	20,000	10,919	30,919	-	30,919
Expenditures:					
Current:					
Public safety	-	8,222	8,222	-	8,222
Capital outlay	-	17,951	17,951	-	17,951
Total expenditures	-	26,173	26,173	-	26,173
Excess (deficiency) of revenues over expenditures	20,000	(15,254)	4,746	-	4,746
Fund balance, beginning of year	6,955	21,003	27,958	115	28,073
Fund balance, end of year	$ 26,955	$ 5,749	$ 32,704	$ 115	$ 32,819

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

REQUIRED SUPPLEMENTARY INFORMATION

The Village did not determine or record deferred outflows of resources and deferred inflows of resources related to the net pension liability on the Statement of Net Position at June 30, 2018. As such, the schedules of the required supplementary information following the notes were also not prepared by the Village and therefore are not presented.

Changes of benefit terms - The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA's CAFR. That report is available at https://www.saonm.org

Assumption - The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2017, is available at http://www.nmpera.org

OTHER SCHEDULES REQUIRED BY SECTION 2.2.2 NMAC

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2018

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
International Bank				
P.O. Box 417				
31062 Hwy 64				
Cimarron, New Mexico 87714				
Village of Maxwell:				
General	Checking	$ 118,430	$ (1,658)	$ 116,772
Fire Protection	Checking	10,231	(1,835)	8,396
Fire Discretionary	Checking	3,935	-	3,935
Law Enforcement	Checking	26,955	-	26,955
Capital Projects	Checking	15,187	-	15,187
Capital Projects - CDBG	Checking	115	-	115
Certificate of Deposit	CD	52,958	-	52,958
Certificate of Deposit	CD	53,300	-	53,300
Joint Utility	Checking	9,514	1,865	11,379
Water Meter Deposits	Checking	16,839	(516)	16,323
Cemetery	Checking	7,046	-	7,046
		$ 314,510	$ (2,144)	$ 312,366
Wells Fargo, N.A.				
400 Maxwell Avenue				
Springer, New Mexico 87747				
Fire Protection	Checking	$ 14,346	$ -	$ 14,346
Fire Discretionary	Checking	3,203	-	3,203
		$ 17,549	$ -	$ 17,549

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2018

International Bank
P.O. Box 417
31062 Hwy 64
Cimarron, New Mexico 87714

Security	CUSIP	Maturity	Value
FHLB Pool #BJ0913	3130A8MPS	10/01/47	$ 92,691

The holder of the security pledged by International Bank is Bankers Bank of the West, 1099 18th Street, Suite 2700, Denver, Colorado 80202.

STATE OF NEW MEXICO
VILLAGE OF MAXWELL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2018

Line Item	Description	Total
111	Cash - unrestricted	$ 44,585
114	Cash - tenant security deposits	3,479
100	Total cash	48,064
126	Accounts receivable - tenants	685
129	Accrued interest receivable	38
120	Total receivables, net of allowance for doubtful accounts	723
131	Investments - unrestricted	35,956
142	Prepaid expenses and other assets	2,089
143	Inventories	6,496
150	Total current assets	93,328
161	Land	5,000
162	Buildings	991,526
164	Furniture, equipment and machinery - administration	26,051
166	Accumulated depreciation	(889,713)
160	Total capital assets, net of accumulated depreciation	132,864
174	Other assets	3,540
190	Total assets	$ 229,732
312	Accounts payable	$ 4,921
341	Tenant security deposits	4,431
342	Unearned revenues	1,025
346	Accrued liabilities - other	694
310	Total current liabilities	11,071
357	Accrued pension and OPEB liability	36,083
400	Deferred inflows of resources	928
350	Total noncurrent liabilities	37,011
300	Total liabilities	48,082
508.1	Invested in capital assets, net of related debt	132,864
512.4	Unrestricted net position	48,786
513	Total equity	181,650
600	Total liabilities and equity	$ 229,732

STATE OF NEW MEXICO
VILLAGE OF MAXWELL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2018

Line Item	Description	Low Rent Public Housing	Public Housing Capital Fund	Total
70300	Net tenant rental revenue	$ 27,755	$ -	$ 27,755
70400	Tenant revenue - other	-		-
70500	Total tenant revenues	27,755	-	27,755
70600	HUD PHA operating grants	-	42,306	42,306
71100	Investment income - unrestricted	505	-	505
71500	Other revenue	65	-	65
70000	Total revenues	28,325	42,306	70,631
91100	Administrative salaries	2,527	-	2,527
91200	Auditing fees	11,288	-	11,288
91300	Management fees	31,322	-	31,322
91600	Office expenses	3,428	-	3,428
91900	Other	3,169	-	3,169
91000	Total operating - administrative	51,734	-	51,734
93100	Water	502	-	502
93200	Electricity	3,726	-	3,726
93300	Gas	1,646	-	1,646
93600	Sewer	622	-	622
93000	Total utilities	6,496	-	6,496
94100	Ordinary maintenance and operations - labor	2,961	-	2,961
94200	Ordinary maintenance and operations - materials and other	11,076	-	11,076
94300	Ordinary maintenance and operations-contract costs	679	-	679
94000	Total maintenance	14,716	-	14,716
96110	Property insurance	4,656	-	4,656
96130	Workers compensation	974	-	974
96140	All other insurance	595	-	595
96100	Total insurance premiums	6,225	-	6,225
96200	Other general expenses	-	-	-
96400	Bad debt-tenant rents	(42)	-	(42)
96000	Total other general expenses	(42)	-	(42)
96900	Total operating expenses	79,129	-	79,129
97000	Excess operating revenue over operating expenses	(50,804)	42,306	(8,498)
97400	Depreciation expense	18,458	-	18,458
90000	Total expenses	97,587	-	97,587

STATE OF NEW MEXICO
VILLAGE OF MAXWELL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2018

Line Item	Description	Low Rent Public Housing	Public Housing Capital Fund	Total
10010	Operating transfers in	$ 42,306	$ -	$ 42,306
10020	Operating transfers out	-	42,306	(42,306)
10100	Total other financing sources (uses)	-	-	-
10000	Excess (deficiency) of revenue over total expenses	26,956	-	(26,956)
11030	Beginning equity	225,514	-	225,514
	Restatement of NPL	-	-	-
11190	Unit months available	264	-	264
11210	Number of unit months leased	156	-	156

ADDITIONAL INDEPENDENT AUDITORS’ REPORT

FIERRO & FIERRO, P.A. CERTIFIED PUBLIC ACCOUNTANTS

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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 Auditors' Report

Wayne Johnson, State Auditor
and
Mayor and Village Council
Village of Maxwell
Maxwell, New Mexico

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, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general and the major special revenue fund, of the Village of Maxwell (Village), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, along with the combining and individual nonmajor governmental funds of the Village, presented as supplemental information, and have issued our report thereon dated December 12, 2018. Our report for the governmental activities, business-type activities, each major fund, the aggregate fund information, and the budgetary comparisons for the general and the major special revenue fund financial statements was disclaimed because we were unable to ascertain the completeness and proper recording of transactions and accounts balances that affect the financial statements due to poorly maintained accounting records.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 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 functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses listed as items 2010-003, 2010-006, 2015-001, 2015-004, 2016-002, 2018-001, 2018-002 and 2018-003 to be material weaknesses.

Internal Control Over Financial Reporting (continued)

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 listed as items 2017-001, 2017-003, and 2017-007 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test 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 items 2013-003, 2017-004, 2017-005, 2017-009, 2018-004, and 2018-005.

The Village's Responses to Findings

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

Purpose of this Report

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

Fierro & Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

December 12, 2018

SECTION I – FINANCIAL STATEMENT FINDINGS

Item 2010-003 - Material Weakness - Capital Assets Inventory

Statement of Condition - The Village contracted with RCI to prepare an inventory listing. During the prior year audit, discrepancies in the dates in service and the costs were noted. The maintenance supervisor of the Village compared the listing to the insurance coverage listing and found that there were many discrepancies resulting in an inaccurate listing. The Village has a capital asset list derived from the 2007 audit that may not be complete for items purchased and disposed of from 2007 to current. Additions for 2013-2017 were added to the list and depreciation was computed for those years. Despite the Village's attempt to identify assets and to implement the prior year corrective action plan, the progress was limited as the list is still incomplete as of June 30, 2018. The cause of the limited progress is due to the items being placed in service many years ago and the historical cost of those assets not being maintained.

The twenty-two (22) public housing units from the Maxwell Housing Authority were transferred to the Raton Housing Authority on April 1, 2018. The Village did not take an inventory of the capital assets of the housing authority prior to the transfer.

Criteria – New Mexico State Statutes Section 12-6-10 directs the general services department to promulgate regulations to state agencies for the accounting and control of capital assets owned by government agencies. The New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the general services department requires that the Village implement a systematic and well documented system for accounting of capital assets.

The accounting system must be capable of generating lists of capital assets in sequences useful for managing them. The system must track all transactions, including acquisitions, depreciation, improvements, and dispositions. The system must generate all necessary accounting entries to the Village's general ledger.

Effect –Without a thorough review of the capital asset inventory list by the management of the Village, there is a greater risk of undetected misappropriation of assets. This may have a material effect on the financial statements if left unaccounted for.

Cause – The review of the information prepared by RCI was not given high priority. The Village was not aware of their responsibility to take an inventory of the capital assets of the Housing Authority prior to the transfer.

Recommendations – We recommend the Village make it a priority to a thoroughly review the listing as prepared by RCI of its capital assets to ensure completeness and accuracy. Once this process is complete, we recommend the Village document its acceptance of the listing in the form of a formal Village resolution.

Views of Responsible Officials and Planned Corrective Actions – Management is currently working with the RCI software program staff to make sure the information is available and listed correctly.

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2010-003 - Material Weakness - Capital Assets Inventory (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – A physical inventory will be completed for each department to ensure all equipment is accounted for and the correct values assigned. Updated year-end reports will be prepared that will include, but not limited to, the fiscal year depreciation by function. The Clerk and the Administrator will ensure this process is completed by July 1, 2019.

Item 2010-006 - Material Weakness - Controls over Cash Disbursements

Statement of Condition - During our test work over cash disbursements, we noted a lack of adequate supporting documents for the processing of cash disbursements. Our sample size was forty (40) individual disbursements that totaled $42,812.71. The discrepancies were 1) forty lack a documented management approval on the face of the vendor invoice, 2) twenty-five lacked a purchase order, 3) five were posted to an account in the general ledger that was not reasonable, 4) four lacked a vendor invoice that totaled $584.37, 5) three were not mathematically accurate and 6) one disbursement of $400 was for gifts for an annual Christmas party. It could not be determined how and if purchases were properly authorized. Management did not make significant progress in implementing the prior year corrective action plan. The clerk responsible for addressing the prior year findings resigned in September 2018.

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 purchase order revisions as necessary.

Cause – Poor execution in the processing of vendor payments. There is also a lack of oversite.

Effect - Without adequate supporting documentation for purchases, inconsistent use of purchase orders and lack of management approval, there is a high risk for unsupported or improper purchases.

Recommendations - We recommend the Village establish procedures and adequate controls for the payment of good and services. This would include, where applicable, purchase requisitions, purchase orders, and vendor invoices. The management approval process should include verification of amounts paid and proper account classification.

Views of Responsible Officials and Planned Corrective Actions – The Clerk and the Administrator will be responsible for implementing oversight procedures for cash disbursement processing. This will include ensuring that all supporting documentation, including purchase orders, will be maintained and that all cash disbursements have evidence of management approval. Management has restricted the use of fire discretionary funds for fire operations and equipment only. There are no more holiday events that will be funded with fire discretionary funds; the Fire Chief has discontinued this event. The estimated completion date is July 1, 2018.

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2013-003 – Other Non-Compliance –
Internal Revenue Service (IRS) Rules on Contract Labor

Statement of Condition – The Village paid three individuals both as an employee and as an independent contractor. The amount paid as an independent contractor totaled $3,285.00 In addition we noted the Village had four contractors who were paid a total of $2,012.50 that did not fall under the IRS regulations of independent contract labor. The Village determines when they work, where they work, and provides supplies and materials to do the job. Management did not understand the IRS and as such did not make any progress in implementing the prior year corrective action plan.

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 – The Village did not address the finding from the prior year.

Effect - Misclassification of employees as independent contractors without a reasonable basis can result in the Village and the Maxwell Housing Authority being held liable for all employment taxes for those workers.

Recommendations - 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.

Views of Responsible Officials and Planned Corrective Actions – The Clerk and Administrator will evaluate the contract labor. Appropriate reclassifications will be determined that are in compliance with Internal Revenue Service guild lines. The estimated completion date is January 31, 2019.

Item 2015-001 - Material Weakness – Accounting Activity and Accounting System

Statement of Condition – During the fiscal year, the following deficiencies regarding the Village's accounting activity were noted:

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-001 - Material Weakness – Accounting Activity and Accounting System

Statement of Condition (continued) –

- The Village failed to determine the key elements of all assets, such as receivables, capital assets and the related depreciation expense, all payables and other liabilities such as the net pension liability, and deferred inflows and outflows of resources needed for general accepted accounting principles (GAAP) basis financial statements for the fiscal year ended June 30 2018.
- The Village had numerous posting errors between funds as recorded in the accounting records.
- The Village uses a separate accounting software program that does not interface with the Village's general ledger for the recording of joint utility and solid waste billings and collections.

The Village is currently using QuickBooks software for its general ledger and accounts payable function, which is not conducive to fund accounting required for governmental accounting and financial reporting. This software, while easy to use by individuals who do not have a great deal of formal accounting training or experience, allows corrections and changes to be easily made, which can be detrimental to the entire accounting process. To further complicate the situation, the accounting staff lacks the proper knowledge regarding governmental accounting requirements in order to adapt QuickBooks to meet the needs of fund accounting. Because of the time, effort and priority management placed on other projects and the limited knowledge of the accounting staff, very little progress was made towards implementing the prior year corrective action plan related to this repeat finding. The clerk responsible for correcting this condition resigned in September 2018.

Criteria – Section 6-6-3(A) NMSA 1978 requires that every local body shall *"keep all the books, records and accounts in their respective offices in the form prescribed by the local government division"* of the New Mexico Department of Finance and Administration. This requires the Village maintain accounting records in such a manner as to allow the preparation of financial statements and accurate reports for other governmental agencies. Further, the general ledger must be able to substantiate detail as to the financial activity of the Village.

Auditing standards adopted in the United States of America in particular AU Section 325 Communicating Internal Control Related Matters Identified in an Audit, paragraph .03 states the following: "*Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives."* Appropriate internal controls over financial reporting include the ability to understand the key components financial statements in accordance with GAAP. Underlining this premise is the requirement that the Village will maintain the accounting records in such a manner as to allow the preparation of financial statements.

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-001 - Material Weakness – Accounting Activity and Accounting System (continued)

Criteria (continued) – For example, the reconciliation of the capital assets between the general ledger and subsidiary ledgers provides assurance of proper accountability and reduces that chance of a material misstatement. Finally, appropriate internal controls would include establishing a general ledger system that maintains financial date in such a matter that reliable financial reports can be generated.

Effect – Since the Village personnel failed to reconcile and or prepare key components of the financial statements, there is an increased risk that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected. Further, since the Village accounting staff lacks the proper knowledge or training regarding some aspects of the conditions noted such as the reconciliation of capital assets there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected. The present general ledger accounting software, as utilized by the accounting staff, is incapable of producing reliable fund financial data needed for governmental financial reporting.

Cause – The Village's administrative staff maintains cash basis accounting records and lacks the necessary accounting skills to recognize all the key components of the financial statements that are prepared on the economic resources measurement focus (which includes the accrual basis of accounting) and the current financial resources measurement focus (which includes the modified accrual basis of accounting).

At one time, the Village opted to utilize a popular computer software (QuickBooks) for its general ledger, accounts payable and payroll function. This particular software, while inexpensive when compared to fund accounting packages, is not designed for fund accounting. Its market appeal is to the small commercial business owner.

The Village's efforts have been placed on correcting its capital assets recording and reporting issues. This precluded the Village from properly addressing the accounting software issues.

Recommendation – The Village should employ an individual to serve in the position of director of finance. This employee should have the ability to prepare financial statements in accordance with GAAP. Alternately, the Village could choose to consult with a separate and independent accounting firm prior to and during the audit process that would assist the Village in the gathering of key components of the financial statements and the related notes. Further, we recommend the Village either purchase fund accounting software, or receive additional training in how to adapt their current software to fit the fund concept required by government accounting model.

Views of Responsible Officials and Planned Corrective Actions – The Village has made the decision to begin the process of transitioning the current accounting program to a fund based accounting program. Once all the final decisions have been made and implemented, the newly hired Clerk will be sent for training on the accounting program so that its full potential can be utilized. The accounting program must provide all the required information and reports for the Village operations. The Clerk and the Administrator are responsible for this plan and they anticipate a completion date of June 30, 2019.

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-004 - Material Weakness – Utility Billing and Receipting

Statement of Condition - During the course of the audit, we noted forty (40) exceptions out of a population of forty (40) where the billing is not being calculated or billed properly. The total sample billings were $2,021.94. The Village is not utilizing the Caselle billing system. While they Village attempted to utilize the Caselle billing system, they were unable to overcome the following discrepancies:

1. In could be not be determine whether the Village was billing the Conservation fee and the Connect fees according to the Village's ordinances and policies. The authorizing Ordinances could not be located for audit.
2. The Village is performing manual meter readings and manually inputting the readings into the Caselle utility billing system. Some of the meter readings did not make it onto the meter reading report and as such it could not be determined if the consumer was billed properly.
3. The water billings for the months of July 2017 through October 2017 were rounded per a schedule generated by management that did not match the utility billing ordinance.
4. The Village does not have a written policy or procedure on when and how to adjust a consumer's account should a discrepancy be discovered after the bill has been generated.
5. Two commercial accounts were billed using residential rates.
6. The Village's audited financial statements for June 30, 2017 reflect $15,223 of meter deposits. The Village has not maintained accurate subsidiary records to support the balance.
7. While the maintenance department personnel reads the meters, the billing and collection thereof and the subsequent recording in the accounting records was all done by the deputy clerk.

Management did not make significant progress in implementing the prior year corrective action plan. The clerk responsible for addressing the prior year findings resigned in September 2018.

Criteria - The Village has established Ordinances in regards to water, sewer, and refuse utility services. The Ordinances 2016-01, 2015-14-02 and 197-2017 respectively set the rates for providing such services.

Cause – Poor execution of monthly utility billing, with no known oversite.

Effect – Errors in properly calculating customer utility billings can potentially cause misstatement in utility revenues. Additionally, the Village is not making proper use of public funds by paying for Caselle services and QuickBooks to record utility revenue activity.

Recommendations – We recommend the Village set up appropriate policies and procedures that include steps to verify that the information imputed into the system to generate utility bills is accurate and complete.

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-004 - Material Weakness – Utility Billing and Receipting (continued)

Recommendations (continued) - Prior to the mailing of the utility bills, a final check should be made by a person other than the same person who generated the billing. Finally, priority must be given to the reconciliation of the meter utility deposits that the Village is holdings for its customers. Past records must be reviewed to support such deposits.

Views of Responsible Officials and Planned Corrective Actions – The Village will review and where necessary, update the Utility Ordinance to reflect the correct charges that are being implemented in the Utility billing system. Prior to the final generation of the monthly utility bills, the Mayor will review the reports that support the billing. The responsible parties are the Mayor, the Clerk and the Administrator. The estimated completion date is June 30, 2019.

Item 2016-002 - Material Weakness - Payroll Maintenance

Statement of Condition - During our test work of payroll maintenance we noted the following exceptions:

1. Appropriate documentation is not being maintained to reflect an employees accrued and used of vacation, sick leave and compensation time.
2. The Village recorded all governmental wages and the related benefits for all funds in one general ledger account.
3. While QuickBooks records the payroll withholding liabilities, the Village did not reduce the liabilities when paid, but rather recorded the payment of the liability to the one payroll expense account. As per the accounting records in QuickBooks at June 30, 2018, the payroll liability account had a balance of $172,800.39.
4. The 941 Quarterly Report for the period July 2017 through September 2017 (third quarter) contain payroll information for the period July 2016 through September 2016. No review for accuracy was done prior to filing the report.
5. The Village hired an employee full time in May 2018. The Village did not enroll the employee in PERA, did not deduct the employee portion and did not remit the employee and employer contribution to PERA.

While the Village may have resolved some of the prior year issues, new issues arose during the fiscal year 2018 that were not properly addressed.

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.

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2016-002 - Material Weakness - Payroll Maintenance (continued)

Criteria (continued) - PERA is a 401(a) qualified government plan governed by the New Mexico Public Employees Retirement Act. A public employer affiliated with PERA must deduct employee contributions each pay period from the employee's wages. These contributions are paid into the PERA member contribution fund. The employer also must pay employer contributions into the PERA employer's accumulation fund each pay period. The amount of employee contribution is a percentage of the employee's base salary as determined by the coverage plan provided by the current employer. It is the responsibility of the employer to accurately report PERA wages and contributions.

Cause – Poor execution of payroll maintenance, with no known oversite.

Effect – Without proper review and agreement of all payroll files, processes (including W4s, I9s, employee contracts, accrued sick/vacation time, PERA rates, and 941 reporting), and policies the Village is at risk of making inaccurate payroll disbursements. The result could be an overstatement or understatement of wages, tax, and other benefit liabilities or expenditures for the fiscal year.

Recommendations – We recommend the Village review its procedures to ensure that all payroll functions are clearly stated in its personal policy manual. This includes the maintenance of records for vacation, sick leave and compensation accruals and usage. The general ledger must be reviewed immediately and adjustments made to properly reflect wage and a salary expense, employer tax expense, employer paid benefits and payroll liabilities. Additionally, because of the small staff size, we recommend the board perform a review of processes and controls to ensure accuracy of the payments and ultimate reporting.

Views of Responsible Officials and Planned Corrective Actions – The Village is currently transitioning to a paid payroll service which will eliminate the issues described above. The payroll service will provide complete and accurate reports and filings that will be reviewed by the Clerk and the Administrator. The estimated completion date is June 30, 2019.

Item 2017-001 - Significant Deficiency - Controls over Cash Receipts

Statement of Condition - During our test work over cash receipts, we noted the Village does not issue receipts for its general collections. As such, we could not determine how long the Village is holding on to the collection before depositing the collection into the bank. Further, because the Village does not issue receipts, we could not ascertain that all collections were deposited into the bank. We tested one hundred forty seven (147) receipts that totaled $122,549.51.

Concerning the housing authority, cash was accepted as a payment for rents. There was two instances out of twelve in which rents were collected but not deposited within a 24-hour period. Management did not make significant progress in implementing the prior year corrective action plan. The clerk responsible for addressing the prior year findings resigned in September 2018.

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2017-001 - Significant Deficiency - Controls over Cash Receipts (continued)

Criteria - NMSA 1978 sections 6-10-1 to 6-10-63 require proper management, handling and accountability of cash. This includes good accounting practices and generally accepted accounting practices require that the bank balances be reconciled appropriately to the general ledger. The Housing's Internal Control Policy: "*No cash will be accepted for the payment of rent. All tenants shall be required to pay by check or money order.* NMSA 1978 Section 6-5-2 states *2. Document the receipt of money using a pre-numbered cash receipts slip, validated cash register receipt, or a cash receipt log. Record the date, amount, and person issuing the receipt. Record the payer, when applicable*.

Cause – Failure to follow proper internal controls to prevent accounting errors.

Effect - Without the use of internal controls and adequate supporting documentation there is no evidence that all receipts have been properly accounted for, recorded and classified. The Village violated its own Housing Authority internal policy.

Recommendations - We recommend all staff involved with the Maxwell Housing Authority to review all policies and implement them in all day-to-day operations. Staff is also encouraged to review NMSA 1978 Sections 6-10-1 to 6-10-63 and 6-5-2 to implement proper management, handling and accountability of cash.

Views of Responsible Officials and Planned Corrective Actions – Management has implemented the process of receipting all transactions received not just the utility department payments. This process is the responsibility of the Clerk and will resolve the issue. The Village will have a better accountability of received and deposit dates of all transactions. The estimated completion date for having the process in place and functioning efficiently is June 30, 2019.The Village of Maxwell no longer administers the Maxwell Housing Authority. Raton Housing Authority is responsible for its operations.

Item 2017-003 – Significant Deficiency – Unknown and Unreconciled Water Variances

Statement of Condition - During our discussion of documented water variances, we noted that the Village did not perform monthly analytics to reconcile the variance between water produced and water billed/sold. In the prior year audit, the monthly average loss was $2,870. Due to the lack of reconciliation, the current year water loss was not determined. Management did not make significant progress in implementing the prior year corrective action plan. The clerk responsible for addressing the prior year findings resigned in September 2018.

Criteria –The EPA Report of Control and Mitigation of Drinking Water Losses in Distribution Systems sets ranges for acceptable water losses.

Cause – The Village did not understand the issue in the finding and therefore did not address water losses.

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2017-003 – Significant Deficiency – Unknown and Unreconciled Water Variances

Effect – Without efforts to minimize water losses, overtime the lost can create a substantially strained on the Village's ability to produce and deliver for sale water at reasonable rates. Further, without monthly analytics, the Village remains in the dark as to whether they have a problem and the cause of the problem.

Recommendations - We recommend the Village perform monthly analytics on the water produced and the water billed/sold. At the bear minimum, the Village should start with daily water well readings from the wells in their system. At the end of the billing cycle, a procedure should be established to compare the amount of water produced with the amount of water bill/sold. All variances must be investigated for cause.

Views of Responsible Officials and Planned Corrective Actions – The Clerk and the Maintenance Supervisor will develop procedures that will allow for monthly analytics to be performed. The development of such procedures will start immediately. The estimated completion date for the analytics for be useful is June 30, 2019.

Item 2017-004 – Other Non-Compliance - Housing Authority Leases and Inspections

Statement of Condition - During our test work over Housing's tenant files, we noted eleven (11) tenant files where the Community Service Form was not completed, signed and placed in the tenant's file; one instance where the Release of Information/Federal Privacy form was not signed; two instances where the tenant's annual re-exam was not performed or performed timely; two instances where the properly inspection form was not in the tenant's file; and two instances where they property inspection form was not signed by the tenant. Management did not make significant progress in implementing the prior year corrective action plan. The clerk responsible for addressing the prior year findings resigned in September 2018.

Criteria - HUD's Occupancy Handbook requires leases to be signed by both the tenant and management. Annual reviews for eligibility also must be complete on or before the expiration date.

Cause – The Village contracted with the Raton Housing Authority to manage the Maxwell Housing Authority. In the transition, the performance of the annual reviews or inspections for Housing tenants did not get done.

Effect - The Village increases their liability when a lease expires as that tenant is not bound to follow those rules and can potentially move out without notice. By not performing annual reviews of tenant files and eligibility this can potentially cause an oversight if rent needs to be adjusted based on the tenant's income. When inspections are not performed this can lead to a risk of property being damaged and not reported on a timely basis.

Recommendations - We recommend that the Village communicate with the Raton Housing Authority about the necessity of tenant file maintenance.

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2017-004 – Other Non-Compliance - Housing Authority Leases and Inspections

Views of Responsible Officials and Planned Corrective Actions – The Village contracted with Raton Housing Authority to manage the operations of the Maxwell Housing Authority, including the maintenance of tenant files. Effective April 1, 2018, the Raton Housing Authority took on full responsibility for the operations of the Maxwell Housing Authority.

Item 2017-005 – Other Non-Compliance - Anti-Donation

Statement of Condition – From its fire discretionary fund, the Village issued 3 checks that totaled $1,200 of for the purchase of goods, such as food and gifts for an annual Christmas party. Management did not make significant progress in implementing the prior year corrective action plan. The clerk responsible for addressing the prior year findings resigned in September 2018.

Criteria - The New Mexico Constitution strictly prohibits donations to individuals by governmental entities. The provision provides in pertinent part*, neither the state nor any county, school district or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation,* N.M. Const. art. IX, § 14.

Cause – The Village was not aware of the Anti-donation clause of the New Mexico Constitution.

Effect - The Village appears to be in non-compliance with NM Constitution article IX section 14 with regard to anti- donation. The lack of an understanding of the anti-donation clause, puts the Village at risk of processing other payment for transactions that could potentially benefit a self-interest.

Recommendations - We recommend that the Village educate themselves on the New Mexico Constitution IX, § 14. No public funds should be used that would be in violation of said section.

Views of Responsible Officials and Planned Corrective Actions – The holiday event has been eliminated by the Maxwell Fire Chief. In the future, all fire discretionary funds will be used solely for fire operations and equipment. The responsible parties for achieving this effort are the Fire Chief, the Clerk and the Administrator. The estimated completion date is June 30, 2019.

Item 2017-007 - Significant Deficiency – Travel and Per Diem Act

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was eleven transactions, which were haphazardly selected throughout the fiscal year, and contained the following discrepancies:

- One instance where the employee was entitled to only $20 of return day per diem, but was paid $30. The mileage rate used at .51 cents was incorrect. In total the employee was overpaid $27.01.

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2017-007 - Significant Deficiency – Travel and Per Diem Act (continued)

Statement of Condition (continued) –

- Two instances where the employee was not entitled to per diem for a same day trips. Both trips were not beyond the normal workday. The employee was overpaid $20.00 for each trip, for a total of $40.00.
- One instance where the employee was given an advance of $108 after receiving an earlier advance of $145.18. The employee originally intended to make a same day workshop in Santa Fe. There was no documentation to indicate that a change in plans was requested and approved to move the travel from a same day to an overnight stay. The employee was overpaid $9.72.
- One instance where the employee travel to Albuquerque to attend NM training. The employee received an advance on April 10, 2018; the travel was to start April 17, 2018. The employee was paid for actual meals. It could not be determined whether the employee was reimbursed correctly because of lack of receipts and final reconciliation of the travel. The employee was paid $436.67 for the entire trip.
- One instance where the employee attended a 3 day water system training in Taos. He employee opted to daily commute the trip in lieu of overnight stays. The Village incorrectly determine his daily per diem at $24 per day. His actual hours in excess of a 9 hours normal workday was only 3 hours. He would then have been entitled to $12 of per diem per day. The employee was paid a total of $90.00. He was overpaid $54.00.
- The Village could not provide documentation to support the mileage rate of .51cents.

Management did not make significant progress in implementing the prior year corrective action plan. The clerk responsible for addressing the prior year findings resigned in September 2018.

Criteria – The New Mexico Department of Finance and Administration have issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

In particular, Section 2.42.2.10(A) of the Travel and Per Diem regulations states, *Employee's (travel) request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals.*

Effect – Non-compliance with the state statutes subjects officials and employees to penalties as required by said state statutes.

Cause – The Village did not demonstrate a clear understanding of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code and or Section 10-8-1 to 10-8-8 NMSA 1978.

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2017-007 - Significant Deficiency – Travel and Per Diem Act (continued)

Recommendation – We recommend the New Mexico state statutes and administrative code related to Travel and Per Diem be thoroughly reviewed by the management of the Village. Once a clear understanding is obtained, appropriate procedures should be established or existing procedures should be adjusted. Such final procedures should then in turn be communicated to all officials and employees of the Village. Finally, consequences to deviations from established policies and procedures should be established and communicate to all officials and employees.

Views of Responsible Officials and Planned Corrective Actions – The Village has recently hired a new Clerk and she has attended training for the mileage and per diem act. She and the Administrator are responsible for implementing the correct rate and formulas for all travel request and reimbursements. All travel will be preapproved and this process will provide oversight for all travel estimates. The estimated completion date to have all adjustments in the process completed and operating efficiently is June 30, 2019.

Item 2017-009 – Other Non-Compliance - Quarterly Reporting to DFA

Statement of Condition - The Village's Department of Finance and Administration (DFA) quarterly reports did not reflect the audited ending cash balances from the 6-30-2017 audit report. Further, the last quarter report ending June 30, 2018 did not reflect accurate cash balances per fund. Management did not make significant progress in implementing the prior year corrective action plan. The clerk responsible for addressing the prior year findings resigned in September 2018.

Criteria – As per Section 6-6-2(F) NMSA 1978, local public bodies must submit periodic financial reports, on a quarterly basis, to the Department of Finance and Administration, Local Government Division (LGD). Furthermore, Section 6-6-2(K) NMSA 1978, authorizes LGD to prescribe the form for all budgets, books, records, and accounts for local public bodies. To meet these requirements, LGD has developed the quarterly financial report forms which include revenues and expenditures that were recognized/received and disbursed from the local government's coffers. The format also includes the most current approved budget figures to allow for a comparison of actuals to budget.

Effect – These financial reports are invaluable, as they provide the financial status of an entity to be utilized in numerous ways by Local Government Division (LGD). Erroneous financial information may have a negative effect on decisions made by such parties as the Governor's office, DFA Cabinet Secretary, and for members of the state's legislative bodies. In addition, these reports are used for public information requests, as well as providing compliance for funding such as legislative appropriations and several loan/grant programs. Incorrect and or incomplete information may mislead the user of the reports.

Cause – The Village has not followed through on procedures to review and correct the erroneous financial information within the accounting records of which these reports are derived from.

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2017-009 – Other Non-Compliance - Quarterly Reporting to DFA (continued)

Recommendation – We recommend the Village establish procedures to ensure that there is an adequate reconciliation and review process of the general ledger postings, monthly, so that complete and accurate DFA quarterly reports are submitted timely. It is further recommended that these procedures include a review and approval process by those charged with governance.

Views of Responsible Officials and Planned Corrective Actions – During the fiscal year the Village was using a new chart of accounts in QuickBooks and it had not been set up correctly to report fund accounting. The Village is in the process of transitioning to a fund accounting software that will track all transactions in the correct fund and not intermingle the transactions between funds. The Clerk and the Administrator will be responsible for reviewing the recording and posting of transactions prior to the transmission of the accounting activity to DFA on a quarterly basis. The estimated completion date to have all adjustments in the process completed and operating efficiently is June 30, 2019.

Item 2018-001 – Material Weakness – Cash Reconciliation to General Ledger

Statement of Condition – The Village uses one bank account for the operations of its government- type funds (general, fire protection, fire discretionary and capital project). They also use one account for the joint utility fund and another separate bank account for the meter deposits. While the Village does a monthly bank reconciliation using its accounting software, they do not reconcile the bank balance to the cash balances as listed in the general ledger per fund. The reconciled bank balances at June 30, 2018 was $329,984.84, while they general ledger from QuickBooks was $541,745.27. The difference was $211,760.43. It could not be determined what fund contained the error with absolute accuracy. Further, the Village prepared bank reconciliations contain many old stale dated checks and deposits in transit that are not valid.

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Effect – Without accurate full reconciliations to the general ledger, errors could occur and not be detected. Incorrect decisions, such as budget creation and or adjustments that require the use of cash reserves, may occur as a result of erroneous information.

Cause – Poor execution in the preparation of the bank reconciliations. The entire process of reconciling balance to the general ledger was not completed.

Recommendation – We recommend the Village management expedite the establishment and maintenance of the appropriate internal controls concerning the reconciliation and recording of cash balances.

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-001 – Material Weakness – Cash Reconciliation to General Ledger (continued)

Recommendation (continued) – These procedures must include proper monthly reconciliation of differences between the reconciled bank balances and the Village's general ledger balances. Since the administrative staff is relatively small, it is further recommend that the board request a monthly reconciliation for board review.

Views of Responsible Officials and Planned Corrective Actions – The Clerk and the Administrator will be reviewing and eliminating the invalid deposit in transit amounts and the old stale dated outstanding checks from its bank reconciliations upon final approval of the audit. Additionally, a monthly report will be provided to the governing body for review and verification of presentation. The estimated completion date to have all adjustments in the process completed and operating efficiently is June 30, 2019.

Item 2018-002 – Material Weakness – Financial Statements and Disclosures

Statement of Condition – The Village relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. For the fiscal year ended June 30, 2018, the Village's administrative staff did not assist in gathering some of the necessary information and preparing support schedules in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP. While the preparation of some of the schedules is a step in the right direction, the Village must display a level of expertise regarding financial reporting in accordance with GAAP in order to reduce the deficiency noted in internal controls regarding financial reporting. Because of the time, effort and priority management placed into other issues and activities, no effort was made towards understanding full GAAP reporting.

Criteria – Auditing standards adopted in the United States of America in particular AU Section 325 Communicating Internal Control Related Matters Identified in an Audit, paragraph .03 states the following: *Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting.*

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum; management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-002 – Material Weakness – Financial Statements and Disclosures (continued)

Criteria (continued) – AU Section 325 paragraph .05 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph .06 states "*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.*" AU Section 325 paragraph .15 provides a list of indicators of a material weakness in internal control. One such example is *"Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."*

Effect – Since the Village's administrative staff lack the ability to understand and prepare, and did not prepare, GAAP financial statements, there is an increased risk that a misstatement of the Village's financial statements, that is more than inconsequential, will not be prevented or detected. Further, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

Cause – When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient; however, the accounting profession by issuance of AU Section 325, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

Recommendation – The Village should give serious consideration to the employment of a qualified individual to serve in the position of director of finance. This employee should have the ability to prepare governmental financial statements in accordance with GAAP. Alternately, the Village could chose to consult with a separate accounting firm prior to and during the audit process that would assist the Village in the preparation of financial statements and the related notes. Notwithstanding the above recommendations, the Village should place proper financial resources in training the administrative staff that would include at a minimum, accounting courses that would instruct the staff of GAAP considerations in regards to government financial reporting.

Views of Responsible Officials and Planned Corrective Actions – The Village will request to have a professional finance specialist assist and review the fund accounting software program once the transition has been completed. The intent of the assistance is to ensure that all required financial information is generated, complete and accurate for the FY19 audit process. The Clerk and the Administrator is responsible this corrective action. The estimated completion date to have all adjustments in the process completed and operating efficiently is June 30, 2019.

Item 2018-003 – Material Weakness – Segregation of Duties

Statement of Condition – The Village is a small local government body in the state of New Mexico. There are three positions that control all the financial processes for the Village. Due to limited Village financial staff, there is a lack of adequate segregation of duties.

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-003 – Material Weakness – Segregation of Duties (continued)

Criteria – Segregation of duties is a key internal control intended to minimize the occurrence of errors or fraud by ensuring that no employee has the ability to both perpetrate and conceal errors or fraud in the normal course of their duties. Generally, the primary incompatible duties that need to be segregated are:

- Authorization or approval
- Custody of assets
- Recording transactions
- Reconciliation/Control Activity

Some examples of incompatible duties are:

- Authorizing a transaction, receiving and maintaining custody of the asset that resulted from the transaction
- Receiving funds (checks or cash) and approving write-off of receivables
- Reconciling bank statements/accounts and booking entries to general ledger
- Depositing cash and reconciling bank statements
- Approving time cards and having custody of pay checks

If internal control is to be effective, there needs to be an adequate division of responsibilities among those who perform accounting procedures or control activities and those who handle assets. Ideally, separate employees will perform each of the four major duties. In general, the flow of transaction processing and related activities should be designed so that the work of one individual is either independent of, or serves to check on, the work of another. Such arrangements reduce the risk of undetected error and limit opportunities to misappropriate assets or conceal intentional misstatements in the financial statements.

Effect – Without proper segregation of duties there is little or no oversight and review to identify errors. In addition, the risk that fraud or theft could occur is greater because it only requires two people to collude in order to hide a transaction. Without a separation in key processes, fraud and error risks are far less manageable.

Cause – Unknown.

Recommendation – We recommend that when duties cannot be sufficiently segregated due to the small size of the financial staff, it is important that mitigating controls, such as a detailed supervisory review of the activities, be put in place to reduce risks. Until the funding becomes available to hire additional staff, we recommend the board remain active in its duty of financial oversight.

Views of Responsible Officials and Planned Corrective Actions – The Clerk and the Administrator are currently working to implement policies and procedures for more oversite of all transactions processed. The estimated completion date to have the policies and procedures completed and operating efficiently is June 30, 2019.

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-004 – Other Non-Compliance - Legal Compliance with Adopted Budget

Statement of Condition - The following fund exceeded its respective approved budget as follows:

Fund	Authorized Budget	Actual Amounts Expended	Excess of Approved Budget
Housing Authority	$ 91,610	$ 97,587	$ (5,977)

Criteria - Sections 6-6-6 through 6-6-11 NMSA 1978 prohibits local governments from making expenditures in excess of the approved budget and make public officials liable for such expenditures. Village officials and governing authorities have the obligation to follow applicable state statutes.

Effect - Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes.

Cause – A budget adjustment resolution to account for the spending of carryover fire protection funds was not prepared.

Recommendation - We recommend that the Village establish procedures that include a comprehensive mid-year review of its budget. The review will allow the governing body to examine fiscal performance and make budget adjustments, if needed. It should include a comparison of revenues and expenditures to date to the approved budget. A review of planned activity for the last half of the fiscal year should be made and compared to the approved budget. Based on the mid-year review, a resolution requesting adjustments should be submitted to the Department of Finance and Administration Local Government Division, if necessary.

View of Responsible Officials and Planned Corrective Actions – The Village contracted with Raton Housing Authority to manage the operations of the Maxwell Housing Authority, including the maintenance of tenant files. Effective April 1, 2018, the Raton Housing Authority became fully responsible for the operations of the Maxwell Housing Authority.

Item 2018-005 – Other Non-Compliance – Water Conservation Fee

Statement of Condition – We were unable to determine if the quarterly water conservation fee report for the period April 2018 through June 2018 was filed and paid by the Village. In addition, the 2016 water conservation fee reports were filed and paid after their due dates. As a result, the Village paid $199.68 in penalties. Finally, the reports for the period January through March were filed late and the fees were paid on May 14, 2018.

Criteria – The State of New Mexico Taxation and Revenue Department imposes, on every person who operates a public water supply system, a water conservation fee in the amount equal to three cents ($0.03) per thousand gallons of water produced.

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-005 – Other Non-Compliance – Water Conservation Fee (continued)

Criteria – The State of New Mexico Taxation and Revenue Department imposes, on every person who operates a public water supply system, a water conservation fee in the amount equal to three cents ($0.03) per thousand gallons of water produced. Water is produced for purposes of the water conservation fee, when that water is extracted from any surface or subsurface source by or for a public water supply system. A public water supply system produces water when another person, not a public water supply system, extracts water under contract with, or as agent for, the public water supply system. Water is produced only once.

Effect – Filing late reports subjects the Village to unnecessary penalties.

Cause – Poor execution in preparing and filing water conservation fee reports on a timely basis.

Recommendation – We recommend the Village review its current procedures to ensure that the water conservation fee is calculated correctly with supporting documentation and remitted timely, regardless of the limited staff currently in place.

Views of Responsible Officials and Planned Corrective Actions – The Clerk will investigate the status of the quarter report for the period April 2018 through June 2018 as the clerk that was responsible for submitting the report is longer employed with the Village. Further, the Clerk and the Administrator will establish a procedure to ensure that the reports are prepared and filed on a timely basis. This includes payment as well. The estimated completion date is January 31, 2019.

SECTION II – PRIOR YEAR FINDINGS

2010-003/2010-03 - Material Weakness - Capital Assets Inventory - The finding has been modified and repeated in the current year.

2010-006/2010-6 – Material Weakness – Controls over Disbursements – The finding has been modified and repeated in the current year.

2013-003 – Material Weakness and Other
Non-Compliance with IRS Rules on Contract Labor - The finding has been modified and repeated in the current year.

2015-001 – Significant Deficiency – Trial Balance SAS 115 – The finding has been modified and repeated in the current year.

2015-004 – Material Weakness - Utility Receipting – The finding has been modified and repeated in the current year.

2016-001 – Material Weakness - Under Billing for Payroll Services – The finding is resolved.

SECTION II – PRIOR YEAR FINDINGS (continued)

2016-002 – Material Weakness – Other Non-Compliance with Payroll - The finding has been modified and repeated in the current year.

2017-001 – Material Weakness - Controls over Receipts – The finding has been modified and repeated in the current year.

2017-002 – Significant Deficiency - Lack of Bid Documentation – The finding is resolved.

2017-003 Material Weakness - Unreconciled Water Variances – The finding has been modified and repeated in the current year.

2017-004 – Other Non-Compliance - Housing Leases and Inspections – The finding has been modified and repeated in the current year.

2017-005 – Other Non-Compliance with Anti-Donation with Related Party Transactions - The finding has been modified and repeated in the current year.

2017-006 - Non-compliance with the Ethics Policy – The finding is resolved.

2017-007 – Material Weakness - Controls over Travel and Per Diem – The finding has been modified and repeated in the current year.

2017-008 - Significant Deficiency - Controls over Credit Cards – The finding is resolved.

2017-009 – Other Non-Compliance over Reporting – The finding has been modified and repeated in the current year.

STATE OF NEW MEXICO
VILLAGE OF MAXWELL
EXIT CONFERENCE AND
FINANCIAL STATEMENT PREPARATION
JUNE 30, 2018

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2018, was discussed during the exit conference held on December 14, 2018. Present for the Village was Shantelle Gallegos, mayor; Shawn Jeffrey, Village administrator; and Karen Gates, clerk. Present for the auditing firm was Rose Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the Village of Cimarron as of June 30, 2018. The Village's upper management has reviewed and approved the financial statements and related notes, and they believe that the Village's books and records adequately support them.