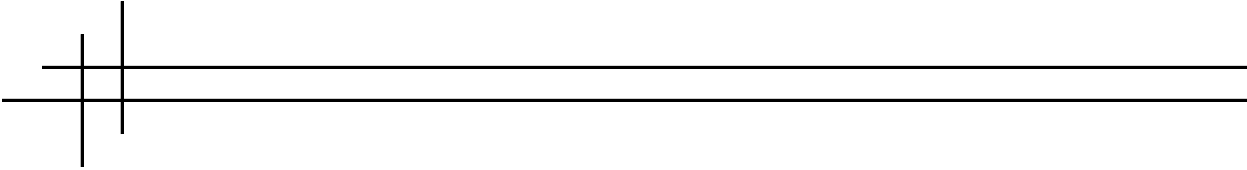




State of New Mexico
Village of Melrose

Annual Financial Report
June 30, 2019

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



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State of New Mexico
Village of Melrose
Official Roster
June 30, 2019

Village Council

Barry Green	Mayor
H.P. Cargile	Mayor Pro-Tem
Ronald Moore	Member
James Mitchell	Member
Daniel Cornelius	Member

Administrative Officials

Khira Whitehead	Village Clerk/Treasurer
Phyllis Broeder	Utility/MVD Clerk

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Village of Melrose

Mr. Colón and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of Melrose (Village), as of and for the year ended June 30, 2019, 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 also have audited 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, 2019, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2019, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the 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 Schedules of Required Supplementary Information for the Pension Plan and Other Post Employment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, 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.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
December 13, 2019

Financial Section

State of New Mexico
Village of Melrose
Government-Wide Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 1,659,442	\$ 261,709	\$ 1,921,151
Receivables			
Taxes	14,217	5,103	19,320
Accounts	2,873	19,652	22,525
Total Current Assets	<u>1,676,532</u>	<u>286,464</u>	<u>1,962,996</u>
Noncurrent Assets			
Restricted Cash	790	10,584	11,374
Capital Assets	10,188,055	4,666,118	14,854,173
Less Accumulated Depreciation	<u>(7,735,842)</u>	<u>(1,964,590)</u>	<u>(9,700,432)</u>
Total Noncurrent Assets	<u>2,453,003</u>	<u>2,712,112</u>	<u>5,165,115</u>
Total Assets	<u>4,129,535</u>	<u>2,998,576</u>	<u>7,128,111</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	91,712	0	91,712
Deferred Outflows Related to			
Other Post Employment Benefits	<u>28,536</u>	<u>0</u>	<u>28,536</u>
Total Deferred Outflows of Resources	<u>120,248</u>	<u>0</u>	<u>120,248</u>
Liabilities			
Current Liabilities			
Accounts Payable	23,072	14,116	37,188
Accrued Salaries and Benefits	516	279	795
Accrued Interest	248	0	248
Compensated Absences	9,576	8,799	18,375
Current Amount Due	<u>44,331</u>	<u>0</u>	<u>44,331</u>
Total Current Liabilities	<u>77,743</u>	<u>23,194</u>	<u>100,937</u>
Noncurrent Liabilities			
Customer Deposits	0	10,584	10,584
Long Term Debt	141,733	0	141,733
Net Pension Liability	258,287	0	258,287
Net Other Post Employment Benefits	<u>179,152</u>	<u>0</u>	<u>179,152</u>
Total Noncurrent Liabilities	<u>579,172</u>	<u>10,584</u>	<u>589,756</u>
Total Liabilities	<u>656,915</u>	<u>33,778</u>	<u>690,693</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	8,266	0	8,266
Deferred Inflows Related to			
Other Post Employment Benefits	<u>46,290</u>	<u>0</u>	<u>46,290</u>
Total Deferred Inflows of Resources	<u>54,556</u>	<u>0</u>	<u>54,556</u>
Net Position			
Net Investment in Capital Assets	2,266,149	2,701,528	4,967,677
Restricted for Special Revenue	543,684	0	543,684
Unrestricted	<u>728,479</u>	<u>263,270</u>	<u>991,749</u>
Total Net Position	<u>\$ 3,538,312</u>	<u>\$ 2,964,798</u>	<u>\$ 6,503,110</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Business-Type Activities	Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants			Total
Governmental Activities							
General Government	\$ 179,015	\$ 16,825	\$ 149,144	\$ 0	\$ (13,046)	\$ 0	\$ (13,046)
Public Safety	339,328	28,985	289,153	223,294	202,104	0	202,104
Public Works	372,807	6,037	0	130,790	(235,980)	0	(235,980)
Health and Welfare	864	0	0	0	(864)	0	(864)
Culture & Recreation	25,322	0	0	0	(25,322)	0	(25,322)
Interest	4,627	0	0	0	(4,627)	0	(4,627)
Total Governmental Activities	\$ 921,963	\$ 51,847	\$ 438,297	\$ 354,084	(77,735)	0	(77,735)
Business-Type Activities							
Water and Sewer	\$ 276,488	\$ 141,177	\$ 0	\$ 0	0	(135,311)	(135,311)
Solid Waste	111,195	94,335	0	106,336	0	89,476	89,476
Total Business-type Activities	\$ 387,683	\$ 235,512	\$ 0	\$ 106,336	0	(45,835)	(45,835)
General Revenues							
Taxes							
Property					15,243	0	15,243
Franchise					7,217	0	7,217
Gross Receipts					165,349	0	165,349
Gasoline					20,534	0	20,534
Designated Gross Receipts					0	18,606	18,606
Miscellaneous					25,590	7,093	32,683
Total General Revenues					233,933	25,699	259,632
Change in Net Position					156,198	(20,136)	136,062
Net Position - Beginning					3,382,114	2,066,741	5,448,855
Restatement-Note O					0	918,193	918,193
Restated Net Position					3,382,114	2,984,934	6,367,048
Net Position - Ending					\$ 3,538,312	\$ 2,964,798	\$ 6,503,110

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
Governmental Funds
Balance Sheet
June 30, 2019

	General	Special Revenue	
		Fire	EMS and Ambulance
Assets			
Cash and Cash Equivalents	\$ 1,110,843	\$ 476,573	\$ 34,033
Receivables			
Taxes	14,217	0	0
Accounts	0	0	2,873
Restricted Cash	0	790	0
Total Assets	\$ 1,125,060	\$ 477,363	\$ 36,906
Liabilities			
Current Liabilities			
Accounts Payables	\$ 14,494	\$ 8,177	\$ 353
Accrued Salaries and Benefits	516	0	0
Total Liabilities	15,010	8,177	353
Fund Balances			
Restricted for Special Revenue	0	469,186	36,553
Unassigned	1,110,050	0	0
Total Fund Balances	1,110,050	469,186	36,553
Total Liabilities and Fund Balances	\$ 1,125,060	\$ 477,363	\$ 36,906

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
 Governmental Funds
 Balance Sheet
 June 30, 2019

	Non-Major Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 37,993	\$ 1,659,442
Receivables		
Taxes	0	14,217
Accounts	0	2,873
Restricted Cash	0	790
Total Assets	<u>\$ 37,993</u>	<u>\$ 1,677,322</u>
Liabilities		
Current Liabilities		
Accounts Payables	\$ 48	\$ 23,072
Accrued Salaries and Benefits	0	516
Total Liabilities	<u>48</u>	<u>23,588</u>
Fund Balances		
Restricted for Special Revenue	37,945	543,684
Unassigned	0	1,110,050
Total Fund Balances	<u>37,945</u>	<u>1,653,734</u>
Total Liabilities and Fund Balances	<u>\$ 37,993</u>	<u>\$ 1,677,322</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2019

Total Fund Balance - Governmental Funds \$ 1,653,734

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 10,188,055	
Accumulated Depreciation	<u>(7,735,842)</u>	2,452,213

Deferred Outflows and Inflows Related to Pensions and Other Post Employment Benefits (OPEB) are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	91,712	
Deferred Outflows Related to OPEB	28,536	
Deferred Inflows Related to Pensions	(8,266)	
Deferred Inflows Related to OPEB	<u>(46,290)</u>	65,692

Long-term and certain other liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Notes Payable	(186,064)	
Net Pension Liability	(258,287)	
Net Other Post Employment Benefits	(179,152)	
Accrued interest on Notes Payable	(248)	
Compensated Absences	<u>(9,576)</u>	<u>(633,327)</u>

Total Net Position - Governmental Activities \$ 3,538,312

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue		
	General	Fire	EMS and Ambulance
Revenues			
Taxes			
Property	\$ 15,243	\$ 0	\$ 0
Gross Receipts	7,217	0	0
Franchise	165,349	0	0
Gasoline	20,534	0	0
State Grants	279,934	368,293	123,294
Fines and Forfeits	3,099	0	0
License and Permits	1,297	0	0
Charges for Services	16,825	0	28,985
Miscellaneous	18,209	1,133	1,848
Total Revenues	<u>527,707</u>	<u>369,426</u>	<u>154,127</u>
Expenditures			
Current			
Governing Body	19,101	0	0
Judicial	16,278	0	0
Finance	130,211	0	0
Public Safety	58,967	105,633	30,893
Public Works	168,294	0	0
Culture and Recreation	0	0	0
Capital Outlay	101,771	0	246,433
Debt Service			
Principal	0	42,893	0
Interest	0	4,379	0
Total Expenditures	<u>494,622</u>	<u>152,905</u>	<u>277,326</u>
Excess (Deficiency) of Revenues Over Expenditures	33,085	216,521	(123,199)
Fund Balance at Beginning of year	<u>1,076,965</u>	<u>252,665</u>	<u>159,752</u>
Fund Balance End of Year	<u>\$ 1,110,050</u>	<u>\$ 469,186</u>	<u>\$ 36,553</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2019

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Taxes		
Property	\$ 0	\$ 15,243
Gross Receipts	0	7,217
Franchise	0	165,349
Gasoline	0	20,534
State Grants	20,860	792,381
Fines and Forfeits	0	3,099
License and Permits	0	1,297
Charges for Services	6,037	51,847
Miscellaneous	4	21,194
Total Revenues	<u>26,901</u>	<u>1,078,161</u>
Expenditures		
Current		
Governing Body	0	19,101
Judicial	0	16,278
Finance	0	130,211
Public Safety	11,468	206,961
Public Works	3,325	171,619
Culture and Recreation	411	411
Capital Outlay	35,285	383,489
Debt Service		
Principal	0	42,893
Interest	0	4,379
Total Expenditures	<u>50,489</u>	<u>975,342</u>
Excess (Deficiency) of Revenues Over Expenditures	(23,588)	102,819
Fund Balance at Beginning of year	<u>61,533</u>	<u>1,550,915</u>
Fund Balance End of Year	<u>\$ 37,945</u>	<u>\$ 1,653,734</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2019

Excess (Deficiency) of Revenues Over Expenditures \$ 102,819

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	\$ (340,114)	
Capital Outlay	<u>383,489</u>	43,375

Pension and Other Post Employment Benefit (OPEB) contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension and Other Post Employment Benefit expenses are reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	12,807	
OPEB Contributions	3,288	
Pension Expense	(45,040)	
OPEB Expense	<u>(5,113)</u>	(34,058)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

42,893

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest, June 30, 2018	0	
Accrued Interest, June 30, 2019	<u>(248)</u>	(248)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2018	10,993	
Compensated Absences, June 30, 2019	<u>(9,576)</u>	<u>1,417</u>

Changes in Net Position of Governmental Activities \$ 156,198

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
 General Fund
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Non-GAAP-Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
Property	\$ 15,772	\$ 15,363	\$ 15,362	\$ (1)
Franchise	6,000	7,279	7,279	0
Gross Receipts	178,800	167,363	167,420	57
Gasoline	19,900	20,097	20,096	(1)
State Grants	131,704	149,144	279,934	130,790
License and Permits	1,035	1,297	1,297	0
Fines & Forfeits	12,500	2,606	3,099	493
Charges for Services	2,744	13,538	16,825	3,287
Miscellaneous	31,650	21,635	18,210	(3,425)
Total Revenues	<u>400,105</u>	<u>398,322</u>	<u>529,522</u>	<u>131,200</u>
Expenditures				
Governing Body				
Personnel Services	17,267	18,336	17,121	1,215
Operating Expenses	1,790	3,000	1,880	1,120
Total Governing Body	<u>19,057</u>	<u>21,336</u>	<u>19,001</u>	<u>2,335</u>
Judicial				
Personnel Services	18,938	13,419	12,853	566
Operating Expenses	6,226	4,575	3,291	1,284
Total Judicial	<u>25,164</u>	<u>17,994</u>	<u>16,144</u>	<u>1,850</u>
Finance				
Personnel Services	108,104	103,253	80,393	22,860
Operating Expenses	13,188	49,845	49,379	466
Total Finance	<u>121,292</u>	<u>153,098</u>	<u>129,772</u>	<u>23,326</u>
Public Safety				
Personnel Services	34,316	32,228	30,040	2,188
Operating Expenses	16,420	13,594	27,186	(13,592)
Total Public Safety	<u>50,736</u>	<u>45,822</u>	<u>57,226</u>	<u>(11,404)</u>
Public Works				
Personnel Services	104,086	98,857	90,875	7,982
Operating Expenses	56,486	71,092	80,190	(9,098)
Capital Purchases	384,616	283,462	92,641	190,821
Total Library	<u>545,188</u>	<u>453,411</u>	<u>263,706</u>	<u>189,705</u>
Total Expenditures	<u>\$ 761,437</u>	<u>\$ 691,661</u>	<u>\$ 485,849</u>	<u>\$ 205,812</u>

State of New Mexico

Village of Melrose

General Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over Expenditures	\$ (361,332)	\$ (293,339)	\$ 43,673	\$ 337,012
Cash Balance Beginning of Year	<u>1,067,170</u>	<u>1,067,170</u>	<u>1,067,170</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 705,838</u>	<u>\$ 773,831</u>	<u>\$ 1,110,843</u>	<u>\$ 337,012</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 43,673	
Net Change in Taxes Receivables			(1,816)	
Net Change in Accounts Payable			(8,256)	
Net Change in Accrued Salaries and Benefits			<u>(516)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 33,085</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
Special Revenue Fund-Fire
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 254,723	\$ 322,952	\$ 368,293	\$ 45,341
Miscellaneous	2,100	2,450	1,133	(1,317)
Total Revenues	<u>256,823</u>	<u>325,402</u>	<u>369,426</u>	<u>44,024</u>
Expenditures				
Public Works				
Operating Expenses	120,250	103,877	99,370	4,507
Debt Service				
Principal	0	0	42,893	(42,893)
Interest	0	0	4,379	(4,379)
Total Expenditures	<u>120,250</u>	<u>103,877</u>	<u>146,642</u>	<u>(42,765)</u>
Excess (Deficiency) of Revenues Over Expenditures	136,573	221,525	222,784	1,259
Cash Balance Beginning of Year	<u>254,579</u>	<u>254,579</u>	<u>254,579</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 391,152</u>	<u>\$ 476,104</u>	<u>\$ 477,363</u>	<u>\$ 1,259</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 222,784	
Net Change in Accounts Payable			(6,263)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 216,521</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico

Village of Melrose

Special Revenue Fund-EMS and Ambulance

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Charge for Services	\$ 12,000	\$ 26,112	\$ 26,112	\$ 0
State Grant	130,729	130,729	123,294	(7,435)
Miscellaneous	2,250	1,849	1,849	0
Total Revenues	<u>144,979</u>	<u>158,690</u>	<u>151,255</u>	<u>(7,435)</u>
Expenditures				
Public Safety				
Operating Expenses	29,850	34,842	30,541	4,301
Capital Outlay	201,000	246,433	246,433	0
Total Expenditures	<u>230,850</u>	<u>281,275</u>	<u>276,974</u>	<u>4,301</u>
Excess (Deficiency) of Revenues Over Expenditures	(85,871)	(122,585)	(125,719)	(3,134)
Cash Balance Beginning of Year	<u>159,752</u>	<u>159,752</u>	<u>159,752</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 73,881</u>	<u>\$ 37,167</u>	<u>\$ 34,033</u>	<u>\$ (3,134)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (125,719)	
Net Change in Receivables			2,873	
Net Change in Accounts Payable			(353)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (123,199)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
Proprietary Fund
Statement of Net Position
June 30, 2019

	Water and Sewer	Solid Waste	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 246,301	\$ 15,408	\$ 261,709
Receivables			
Accounts net of Allowance	12,761	6,891	19,652
Designated Gross Receipts Taxes	5,103	0	5,103
Total Current Assets	264,165	22,299	286,464
Noncurrent Assets			
Restricted Cash	10,584	0	10,584
Capital Assets	4,452,965	213,153	4,666,118
Less Accumulated Depreciation	(1,820,608)	(143,982)	(1,964,590)
Total Noncurrent Assets	2,642,941	69,171	2,712,112
Total Assets	\$ 2,907,106	\$ 91,470	\$ 2,998,576
Liabilities			
Current Liabilities			
Accounts Payable	\$ 7,486	\$ 6,630	\$ 14,116
Accrued Salaries and Benefits	154	125	279
Compensated Absences	6,606	2,193	8,799
Total Current Liabilities	14,246	8,948	23,194
Long-Term Liabilities			
Customer Deposits	10,584	0	10,584
Total Long-Term Liabilities	10,584	0	10,584
Total Liabilities	24,830	8,948	33,778
Net Position			
Net Investment in Capital Assets	2,632,357	69,171	2,701,528
Unrestricted	249,919	13,351	263,270
Total Net Position	2,882,276	82,522	2,964,798
Total Liabilities and Net Position	\$ 2,907,106	\$ 91,470	\$ 2,998,576

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
Proprietary Fund-Joint Utilities
Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

	Water and Sewer	Solid Waste	Total
Revenues			
Sales and Service	\$ 141,177	\$ 94,335	\$ 235,512
Fees and Penalties	6,895	0	6,895
Other	198	0	198
Total Revenues	<u>148,270</u>	<u>94,335</u>	<u>242,605</u>
Expenses			
Operating Expenses	135,304	102,793	238,097
Depreciation	141,184	8,402	149,586
Total Expenses	<u>276,488</u>	<u>111,195</u>	<u>387,683</u>
Operating Income (Loss)	<u>(128,218)</u>	<u>(16,860)</u>	<u>(145,078)</u>
Nonoperating Revenue (Expenses)			
Designated Gross Receipts Taxes	18,606	0	18,606
Federal Grant	41,336	0	41,336
State Grant	0	45,000	45,000
County Subsidy	0	20,000	20,000
Total Nonoperating Revenue (Expense)	<u>59,942</u>	<u>65,000</u>	<u>124,942</u>
Change in Net Position	<u>(68,276)</u>	<u>48,140</u>	<u>(20,136)</u>
Total Net Position - Beginning	2,032,359	34,382	2,066,741
Restatement - Note O	918,193	0	918,193
Restated Beginning Net Position	<u>2,950,552</u>	<u>34,382</u>	<u>2,984,934</u>
Total Net Position - Ending	<u>\$ 2,882,276</u>	<u>\$ 82,522</u>	<u>\$ 2,964,798</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
Proprietary Fund
Combined Statement of Cash Flows
For the Year Ended June 30, 2019

	Water and Sewer	Solid Waste	Total
Cash Flows from Operating Activities			
Cash Received From Customers	\$ 181,270	\$ 93,567	\$ 274,837
Cash Paid to Suppliers and Employees	(160,012)	(101,320)	(261,332)
Net Cash Provided by Operating Activities	<u>21,258</u>	<u>(7,753)</u>	<u>13,505</u>
Cash Flows from Noncapital Financing Activities			
Designated Gross Receipts Taxes	18,606	0	18,606
Net Cash Provided by Noncapital Financing Activities	<u>18,606</u>	<u>0</u>	<u>18,606</u>
Cash Flows from Capital and Related Financing Activities			
Capital Grants	41,336	65,000	106,336
Acquisition and Construction of Capital Assets	(42,370)	(70,000)	(112,370)
Net Cash Provided by Capital and Related Financing Activities	<u>(1,034)</u>	<u>(5,000)</u>	<u>(6,034)</u>
Net Increase (Decrease) in Cash	38,830	(12,753)	26,077
Cash, Beginning of Year	<u>218,055</u>	<u>28,161</u>	<u>246,216</u>
Cash, End of Year	<u>\$ 256,885</u>	<u>\$ 15,408</u>	<u>\$ 272,293</u>
Cash and Cash Equivalents	\$ 246,301	\$ 15,408	\$ 261,709
Restricted Cash	10,584	0	10,584
Total Cash	<u>\$ 256,885</u>	<u>\$ 15,408</u>	<u>\$ 272,293</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (128,218)	\$ (16,860)	\$ (145,078)
Depreciation	141,184	8,402	149,586
Change in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	18,158	(769)	17,389
(Increase) Decrease in Taxes Receivable	(5,103)	0	(5,103)
(Increase) Decrease in Due from Grantor	172,880	0	172,880
Increase (Decrease) in Accounts Payable	(179,727)	4,484	(175,243)
Increase (Decrease) in Accrued Salaries & Benefits	154	124	278
Increase (Decrease) in Compensated Absences	590	(3,136)	(2,546)
Increase (Decrease) in Customer Deposits	1,340	0	1,340
Net Cash Provided by Operating Activities	<u>\$ 21,258</u>	<u>\$ (7,755)</u>	<u>\$ 13,503</u>

The notes to the financial statements are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

Financial Reporting Entity

The Village was incorporated under the laws of the State of New Mexico. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Village has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Board Members are financially accountable. There are no other primary governments with which the Village has a significant relationship.

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Village are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Basis of Presentation

Government-Wide Financial Statements (GWFS)

The government-wide financial statements (the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the activities of the Village. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular program which includes public safety grants for the fire protection and law enforcement and 3) capital grants or contributions restricted to meeting capital requirements of a particular program including the USDA grant to construct a sewer system. Taxes and other items not properly included amount program revenues are reported instead as general revenues.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village and accounts for all revenues and expenditures of the Village not encompassed within other funds.

Fire Fund - To account for operation and maintenance of the Department. Financing is provided by the motor vehicle registration fee of one dollar. Funding is provided under State Statute 24-10A-1 NMSA, 1978 Compilation. Required to be accounted for as a separate fund by New Mexico Department of Health

EMS and Ambulance - To account for grant funds received by the Village from State sources to be used for emergency services within the Village limits. Funding is provided for under State Statute 24-10A-1 to 24-10A-10 NMSA Compilation.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The Village has presented the following major proprietary funds:

Water and Sewer and Solid Waste - The funds are used to account for the provision of utility services to the residents of the Village. Activities of the funds include administration, operations and maintenance of the utility systems and billing and collection activities. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the Village reports the following non-major funds types:

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

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

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in 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 in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the Village's general revenues. Program revenues include charges for services or applicants who purchase, use or directly benefit from the goods or services provided by the given function.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Budget comparison schedules are no longer required for non-major funds and are not included.

Budgetary Control

1. Prior to June 1, the Village's Finance Director/Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.
3. The Village treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Trustees and the State Department of Finance and Administration.

4. Formal budgetary integration is employed as a management control device during the year for all funds.

5. The level of budget authority is at the fund level.

The Proprietary Funds group accounts for funds received in the course of the operation of self-supporting functions which receive their revenues from providing goods or services to internal or external customers. The two types of funds that make up this category are:

1. Enterprise Funds. Enterprise Funds account for operations carried out and financed like a business operation, usually designated to be self-supporting through fees for services and generating revenues from outside sources. The Village has one of these funds ,the Joint Utility Fund. Enterprise Funds are budgeted as separate cost centers but as integral parts of the work programs.

2. Internal Service Fund (ISF). An ISF accounts for financing goods or services provided by an organizational unit of the Village to other units of the Village, on a self-liquidating, fee-for-service basis. The Village does not have an ISF Fund.

Cash and Cash Equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Village may be invested in :

(a) bonds or negotiable securities of the United States, the state or any county, municipality or Village which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

As of June 30, 2019 the Village has no Investments.

Prepaid Items

Prepaid balances are for payments made by the Village in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

The County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

Franchise Taxes

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

Motor Vehicle Registration Fees

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

Gasoline Tax

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

Municipal Gross Receipts Tax

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

State Gross Receipts Tax

The State of New Mexico, by authority of Chapter 7, Articles 1, NMSA 1978, the State of New Mexico imposes a gross receipts tax on all businesses within the State. Of the total collected, 1.225% of the taxable gross receipts are distributed to the municipality reporting the taxable receipts.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventory

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of pipe and other maintenance items used to maintain the system. Costs are recorded as expenditures at the time individual inventory items are used (consumption method).

Capital Assets

Capital assets, which includes property, plant, equipment (including software), and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings, Improvements and Infrastructure	20-50 Years
Equipment and Vehicles	3-15 Years

Compensated Absences

Employees in full-time non-probationary positions are entitled to paid vacation time. The accrue of vacation leave is determined the amount of tenure the employee has with the municipality. 1 through 59 months-6.6 hours a month, 60 months through 71 months-8. hours a month, 72 months through 107 months-9.33 hours a month, 108 months through 131 months-10. hours a month, 132 months through 155 months-10.66 hours a month, 156 months through 179 months-11.33 hours a month, 180 months through 203 months-12. hours a month, 204 months through 227 months-12.66 hours a month, 228 months through 263 months-14 hours a month, 264 months through 287 months-14.66 hours a month, 288 months through 311 months-15.33 hours a month, 312 months through 335 months-16 hours a month and 336 months or more-16.66 hours a month. Employees are allowed to carry over from one calendar year to the next up to 240 hours. The maximum payout for vacation time is 240 hours.

Each permanent employee of the Village accrues sick leave as working days with full pay on the basis of one (1) day per month of employment. Sick leave may be granted only from duty because of personal illness, legal quarantine, or medical, dental or optical appointments. In case of an extended sickness in excess of the accumulated sick leave, annual leave may be applied to sick leave. The employees may be eligible to sell sick leave in excess of the (10) days at the rate of seventy-five percent (75%) of regular pay, only upon approval of the board. The maximum accrual of sick leave time is 1040 hours however only a maximum of 240 hours will be paid out upon termination.

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The Village does not have any activity in short-term debt.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net positions are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net positions are available it will first be applied to restricted resources.

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Use of Restricted Funds

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

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Waste Water and the Solid Waste Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Unearned and Unavailable Revenue

The Village reports unearned and unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the Village before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Village has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of each Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP-Budgetary Basis).

B. Deposits and Investments

The Village is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>	Balance Per Bank 6/30/19	Reconciled Balance	<u>Type</u>
Village of Melrose	\$ 1,790,180	\$ 1,778,382	Checking-Non-Interest Bearing
Motor Vehicle Account	767	0	Checking-Non-Interest Bearing
Water Savings #2	57,208	57,208	Savings-Interest Bearing
Fire Department	25,205	25,205	Savings-Interest Bearing
Sewer	3,195	3,195	Savings-Interest Bearing
Cemetery Trust	1,003	1,003	Savings-Interest Bearing
General Fund	43,654	43,654	CD-Interest Bearing
Water Meter Deposit	4,000	4,000	CD-Interest Bearing
Sewer	9,662	9,662	CD-Interest Bearing
Cemetery	9,426	9,426	CD-Interest Bearing
Total Deposited	<u>1,944,300</u>	<u>\$ 1,931,735</u>	
Less FDIC Coverage	<u>(500,000)</u>		
Uninsured Amount	1,444,300		
50% collateral requirement	722,150		
Pledged securities	<u>2,049,925</u>		
Over (Under) requirement	<u>\$ 1,327,775</u>		

The difference between the bank balance and reconciled balance is outstanding deposits, outstanding checks, and pending bank adjustments.

The following securities are pledged at American Heritage Bank:

<u>Description</u>	<u>CUSIP #</u>	Par/Market Value	<u>Maturity Date</u>	<u>Place of Safekeeping</u>
Baltimore MD Proj Rev	05922KYQ6	\$ 596,925	07/01/2023	
Laredo, TX Callable	516824GH6	623,795	02/15/2030	TIB Dallas, TX
Montgomery Cnty Ind Redev	61328DAR9	829,205	08/01/2035	
		<u>\$ 2,049,925</u>		

Restricted Cash held by NMFA

<u>Name of Account</u>	Balance Per Bank 06/30/2019	Reconciled Balance	Type
2010 A PPRF	\$ 687	\$ 687	Savings
2013 A PPRF	103	103	Savings
Total Deposited	<u>\$ 790</u>	<u>\$ 790</u>	

Custodial Credit Risk-Deposits

<u>Depository Account</u>	Bank Balance
Insured	\$ 403,352
Collateralized:	
Collateral held by the pledging bank in Village's name	1,646,573
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 1,945,090</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2019 none of the Village's bank balance of \$1,945,090 was exposed to custodial credit risk.

There was \$790 restricted cash in the Fire Fund for the retirement of debt financed by New Mexico Finance Authority. The restricted cash in the Water and Sewer Fund of \$10,584 is for customer deposits.

C. Receivables

Receivables as of June 30, 2019, were as follows:

<u>Receivables</u>	<u>General</u>	<u>EMS</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Taxes					
Property	\$ 229	0	\$ 0	\$ 0	\$ 229
Franchise	548	0	0	0	548
Gross Receipts	11,149	0	0	0	11,149
Gasoline	2,291	0	0	0	2,291
Designated Gross Receipts Taxes	0	0	5,103	0	5,103
Accounts	0	2,873	13,677	7,386	23,936
Less Allowance Uncollectibles	0	0	(916)	(495)	(1,411)
	<u>\$ 14,217</u>	<u>2,873</u>	<u>\$ 17,864</u>	<u>\$ 6,891</u>	<u>\$ 41,845</u>

D. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2019, is as follows:

	Balance 6/30/18	Increases	Decreases	Balance 6/30/19
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 0	\$ 0	\$ 0	\$ 0
Construction in Progress	0	0	0	0
Total Capital Assets, not being Depreciated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, being Depreciated				
Infrastructure	6,018,351	52,061	0	6,070,412
Buildings and Improvements	1,165,756	0	0	1,165,756
Equipment	2,749,558	331,428	(129,099)	2,951,887
Total Capital Assets, being Depreciated	<u>9,933,665</u>	<u>383,489</u>	<u>(129,099)</u>	<u>10,188,055</u>
Total Capital Assets	<u>9,933,665</u>	<u>383,489</u>	<u>(129,099)</u>	<u>\$ 10,188,055</u>
Less Accumulated Depreciation				
Infrastructure	5,059,302	167,830	0	5,227,132
Buildings and Improvements	683,415	34,026	0	717,441
Equipment	1,782,109	138,258	(129,099)	1,791,268
Total Accumulated Depreciation	<u>7,524,826</u>	<u>340,114</u>	<u>(129,099)</u>	<u>7,735,841</u>
Capital Assets, net	<u>\$ 2,408,839</u>	<u>\$ 43,375</u>	<u>\$ 0</u>	<u>\$ 2,452,214</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 0
Public Safety	132,367
Public Works	181,972
Health and Welfare	864
Culture and Recreation	24,912
Total Depreciation Expenses	<u>\$ 340,115</u>

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	Balance 6/30/18	Restatement	Restated Beginning Balance
Water and Sewer Fund			
Capital Assets not being Depreciated			
Land	\$ 0	\$ 0	\$ 0
Construction in Progress	0	0	0
Total Capital Assets not being Depreciated	<u>0</u>	<u>0</u>	<u>0</u>
Other Capital Assets			
Water Utility System	2,398,848	0	2,398,848
Sewer Utility System	1,862,519	0	1,862,519
Equipment	113,645	35,583	149,228
Total Capital Assets, being Depreciated	<u>4,375,012</u>	<u>35,583</u>	<u>4,410,595</u>
Total Capital Assets	<u>4,375,012</u>	<u>35,583</u>	<u>4,410,595</u>
Less Accumulated Depreciation			
Water Utility Systems	1,090,922	(562,137)	528,785
Sewer Utility System	1,388,669	(320,473)	1,068,196
Equipment	82,443	0	82,443
Total Accumulated Depreciation	<u>2,562,034</u>	<u>(882,610)</u>	<u>1,679,424</u>
Capital Assets, net	<u>\$ 1,812,978</u>	<u>\$ 918,193</u>	<u>\$ 2,731,171</u>
Water and Sewer Fund			
	Increases	Decreases	Balance 6/30/19
Capital Assets not being Depreciated			
Land	\$ 0	\$ 0	\$ 0
Construction in Progress	0	0	0
Total Capital Assets not being Depreciated	<u>0</u>	<u>0</u>	<u>0</u>
Other Capital Assets			
Water Utility Systems	42,370	0	2,441,218
Sewer Utility System	0	0	1,862,519
Equipment	0	0	149,228
Total Capital Assets, being Depreciated	<u>42,370</u>	<u>0</u>	<u>4,452,965</u>
Total Capital Assets	<u>42,370</u>	<u>0</u>	<u>4,452,965</u>
Less Accumulated Depreciation			
Water Utility Systems	82,367	0	611,152
Sewer Utility System	50,957	0	1,119,153
Equipment	7,860	0	90,303
Total Accumulated Depreciation	<u>141,184</u>	<u>0</u>	<u>1,820,608</u>
Capital Assets, net	<u>\$ (98,814)</u>	<u>\$ 0</u>	<u>\$ 2,632,357</u>

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	<u>Balance 6/30/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 10/26/17</u>
Solid Waste				
Capital Assets, being Depreciated				
Equipment	\$ 143,153	\$ 70,000	\$ 0	\$ 213,153
Total Capital Assets, being Depreciated	<u>143,153</u>	<u>70,000</u>	<u>0</u>	<u>213,153</u>
Less Accumulated Depreciation				
Equipment	135,580	8,402	0	143,982
Total Accumulated Depreciation	<u>135,580</u>	<u>8,402</u>	<u>0</u>	<u>143,982</u>
Capital Assets, net	<u>\$ 7,573</u>	<u>\$ 61,598</u>	<u>\$ 0</u>	<u>\$ 69,171</u>

E. Long-Term Liabilities and Other Liabilities

A summary of activity in the Long-Term Debt is as follows:

Governmental Activities

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/19</u>	<u>Due Within One Year</u>
Notes Payable					
NMFA-Melrose 2	\$ 150,943	\$ 0	\$ 4,551	\$ 146,392	\$ 4,659
NMFA-Melrose 4	78,014	0	38,342	39,672	39,672
	<u>\$ 228,957</u>	<u>\$ 0</u>	<u>\$ 42,893</u>	<u>\$ 186,064</u>	<u>\$ 44,331</u>

	<u>Balance 6/30/18</u>	<u>Earned</u>	<u>Used</u>	<u>Balance 6/30/19</u>
Other Liabilities				
Compensated Absences	\$ 10,993	\$ 6,556	\$ 7,973	\$ 9,576

<u>Description</u>	<u>Fund</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
NMFA-Melrose 2	Fire	05/01/2020	\$ 340,025	1.47%-3.61%	\$ 146,392
NMFA-Melrose 4	Fire	05/01/2023	172,550	0.42%-2.12%	39,672
					<u>\$ 186,064</u>

The fire allotment grant has been pledged to cover the payments for fire truck and equipment loans.

The annual requirements to amortize the loans as of June 30, 2019, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 44,331	\$ 2,978	\$ 47,309
2021	45,883	1,461	47,344
2022	47,182	488	47,670
2023	48,668	0	48,668
	<u>\$ 186,064</u>	<u>\$ 4,927</u>	<u>\$ 190,991</u>

F. Segment Information for the Utility Funds

	Water	Sewer	Solid Waste	Total
Revenues				
Sales and Service	\$ 96,892	\$ 44,285	\$ 94,335	235,512
Fees and Penalties	6,895	0	0	6,895
Other	198	0	0	198
Total Revenues	<u>103,985</u>	<u>44,285</u>	<u>94,335</u>	<u>242,605</u>
Expenses				
Operating Expenses	125,093	10,211	102,793	238,097
Depreciation	90,226	50,958	8,402	149,586
Total Expenses	<u>215,319</u>	<u>61,169</u>	<u>111,195</u>	<u>387,683</u>
Operating Income (Loss)	<u>(111,334)</u>	<u>(16,884)</u>	<u>(16,860)</u>	<u>(145,078)</u>
Nonoperating Revenue (Expenses)				
Designated Gross Receipts Taxes	18,606	0	0	18,606
Federal Grant	41,336	0	0	41,336
State Grant	0	0	45,000	45,000
County Subsidy	0	0	20,000	20,000
Total Nonoperating Revenue (Expense)	<u>59,942</u>	<u>0</u>	<u>65,000</u>	<u>124,942</u>
Change in Net Position	<u>\$ (51,392)</u>	<u>\$ (16,884)</u>	<u>\$ 48,140</u>	<u>\$ (20,136)</u>

G. Retirement Plan

General Information about the Pension Plan

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/Adult 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 1978), 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.

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

Tier II-The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions – The following tables illustrate the various coverage options under the PERA plan and the contribution rates effective during the year.

PERA Contribution Rates and Pension Factors in effect during Fiscal Year 2018						
	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)						
	7.00%	8.50%	7.40%	2.00%	2.00%	90%
Municipal Plan 2 (plan open to new employers)						
	9.15%	10.65%	9.55%	2.50%	2.00%	90%
Municipal Plan 3 (plan closed to new employers 6/00)						
	13.15%	14.65%	9.55%	3.00%	2.50%	90%
Municipal Plan 4 (plan closed to new employers 6/95)						
	15.65%	17.15%	12.05%	3.00%	2.50%	90%
Municipal Police Plan 1						
	7.00%	8.50%	10.40%	2.00%	2.00%	90%
Municipal Police Plan 2						
	7.00%	8.50%	15.40%	2.50%	2.00%	90%
Municipal Police Plan 3						
	7.00%	8.50%	18.90%	2.50%	2.00%	90%
Municipal Police Plan 4						
	12.35%	13.85%	18.90%	3.00%	2.50%	90%
Municipal Police Plan 5						
	16.30%	17.80%	18.90%	3.50%	3.00%	90%
Municipal Fire Plan 1						
	8.00%	9.50%	11.40%	2.00%	2.00%	90%
Municipal Fire Plan 2						
	8.00%	9.50%	17.90%	2.50%	2.00%	90%

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Municipal Fire Plan 3											
	8.00%		9.50%		21.65%		2.50%		2.00%		90%
Municipal Fire Plan 4											
	12.80%		14.30%		21.65%		3.00%		2.50%		90%
Municipal Fire Plan 5											
	16.20%		17.70%		21.65%		3.50%		3.00%		90%
Municipal Detention Officer Plan 1											
	16.65%		18.15%		17.05%		3.00%		3.00%		90%
State Police and Adult Correctional Officer Plan 1											
	7.60%		9.10%		25.50%		3.00%		3.00%		90%
State Plan 3 Peace Officer											
	7.42%		8.20%		16.99%		3.00%		3.00%		90%
Juvenile Correctional Officer Plan 2											
	4.78%		6.28%		26.12%		3.00%		3.00%		90%

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

For PERA Fund Division Municipal General, at June 30, 2019, the Village reported a liability of \$258,287 for its proportionate share of the net pension liability. At June 30, 2018, the Village's proportion was 0.0162 percent, which an increased by 0.0022 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village recognized PERA Fund Division Municipal General Pension expense of \$45,040 and the Village reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,465	\$ 6,781
Net difference between projected and actual earnings on pension plan investments	19,156	0
Changes of assumptions	23,417	1,485
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	28,867	0
Village's contributions subsequent to the measurement date	12,807	0
Total	<u>\$ 91,712</u>	<u>\$ 8,266</u>

\$12,807 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 39,158
2020	21,191
2021	9,260
2022	1,030
Total	<u>\$ 70,639</u>

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	
Actuarial assumptions:	
(1) Investment rate of return	7.25% annual rate, net of investment expense
(2) Projected benefit payment	100 years
(3) Payroll growth	3.00%
(4) Projected salary increases	3.25% to 13.50% annual rate
(5) Includes inflation at	2.50% and 2.75% all other years
(6) Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
(7) Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic).

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate	20.00%	6.48%
Total	100.00%	

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

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

Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate. The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA Fund General Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The Village's proportionate share of the net pension liability	\$ <u>398,004</u>	\$ <u>258,287</u>	\$ <u>142,789</u>

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

H. Other Post-Employment Benefits (OPEB)
Retiree Health Care Plan

The New Mexico Retiree Health Care Village (the Village) was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (the Fund) under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Summary of Significant Accounting Policies. Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Village (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees. Employees of the Village also participate in the Fund.

Benefits Provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</u>

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Village were \$3,288 for the year ended June 30, 2019.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis.
Asset valuation method	Market value of assets.
Actuarial assumptions: Inflation	2.50% for ERB members; 2.25% for PERA members.
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation.
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs.
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality.

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of</u>
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed	7.8%
Private equity	11.8%
Credit and structured	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability, calculated using the discount rate of 4.08%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
The Villages' proportionate share of the net OPEB liability	\$ 216,816	\$ 179,152	\$ 149,464

The following presents the Net OPEB Liability of the Village, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	1% Decrease	Current Trend Rates	1% Increase
The Villages' proportionate share of the net OPEB liability	\$ 151,446	\$ 179,152	\$ 200,874

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Village reported a liability of \$179,152 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Village's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Village's proportion was 0.00412%.

For the year ended June 30, 2019, the Village recognized OPEB expense of \$5,113. At June 30, 2019 the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 10,607
Net difference between projected and actual earnings on OPEB investments	0	2,236
Changes in assumptions	0	33,447
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	25,248	0
Village's contributions subsequent to the measurement date	3,288	0
	<u>\$ 28,536</u>	<u>\$ 46,290</u>

Deferred outflows of resources totaling \$3,288 represent Village's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (6,412)
2020	(6,412)
2021	(6,412)
2022	(3,734)
2023	1,928
Total	<u>\$ (21,042)</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

I. Risk Management

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Village purchases commercial insurance. The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would be responsible for a loss in excess of the coverage amounts. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued. At June 30, 2019, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Village.

The officials and certain employees of the Village are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

J. Construction and other Commitments

The Village has been awarded a CDBG grant of \$750,000 for improvements to the water system.

K. Tax Abatement Disclosures

The Village has not been affected by a tax abatement.

L. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Village expects such amount, if any, to be immaterial.

M. Subsequent Events

Subsequent events were evaluated through December 13, 2019, which is the date the financial statements were available to be issued.

N. Budget Violation

The Village has maintained expenditures at the fund level in which actual expenditures exceeded budgetary authority in the Fire Fund - Final budget \$103,877, Actual Expenditures \$146,642 for a total of overspent of \$42,765.

O. Restatements

Net Position for the Business-Type activities was restated \$918,193 to restore accumulated depreciation in the water and sewer utility systems.

Required Supplemental Information

Village of Melrose

Schedules of Required Supplementary Information and Notes for Pension Plan-Municipal General

Schedule of the Village's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015	2016	2017	2018	2019
		2014	2015	2016	2017	2018
Village's proportion of the net pension liability.		0.0112%	0.0126%	0.0126%	0.0140%	0.0162%
Village's proportionate share of the net pension liability.	\$	87,381 \$	128,468 \$	201,306 \$	192,372 \$	258,287
Village's covered-employee payroll.	\$	135,739 \$	139,135 \$	158,308 \$	176,003 \$	173,073
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll.		64.37%	92.33%	127.16%	109.30%	149.24%
Plan fiduciary net position as a percentage of the total pension liability.		81.29%	76.99%	69.18%	73.74%	71.13%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Schedule of Village's Contributions

Last 10 Fiscal Years*

	2015	2016	June 30,		
			2017	2018	2019
Contractually required contribution.	\$ 10,045	\$ 10,296	\$ 11,714	\$ 13,074	\$ 12,807
Contributions in relation to the contractually required contribution.	10,045	10,296	11,714	13,074	12,807
Contribution deficiency (excess).	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Village's covered-employee payroll.	\$ 135,739	\$ 139,135	\$ 158,308	\$ 176,003	\$ 173,073
Contributions as a percentage of covered-employee payroll.	7.40%	7.40%	7.40%	7.43%	7.40%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Notes to Required Supplementary Information

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

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

The notes to the financial statements are an integral part of this statement.

State of New Mexico

Village of Melrose

Schedules of Required Supplementary Information and Notes for Other Post Employment Benefits

Schedule of the Village's Proportionate Share of the Net Other Post Employment Benefits Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 2017	2019 2018
Village's proportion of the net pension liability		0.00357%	0.00412%
Village's proportionate share of the net OPEB liability		\$ 161,781	\$ 179,152
Village's covered-employee payroll		\$ 176,003	\$ 173,073
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll		91.92%	103.51%
Plan fiduciary net position as a percentage of the total pension liability		11.34%	13.14%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Schedule of Village's Contributions

Last 10 Fiscal Years*

	June 30,	
	2017	2018
Contractually required contribution	\$ 3,520	\$ 3,461
Contributions in relation to the contractually required contribution	3,520	3,288
Contribution deficiency (excess)	\$ 0	\$ (173)
Village's covered-employee payroll	\$ 176,003	\$ 173,073
Contributions as a percentage of covered-employee payroll	2.00%	2.00%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Notes to Required Supplementary Information

Changes of benefit terms and assumptions. There were no changes in benefit terms from the previous valuation. A description of these benefits may be found at www.nmrhca.org and are included in the notes to the financial statements.

The notes to the financial statements are an integral part of this statement.

**Supplemental Information Related to
Nonmajor Funds**

Law Enforcement - To account for funds received from the State of New Mexico for law enforcement purposes. The fund was created by the authority of state grant provisions. Authority is NMSA 29-13-3

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

Cemetery - To account for resources received for the operations of the cemetery. Cemetery plots are also sold. (Authority is Village Council)

Senior Citizens - To account for fees collected from customers for the service of licenses and fees for motor vehicles. Authority is NMSA 66-1-4.

Recreation - To account for the operation and maintenance of the Village's recreation programs. The fund was created by definition.

State of New Mexico
Village of Melrose
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue		
	Law Enforcement	Corrections	Cemetery
Assets			
Cash and Cash Equivalents	\$ 10,376	\$ 3,589	\$ 20,915
Total Assets	<u>\$ 10,376</u>	<u>\$ 3,589</u>	<u>\$ 20,915</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 23
Total Liabilities	<u>0</u>	<u>0</u>	<u>23</u>
Fund Balance			
Restricted for Special Revenue	10,376	3,589	20,892
Total Fund Balance	<u>10,376</u>	<u>3,589</u>	<u>20,892</u>
Total Liabilities and Fund Balance	<u>\$ 10,376</u>	<u>\$ 3,589</u>	<u>\$ 20,915</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	<u>Special Revenue</u>		
	<u>Senior Citizens</u>	<u>Recreation</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 0	\$ 3,113	\$ 37,993
Total Assets	<u>\$ 0</u>	<u>\$ 3,113</u>	<u>\$ 37,993</u>
Liabilities			
Accounts Payable	\$ 0	\$ 25	\$ 48
Total Liabilities	<u>0</u>	<u>25</u>	<u>48</u>
Fund Balance			
Restricted for Special Revenue	0	3,088	37,945
Total Fund Balance	<u>0</u>	<u>3,088</u>	<u>37,945</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 3,113</u>	<u>\$ 37,993</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	Law Enforcement	Corrections	Cemetery
Revenues			
State Grants	\$ 20,000	\$ 860	\$ 0
Charges for Services	0	0	6,037
Miscellaneous	0	0	4
Total Revenues	<u>20,000</u>	<u>860</u>	<u>6,041</u>
Expenditures			
Current			
Public Works	0	0	3,325
Public Safety	1,468	10,000	0
Culture and Recreation	0	0	0
Capital Outlay	35,285	0	0
Total Expenditures	<u>36,753</u>	<u>10,000</u>	<u>3,325</u>
Excess (Deficiency) of Revenues Over Expenditures	(16,753)	(9,140)	2,716
Fund Balances at Beginning of Year	<u>27,129</u>	<u>12,729</u>	<u>18,176</u>
Fund Balance End of Year	<u>\$ 10,376</u>	<u>\$ 3,589</u>	<u>\$ 20,892</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Melrose
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	<u>Special Revenue</u>		
	<u>Senior Citizens</u>	<u>Recreation</u>	<u>Total</u>
Revenues			
State Grants	\$ 0	\$ 0	\$ 20,860
Charges for Services	0	0	6,037
Miscellaneous	0	0	4
Total Revenues	<u>0</u>	<u>0</u>	<u>26,901</u>
Expenditures			
Current			
Public Works	0	0	3,325
Public Safety	0	0	11,468
Culture and Recreation	0	411	411
Capital Outlay	0	0	35,285
Total Expenditures	<u>0</u>	<u>411</u>	<u>50,489</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(411)	(23,588)
Fund Balances at Beginning of Year	<u>0</u>	<u>3,499</u>	<u>61,533</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 3,088</u>	<u>\$ 37,945</u>

The notes to the financial statements are an integral part of this statement.

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Village of Melrose

Mr. Colón and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Village of Melrose (Village) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds of the Village, presented as supplemental information, and have issued our report thereon dated December 13, 2019.

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.

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 Village's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses, 2019-001. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, 2019-009, and 2019-010.

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 tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying Schedule of Findings and Responses; 2019-011, 2019-012 and 2019-013.

The Village's Responses to Findings

The Village's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The Village's responses was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. This report is intended solely for the information and use of the Village, the New Mexico State Auditor's Office and Department of Finance and Administration, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
December 13, 2019

Prior Year Audit Findings

	<u>Status</u>
2017-001 Chief Procurement Officer	Repeated & Modified
2017-002 Purchase Orders	Resolved
2017-004 Transactions Made by third Parties Not Reported on Books of Record	Repeated & Modified
2017-005 Water Meter Deposits	Repeated & Modified
2017-007 DFA Report Incorrect	Repeated & Modified
2017-009 Amounts Collected on Behalf of the State	Resolved
2017-010 Village's Accounting Software Not Adequate to Create Financial Statements	Resolved
2018-001 Receipts Not Voided	Resolved
2018-002 Incorrect Postings	Resolved
2018-003 CBDG File Not Complete	Resolved
2018-004 Transactions for CDBG Fund Not on Accounting System	Resolved
2018-005 Late Audit Report	Repeated & Modified
2018-006 Transfers Between Bank Accounts Recorded as Transfer In/Out	Resolved
2018-007 Ambulance Service Billings and Accounts Re	Resolved
2018-008 Motor Vehicle Department Transactions	Resolved
2018-009 Cash Reconciliations	Resolved
2018-010 Anti-Donation Clause	Resolved
2018-011 Presentation of the Audit Report in Open Session of a Council Meeting	Resolved

Current Year Audit Findings

Summary of Audit Results

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	1
• Significant deficiencies identified that are not considered to be material weaknesses?	9
Noncompliance material to financial statements noted?	N/A

2019-001 (2017-007) - Department of Finance and Administration (DFA) Report is Incorrect - Internal Controls and Compliance - Material Weakness

Condition

The cash balance reported to DFA was overstated \$39,964. The total submitted was \$1,972,488 and the reconciled cash balance was \$1,932,524. Expenditures were overstated \$8,609.

Management has not made progress resolving this finding.

Criteria

Section 6-6-2 NMSA 1978 requires that each local public body submit periodic financial reports, at least quarterly, to the Department of Finance and Administration - Local Government Division.

Cause

The set-up of the general ledger made it difficult to reconcile bank statements, prepare financial statements and finally to prepare the DFA report accurately.

Effect

Incorrect financial information could cause poor management and oversight decisions.

Recommendation

Management should consider hiring a consultant to set-up the general ledger correctly, train and assist the Clerk in reconciling bank statements and preparing financial statements which will facilitate an accurate DFA report.

Response

Management will consider hiring a consultant.

Responsible Party

Mayor

Timeline

January 31, 2020

2019-002 (2017-005) - Utility Customer Deposits - Internal Control - Significant Deficiency

Condition

The utility customer deposit listing does not agree with the restricted cash held for customer utility deposits. The difference in the two was \$3,432.

Management has not made progress resolving this finding.

Criteria

Each general ledger balance sheet account must be reconciled to the supporting detail at the end of each month. This supporting detail may be a subsidiary ledger or other documentation. <https://study.com/academy/lesson/general-ledger-reconciliation-policy-process-examples.html>

Cause

Utility deposits are entered as adjustments rather than utility deposits in the billing software.

Effect

Without proper documentation customers could be reimbursed an incorrect amount when leaving the system, cash could be restricted incorrectly that could be used for other services and cash could be misappropriated.

Recommendation

All customer deposits entered as adjustments must be entered as utility deposits.

Response

The utility clerk is correcting the data entry errors.

Responsible Parties

Clerk and utility clerk

Timeline

June 30, 2020

2019-003 (2018-005) - Late Audit Report - Internal Controls and Compliance - Significant Deficiency

Condition

The Audit Report was not submitted to New Mexico Office of State Auditor (NMOSA) timely. The report was received by NMOSA on May 17, 2019.

Criteria

Section 2.2.2.9 NMAC (g). Report due dates: The IPA shall deliver the organized and bound annual financial audit report to the state auditor by 5:00 p.m. on the date specified in the audit contract or send it postmarked by the due date. (g) local public bodies including municipalities: December 15.

Cause

Management was new and still trying to obtain and find records necessary to complete the audit.

Effect

Corrective actions, management decisions and oversight is delayed when audit reports are not submitted timely.

Recommendation

Audit Reports should be submitted by the due date.

Response

Mayor hired a new auditor with the understanding the audit would be submitted by the deadline.

Responsible Party

Mayor

Timeline

December 15, 2019

2019-004 - Timesheets - Internal Controls and Compliance - Significant Deficiency

Condition

Non-exempt employees' timesheets do not document true and accurate hours worked.

Criteria

The FLSA and NM §50-4-9 requires that employers keep accurate records of hours worked and wages paid to employees.

Cause

Management was not aware that it is the employer's responsibility to require time records that are true and accurate.

Effect

Employees are underpaid and the Village will be required to pay back wages and penalties because of the errors noted above. If the Department of Labor (DOL) finds that the Village has willfully violated the FLSA, the DOL may sue for back wages and double damages. The DOL can also prosecute violations criminally with fines of up to \$10,000. Civil money penalties of up to \$1,100 per violation are also possible for willful and repeated violations.

Recommendation

A true and accurate timekeeping system should be implemented immediately.

Response

We are implementing an electronic time tracking system.

Responsible Parties

Mayor and Clerk

Timeline

January 31, 2020

2019-005 - Compensated Absences - Internal Controls and Compliance - Significant Deficiency

Condition

Three employees' compensated absences (sick and vacation) employees are overstated by 89.6 hours or \$1,340.68, 2 employees are understated by 16 hours totaling \$232.20.

Criteria

The board policy vacation and sick leave may be accumulated up to 240 hours each.

Cause

The spreadsheet the Village is using is not automated. Therefore there were errors when calculating the remaining hours after hours were used.

Effect

Mistakes in accrued compensated absences effects employee's pay as well as the Village's finances.

Recommendation

The Village should use their payroll software to track compensated absences or use a excel worksheet that has formulas.

Response

We will setup these benefits within our payroll software.

Responsible Party

Village Clerk

Timeline

June 30, 2020

2019-006 - I-9's - Internal Controls and Compliance - Significant Deficiency

Condition

Five of the seven I-9s tested were either incomplete or incorrectly completed.

Criteria

U.S. Citizenship and Immigration Services I-9 instructions and M-274 Handbook for employers. Section 274A (b) of the Immigration and Nationality Act (INA), codified in 8 U.S.C. § 1324a (b), requires employers to verify the identity and employment eligibility of all individuals hired in the United States after November 6, 1986. 8 C.F.R. § 274a.2 designates the Employment Eligibility Verification Form I-9 (Form I-9) as the means of documenting this verification. Employers are required by law to maintain for inspection original Forms I-9 for all current employees. In the case of former employees, retention of Forms I-9 are required for a period of at least three years from the date of hire or for one year after the employee is no longer employed, whichever is longer. Substantive violations, for Form I-9, are \$2,292 per violation. NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

Cause

Management was unaware of the requirements of an I-9.

Effect

The Village is subject to penalties. The penalties can include \$250 to \$2,292 for improper completion of the I-9 form.

Recommendation

All I-9s should be reviewed and corrected using procedures described in the M-274 handbook.

Response

All I-9s will be reviewed and corrected using procedures described in the M-274 handbook.

Responsible Party

Village Clerk

Timeline

June 30, 2020

2019-007 - PERA and RHCA - Internal Controls and Compliance - Significant Deficiency

Condition

Reportable wages for PERA and RHCA were not the same.

Criteria

The statutes that govern PERA are NMSA 1978 Chapter 10, Articles 11 - 14. Also, the Office of the State Auditor has added NMRHCA to their 2010 State Auditor Rule under State Compliance, Section 2.2.2.10 (G) (19). The rule states: "Retiree Health Care Authority Act (Section 10-7C-1 to 10-7C-19 NMSA 1978). Auditors should test to ensure 100% of payroll is reported to NMRHCA. RHCA employer and employee contributions are set forth in Section 10-7C-15 NMSA 1978.

Cause

Management was unaware PERA and RHCA wages should agree.

Effect

Eligible employees are not receiving benefits offered by the Village and the future retirement received by employees will be less than it should be because on the above errors.

Recommendation

All employees' compensation and hours worked should be reviewed to determine if the correct wages are reported and benefits paid to both PERA and RHCA.

Response

We will review all employees withholdings for both PERA and RHCA and report and remit correct wages and benefits.

Responsible Party

Village Clerk

Timeline

June 30, 2020

2019-008 - Documentation and Review - Internal Controls and Compliance - Significant Deficiency

Condition

Documentation to support expenditures was missing or incomplete. During the audit process the Clerk was able to find or recreate most of the documentation. Of the 66 expenditures reviewed supporting documentation could not be located for a significant expenditure totaling \$25,720. The Mayor is not presented the documentation, bill packages, when he signs the checks for his review.

Criteria

Section 13-1-29 C NMSA 1978 states that, the purposes of the Procurement Code are to provide for the fair and equal treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and to provide safeguards for maintaining a procurement system of quality and procurement system of quality and integrity.

Cause

The Village does not have written procedures in place and there was a lack of training when the Clerk was appointed two years ago.

Effect

Without proper documentation and review expenditures may not comply the Procurement Code. Results could be over spending, improper expenditures, misappropriation of funds and expenditures in violation of the Procurement Code.

Recommendation

Documentation should include first a copy of the check issued, the bill statement, invoices and receipts, purchase order and when required a purchase request. The documentation, bill packages, should be filed numerically and monthly and can be retrieved quickly at any given time.

Response

Bill packages will include all documentation, presented to the Mayor for his review at the time the checks are signed and filed correctly.

Responsible Parties

Village Clerk

Timeline

January 31, 2020

2019-009 - Pledged Collateral - Internal Controls and Compliance - Significant Deficiency

Condition

The Village did not have or receive in a timely manner a pledged collateral report from the bank nor was a safekeeping receipt on file at the Village. The collateral pledged is out of state municipal securities.

Criteria

2.60.4.10 REQUIRED TYPES OF COLLATERAL

A. Deposits of public money shall be secured by the following.

(1) Securities of the United States, its agencies or instrumentalities which shall be accepted at market value.

(2) Securities of the state of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions, which shall be accepted at par value.

(3) Securities, including student loans, guaranteed by the United States or the state of New Mexico which shall be accepted at market value.

(4) Revenue bonds that are underwritten by a member of the national association of securities dealers, known as "N.A.S.D.", and are rated "BAA" or above by a nationally recognized bond rating service, which shall be accepted as security at market value.

(5) Bonds of the New Mexico mortgage finance authority, a state instrumentality.

(6) Farmers' home administration loans, which are fully guaranteed by the federal government.

(7) Letters of credit issued by a federal home loan bank in the same amount that would be required if securities were being posted as collateral pursuant to Subsection A of 2.60.4.9 NMAC, which shall be accepted at par value.

(8) Surety bonds in the same amount that would be required if securities were being posted as collateral pursuant to Subsection A of 2.60.4.9 NMAC, which shall be accepted at par value. Additionally, each surety bond must receive prior approval from the board and a district judge of the first judicial district.

Cause

Management was not aware the collateral did not meet the requirement of 2.60.4.10 or that a monthly report was required or that there should be safekeeping receipts on file.

Effect

Without safekeeping receipts, monthly collateral reports and acceptable collateral public money could be at risk in case of institutional failure.

Recommendation

The Village should require and ensure they receive safekeeping receipts, monthly collateral reports and acceptable collateral as defined in 2.60.4.10.

Response

We will get safekeeping receipts, monthly bank reports and review collateral to ensure it complies with the requirements.

Responsible Parties

Village Clerk

Timeline

December 31, 2019

2019-010 Budget Violation - Internal Controls and Compliance - Significant Deficiency

Condition

The Village has maintained expenditures at the fund level in which actual expenditures exceeded budgetary authority in the Fire Fund - Final budget \$103,877, Actual Expenditures \$146,642 for a total of overspent of budget totaling \$42,765.

Criteria

Sound financial management and state regulation statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. The Village's legal level of control is the fund level.

Cause

Expenditures for debt service were not included in the budget. The reason was NMFA intercepts a portion of the state allotment from the fire fund for debt payments and the transactions are not recorded in the books resulting in failure to budget debt service payments.

Effect

As a result, the Village is in non compliance with New Mexico law, and the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to absorb over-expenditures.

Recommendation

NMFA transactions should be recorded in the books each month and debt services payments should be budgeted. If the transactions were in the books perhaps during the budget process the debt service payments will be included.

Response

We will record NMFA transactions in the books and budget debt service payments.

Responsible Party

Village Clerk

Timeline

June 30, 2020

2019-011 941's - Compliance and Other Matter

Condition

It was noted that 1 of the 4 quarters 941's was not filed timely. The quarter ended 3/31/19 which was due 4/30/19 was not filed until 10/7/19.

Criteria

irs.gov/Businesses/Small-Businesses-&-Self-Employed/Employment-Tax-Due-Dates states that for 941s are due by the end of the following month.

Cause

An oversight of the Clerk caused this report to be filed after the due date.

Effect

Penalties and interest are assessed causing money to be spent on them rather than need expenditures for the Village.

Recommendation

Due dates should to be added to a reminder calendar to avoid late filed returns.

Response

We will add the due dates to a calendar and monitor it to ensure reports are filed timely.

Responsible Party

Village Clerk

Timeline

December 30, 2019

2019-012 (2017-004) - Transactions Made by Third Parties Not Recorded in the Books of Record - Internal Control and Other Matter

Condition

Funds held at New Mexico Finance Authority (NMFA) for debt service for loans for fire equipment have not been recorded in the books. The total of the transactions not recorded in the books was \$46,124.

Management has not made progress resolving this finding.

Criteria

All business transaction must be recorded in the general ledger. The Accounting Concept at <https://courses.lumenlearning.com/boundless-accounting/chapter/the-accounting-concept/>

Cause

Management did not ensure these transactions were included in the books.

Effect

Management and oversight decisions are difficult when debt service payments and the corresponding fire grant revenue are not included in the books or reported to DFA.

Recommendation

Journal entries should be made in the general ledger each month recording NMFA transactions.

Response

The Clerk will make journal entries in the general ledger each month recording the NMFA transactions.

Responsible Party

Village Clerk

Timeline

January 31, 2020

2019-013 (2017-001) - Chief Procurement Officer-Compliance and Other Matter

Condition

The Village did not have a chief procurement office in place for the entire fiscal year. The CPO received her certificate in October 2019.

Management has made progress resolving this finding.

Criteria

Procurement code Sections 13-1-1 to 13-1-199 NMSA 1978 including providing the state purchasing agent with the name of the agency's or local public body's chief procurement officer, pursuant to Section 13-1-95.2 NMSA 1978, and state purchasing regulations 1.4.1 NMAC, or home rule equivalent.

Cause

Management did not ensure that someone attend the certification program and become certified.

Effect

The purpose of the training is to improve the procurement process through gained knowledge. Issuing purchase orders by someone other than the CPO could result in a purchase that violated the procurement process.

Recommendation

Training should be scheduled and attended timely to avoid a break in CPO certifications.

Response

Management will ensure the training is scheduled and attended timely to avoid a bread in CPO certifications.

Responsible Party

Mayor

Timeline

October 1, 2019

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on December 13, 2019. In attendance were Barry Green-Mayor, Khira Whitehead-Village Clerk and De'Aun Willoughby, CPA.