

**STATE OF NEW MEXICO
TOWN OF MESILLA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

HARSHWAL 
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
TOWN OF MESILLA
TABLE OF CONTENTS**

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	1
Official Roster.....	3
FINANCIAL SECTION	
Independent Auditor's Report	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund.....	19
Statement of Net Position – Proprietary Funds.....	21
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds.....	23
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	25
Notes to the Financial Statements.....	27
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability of PERA Fund Division Municipal General Public Employees Retirement Association (PERA) Plan.....	63
Schedule of Proportionate Share of the Net Pension Liability of PERA Fund Division Municipal Police Public Employees Retirement Association (PERA) Plan.....	64

Table of Contents (continued)

	<u>Page</u>
Schedule of Proportionate Share of the Net Pension Liability of PERA Fund Division Municipal Fire Public Employees Retirement Association (PERA) Plan.....	65
Schedule of Contributions Public Employees Retirement Association (PERA) Plan PERA Municipal General Division.....	66
Schedule of Contributions Public Employees Retirement Association (PERA) Plan PERA Municipal Police Division.....	67
Schedule of Contributions Public Employees Retirement Association (PERA) Plan PERA Municipal Fire Division.....	68
Notes to Required Supplementary Information.....	69
SUPPLEMENTARY INFORMATION	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds Descriptions.....	71
Combining Balance Sheets – Nonmajor Governmental Funds.....	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	74
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds.....	88
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Fund Balances.....	89
Schedule of Depositories.....	90
Schedule of Pledged Collateral By Depository.....	91
Schedule of Joint Powers Agreements and Memorandums of Understanding.....	92
COMPLIANCE SECTION	
Independent Auditor's 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.....	95
Schedule of Findings and Responses.....	97
OTHER DISCLOSURES	
Financial Statement Preparation and Exit Conference.....	103

**STATE OF NEW MEXICO
TOWN OF MESILLA
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Elected Officials</u>	<u>Title</u>
Nora L. Barraza	Mayor
Stephanie Johnson-Burick	Mayor Pro Tem
Jesus Caro	Trustee
Carlos Arzabal	Trustee
Veronica Garcia	Trustee

<u>Department Heads</u>	<u>Title</u>
Cynthia Stoechner-Hernandez	Town Clerk/Treasurer
Gloria Maya	Deputy Clerk/Treasurer
Rod McGillivray	Public Works Director
Kevin Hoban	Fire Chief
K.C. Alberg	Marshal

<u>Municipal Court</u>	<u>Title</u>
Lionel Fietze	Municipal Judge

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Mr. Brian S.Colón,
New Mexico State Auditor
Honorable Mayor and Board of Trustees
Town of Mesilla
Mesilla, New Mexico

To the Mayor and Board of Trustees

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the Town of Mesilla, New Mexico (Town), as of and for the year-ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Town's basic financial statements 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 misstatement, 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 from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of proportionate share of the net pension liability and the schedule of contributions and notes to the Required Supplementary Information on pages 63 - 69 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.

Management has omitted the Management Discussion and Analysis that *Government Accounting Standards* require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Government Accounting Standards* Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Town's financial statements, that collectively comprise the Town of Mesilla's basic financial statements. The combining and individual nonmajor fund financial statements and the other schedules as required by Section 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the other schedules as required by Section 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of the Town'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 solely 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 effectiveness of the Town's 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 Town's internal control over financial reporting and compliance.

Harshwal & Company LLP

**Albuquerque, New Mexico
December 16, 2019**

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF MESILLA
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 987,229	\$ 585,166	\$ 1,572,395
Investments	252,976	47,276	300,252
Receivable:			
Accounts receivable, net	-	68,925	68,925
Taxes receivable	3,108	-	3,108
Other receivables	538	-	538
Due from other governments	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total current assets	<u>1,246,351</u>	<u>701,367</u>	<u>1,947,718</u>
Non-current assets:			
Capital assets	11,611,611	3,599,639	15,211,250
Less: Accumulated depreciation	<u>(4,110,818)</u>	<u>(2,612,196)</u>	<u>(6,723,014)</u>
Total non-current assets	<u>7,500,793</u>	<u>987,443</u>	<u>8,488,236</u>
Total assets	<u>8,747,144</u>	<u>1,688,810</u>	<u>10,435,954</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - Pension	517,338	-	517,338
Deferred outflows of resources - Loss on debt refunding	<u>7,032</u>	<u>-</u>	<u>7,032</u>
Total deferred outflows of resources	<u>524,370</u>	<u>-</u>	<u>524,370</u>
Total assets and deferred outflows of resources	<u>\$ 9,271,514</u>	<u>\$ 1,688,810</u>	<u>\$ 10,960,324</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:			
LIABILITIES			
Current liabilities			
Accounts payable	37,234	4,200	41,434
Accrued payroll liabilities	63,770	19,307	83,077
Customer deposits	-	32,681	32,681
Current portion of compensated absences	28,747	3,623	32,370
Current portion of long-term debt	<u>91,929</u>	<u>35,535</u>	<u>127,464</u>
Total current liabilities	<u>221,680</u>	<u>95,346</u>	<u>317,026</u>
Non-current liabilities			
Compensated absences	7,187	906	8,093
Notes payable	571,157	121,168	692,325
Net pension liability	<u>1,893,569</u>	<u>-</u>	<u>1,893,569</u>
Total non-current liabilities	<u>2,471,913</u>	<u>122,074</u>	<u>2,593,987</u>
Total liabilities	<u>2,693,593</u>	<u>217,420</u>	<u>2,911,013</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Totals
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - Pension	<u>326,399</u>	<u>-</u>	<u>326,399</u>
Total deferred inflows of resources	<u>326,399</u>	<u>-</u>	<u>326,399</u>
NET POSITION			
Net investment in capital assets	6,837,707	830,740	7,668,447
Restricted for:			
Special revenue fund	363,060	-	363,060
Capital project fund	645,378	-	645,378
Debt service fund	40,969	-	40,969
Unrestricted	<u>(1,635,592)</u>	<u>640,650</u>	<u>(994,942)</u>
Total net position	<u>6,251,522</u>	<u>1,471,390</u>	<u>7,722,912</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,271,514</u>	<u>\$ 1,688,810</u>	<u>\$ 10,960,324</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Primary Government</u>		
		<u>Charges for services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Primary Government							
Governmental activities:							
General government	\$ 611,995	\$ 4,825	\$ 3,489	\$ -	\$ (603,681)	\$ -	\$ (603,681)
Public safety	988,151	-	309,772	-	(678,379)	-	(678,379)
Public works	457,573	-	189,620	202,594	(65,359)	-	(65,359)
Culture and recreation	383,910	53,028	228,914	-	(101,968)	-	(101,968)
Interest expense	<u>14,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,866)</u>	<u>-</u>	<u>(14,866)</u>
Total governmental activities	<u>2,456,495</u>	<u>57,853</u>	<u>731,795</u>	<u>202,594</u>	<u>(1,464,253)</u>	<u>-</u>	<u>(1,464,253)</u>
Business-type Activities:							
Utilities							
Water	499,269	340,742	-	-	-	(158,527)	(158,527)
Solid Waste	200,735	225,308	-	-	-	24,573	24,573
Wastewater	230,242	190,180	-	-	-	(40,062)	(40,062)
Water rights activities	<u>1,259</u>	<u>28,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,288</u>	<u>27,288</u>
Total Business type activities	<u>\$ 931,505</u>	<u>\$ 784,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(146,728)</u>	<u>(146,728)</u>
Total primary government					<u>(1,464,253)</u>	<u>(146,728)</u>	<u>(1,610,981)</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Functions/ Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Primary Government</u>			
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Revenue:							
Taxes							
Property taxes levied for general purposes				84,289	-		84,289
Gross receipts taxes				948,564	21,165		969,729
Other taxes and fees				126,820	-		126,820
Licenses and permits				27,340	-		27,340
Fines, forfeitures, and penalties				76,128	-		76,128
Interest income				8,607	1,369		9,976
Miscellaneous income				<u>13,268</u>	<u>10,967</u>		<u>24,235</u>
Total general revenues and transfers				<u>1,285,016</u>	<u>33,501</u>		<u>1,318,517</u>
Change in net position				<u>(179,237)</u>	<u>(113,227)</u>		<u>(292,464)</u>
Net position, beginning of year				6,430,759	1,754,566		8,185,325
Net position, beginning - restatement (Note 17)				-	(169,949)		(169,949)
Net position - beginning, restated				<u>6,430,759</u>	<u>1,584,617</u>		<u>8,015,376</u>
Net position - end of year				<u>\$ 6,251,522</u>	<u>\$ 1,471,390</u>		<u>\$ 7,722,912</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019**

	<u>General Funds</u>	<u>Town Hall Project Fund</u>	<u>ICI Fund</u>	<u>Total Non- Major Funds</u>	<u>Total Funds</u>
ASSETS					
Cash and cash equivalents	\$ 65,696	\$ 543,279	\$ 17,560	\$ 360,694	\$ 987,229
Investments	105,473	93,198	-	54,305	252,976
Receivable:					
Taxes receivable	3,108	-	-	-	3,108
Other receivables	-	-	-	538	538
Due from other governments	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Total assets	<u>176,777</u>	<u>636,477</u>	<u>17,560</u>	<u>415,537</u>	<u>1,246,351</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	27,339	-	8,659	1,236	37,234
Accrued payroll liabilities	<u>59,513</u>	<u>-</u>	<u>-</u>	<u>4,257</u>	<u>63,770</u>
Total liabilities	<u>86,852</u>	<u>-</u>	<u>8,659</u>	<u>5,493</u>	<u>101,004</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	<u>1,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,752</u>
Total deferred inflows of resources	<u>1,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,752</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019**

	<u>General Funds</u>	<u>Town Hall Project Fund</u>	<u>ICI Fund</u>	<u>Total Non- Major Funds</u>	<u>Total Funds</u>
FUND BALANCES					
Restricted for:					
Special revenue fund	-	-	-	363,060	363,060
Capital project fund	-	636,477	8,901	-	645,378
Debt service fund	-	-	-	40,969	40,969
Committed	123,352	-	-	11,494	134,846
Unassigned	<u>(35,179)</u>	<u>-</u>	<u>-</u>	<u>(5,479)</u>	<u>(40,658)</u>
Total fund balances	<u>88,173</u>	<u>636,477</u>	<u>8,901</u>	<u>410,044</u>	<u>1,143,595</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 176,777</u>	<u>\$ 636,477</u>	<u>\$ 17,560</u>	<u>\$ 415,537</u>	<u>\$ 1,246,351</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

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

Total fund balances - governmental funds	\$ 1,143,595	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		7,500,793
Delinquent property tax not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements, but are considered revenue in the statement of activities.		1,752
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:		
Deferred outflows of resources - Pension	517,338	
Deferred outflows of resources - Loss on debt refunding	7,032	
Deferred inflows of resources - Pension	<u>(326,399)</u>	197,971
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
Compensated absences payable	(35,934)	
Notes payable	(663,086)	
Net pension liability	<u>(1,893,569)</u>	<u>(2,592,589)</u>
Net position of governmental activities		<u>\$ 6,251,522</u>

STATE OF NEW MEXICO
TOWN OF MESILLA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Funds</u>	<u>Town Hall Project Fund</u>	<u>ICI Fund</u>	<u>Total Non- Major Funds</u>	<u>Total Funds</u>
REVENUES					
Taxes:					
Property	\$ 84,546	\$ -	\$ -	\$ -	\$ 84,546
Gross receipts	827,172	93,612	-	27,780	948,564
Other	111,917	-	-	14,903	126,820
Licenses and permits	27,340	-	-	-	27,340
Charges for services	43,870	-	-	13,983	57,853
Fines and forfeitures	55,063	-	-	21,065	76,128
Intergovernmental revenue:					
State grants	93,489	-	225,914	614,986	934,389
Interest income	2,550	3,197	-	2,860	8,607
Miscellaneous income	<u>3,877</u>	<u>-</u>	<u>-</u>	<u>9,391</u>	<u>13,268</u>
Total revenues	<u>1,249,824</u>	<u>96,809</u>	<u>225,914</u>	<u>704,968</u>	<u>2,277,515</u>
EXPENDITURES					
Current:					
General government	466,648	-	-	8,442	475,090
Public safety	798,279	-	-	132,202	930,481
Public works	162,622	-	-	222,945	385,567
Culture and recreation	132,301	-	245,872	5,737	383,910
Capital outlay	-	-	-	81,740	81,740
Debt service - Principal	-	29,302	-	61,539	90,841
Debt service - Interest and fees	<u>-</u>	<u>10,871</u>	<u>-</u>	<u>3,995</u>	<u>14,866</u>
Total expenditures	<u>1,559,850</u>	<u>40,173</u>	<u>245,872</u>	<u>516,600</u>	<u>2,362,495</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Funds</u>	<u>Town Hall Project Fund</u>	<u>ICI Fund</u>	<u>Total Non- Major Funds</u>	<u>Total Funds</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(310,026)</u>	<u>56,636</u>	<u>(19,958)</u>	<u>188,368</u>	<u>(84,980)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	275,000	129,393	-	31,802	436,195
Transfers out	<u>(161,195)</u>	<u>(275,000)</u>	<u>-</u>	<u>-</u>	<u>(436,195)</u>
Total other financing sources (uses)	<u>113,805</u>	<u>(145,607)</u>	<u>-</u>	<u>31,802</u>	<u>-</u>
Net change in fund balance	(196,221)	(88,971)	(19,958)	220,170	(84,980)
Fund balance - beginning of year	<u>284,394</u>	<u>725,448</u>	<u>28,859</u>	<u>189,874</u>	<u>1,228,575</u>
Fund balance - end of year	<u>\$ 88,173</u>	<u>\$ 636,477</u>	<u>\$ 8,901</u>	<u>\$ 410,044</u>	<u>\$ 1,143,595</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

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

Total net change in fund balances-governmental funds	\$ (84,980)
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimates useful lives and reported as depreciation expense.</p>	
Capital expenditures recorded as capital outlay or other expenses	81,740
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in the governmental funds.</p>	
	(281,010)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in deferred inflows of resources related to property taxes receivable	(258)
<p>The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Current amortization of loss on debt refunding	(502)
(Increase)/decrease in compensated absences	12,836
Principal payments on long- term debt	90,841
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>	
Net pension expense	<u>2,096</u>
Change in net position of governmental activities	<u>\$ (179,237)</u>

STATE OF NEW MEXICO
TOWN OF MESILLA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 95,000	\$ 95,000	\$ 84,584	\$ (10,416)
Gross receipts	912,830	912,830	993,298	80,468
Other	144,586	144,586	133,351	(11,235)
Licenses and permits	63,700	63,700	27,340	(36,360)
Charges for services	88,000	88,000	39,855	(48,145)
Fines and forfeitures	105,000	105,000	54,974	(50,026)
Intergovernmental revenue	-	-	-	-
State grants	90,000	90,000	90,000	-
Other grants	-	-	-	-
Interest income	1,000	1,000	2,514	1,514
Miscellaneous revenue	<u>37,000</u>	<u>37,000</u>	<u>7,132</u>	<u>(29,868)</u>
Total revenues	<u>1,537,116</u>	<u>1,537,116</u>	<u>1,433,048</u>	<u>(104,068)</u>
EXPENDITURES				
Current:				
General government	522,479	527,279	506,902	20,377
Public safety	718,656	721,432	778,769	(57,337)
Public works	223,913	221,137	173,872	47,265
Culture and recreation	<u>65,082</u>	<u>60,282</u>	<u>62,932</u>	<u>(2,650)</u>
Total expenditures	<u>1,530,130</u>	<u>1,530,130</u>	<u>1,522,475</u>	<u>7,655</u>
Excess (deficiency) of revenues over expenditures	<u>6,986</u>	<u>6,986</u>	<u>(89,427)</u>	<u>(96,413)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	240,000	275,000	35,000
Transfers out	<u>(23,055)</u>	<u>(36,055)</u>	<u>(142,542)</u>	<u>(106,487)</u>
Total other financing sources (uses)	<u>(23,055)</u>	<u>203,945</u>	<u>132,458</u>	<u>(71,487)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(16,069)</u>	<u>210,931</u>	<u>43,031</u>	<u>\$ (167,900)</u>
Budgeted cash carryover	<u>16,069</u>	<u>-</u>		
Net change in fund balance	<u>\$ -</u>	<u>\$ 210,931</u>		

**STATE OF NEW MEXICO
TOWN OF MESILLA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Reconciliation from Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			43,031	
To adjust applicable revenue accruals and deferrals			(183,224)	
To adjust applicable expenditure accruals			(56,028)	
Net change in fund balance (GAAP)			\$ (196,221)	

**STATE OF NEW MEXICO
TOWN OF MESILLA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF JUNE 30, 2019**

	<u>Proprietary Funds</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 585,166
Investments	47,276
Receivable:	
Accounts receivable, net	<u>68,925</u>
Total current assets	<u>701,367</u>
Non-current assets	
Capital assets	3,599,639
Less: Accumulated depreciation	<u>(2,612,196)</u>
Total non-current assets	<u>987,443</u>
Total assets	<u>1,688,810</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	4,200
Accrued payroll liabilities	19,307
Customer deposits	32,681
Current portion of compensated absences	3,623
Current portion of long-term debt	<u>35,535</u>
Total current liabilities	<u>95,346</u>
Non-current liabilities	
Compensated absences	906
Notes payable	<u>121,168</u>
Total non-current liabilities	<u>122,074</u>
Total liabilities	<u>217,420</u>
NET POSITION	
Net investment in capital assets	830,740
Unrestricted	<u>640,650</u>
Total net position	<u>1,471,390</u>
Total liabilities and net position	<u>\$ 1,688,810</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Proprietary Funds</u>
OPERATING REVENUES	
Charges for services:	
Water	\$ 340,742
Solid Waste	225,308
Wastewater	190,180
Water rights activities	<u>28,547</u>
Total operating revenues	<u>784,777</u>
OPERATING EXPENSES	
Personnel services	202,212
Operating expenses	637,707
Depreciation and amortization	<u>88,549</u>
Total operating expenses	<u>928,468</u>
Operating income (loss)	<u>(143,691)</u>
NON-OPERATING REVENUES (EXPENSES)	
Gross receipts and other taxes	21,165
Miscellaneous	10,967
Interest income	1,369
Interest and fees expense	<u>(3,037)</u>
Total non-operating revenues (expenses)	<u>30,464</u>
Income (loss) before transfers	(113,227)
Transfers in (out)	<u>-</u>
Change in net position	<u>(113,227)</u>
Net position, beginning of year	1,754,566
Net position, beginning - restatement (Note 17)	<u>(169,949)</u>
Net position - beginning, restated	<u>1,584,617</u>
Net position, end of year	<u><u>\$ 1,471,390</u></u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 798,555
Receipts from interfund services provided	-
Payments to suppliers	(666,933)
Payments to employees	<u>(189,384)</u>
Net cash provided (used) for operating activities	<u>(57,762)</u>
<u>Cash Flows From Noncapital Financing Activities:</u>	
Tax receipts	21,165
Miscellaneous income	<u>10,967</u>
Net cash provided (used) for noncapital financing activities	<u>32,132</u>
<u>Cash Flows From Capital And Related Financing Activities:</u>	
Principal paid on long-term debt	(32,245)
Interest paid on long-term debt	<u>(3,037)</u>
Net cash provided (used) by capital and related financing activities	<u>(35,282)</u>
<u>Cash Flows From Investing Activities:</u>	
Purchase of investments	(1,013)
Interest and dividends	<u>1,369</u>
Net cash provided (used) for investing activities	<u>356</u>
Net increase (decrease) in cash and cash equivalents	(60,556)
Cash and cash equivalents – beginning of year	<u>645,722</u>
Cash and cash equivalents – end of year	<u>\$ 585,166</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019
Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used)	
By Operating Activities:	
Operating income (loss)	\$ (143,691)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	88,549
Changes in assets and liabilities:	
Receivables	13,777
Accounts payable	(31,348)
Accrued expenses and other liabilities	9,132
Deposits	2,122
Compensated absences	3,697
Net cash provided (used) by operating activities	\$ (57,762)

STATE OF NEW MEXICO
TOWN OF MESILLA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
AS OF JUNE 30, 2019

	<u>2019</u>
Assets:	
Cash	\$ <u>9,660</u>
Total assets	<u><u>9,660</u></u>
Liabilities:	
Refunds payable	14,197
Held for others	<u>(4,537)</u>
Total liabilities	\$ <u><u>9,660</u></u>

FINANCIAL NOTES

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town was incorporated in 1959. The Town is a political subdivision of the State of New Mexico, operates under the Trustee-Clerk form of government. The Town provides the following authorized services; public safety, police and fire, highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements, planning and zoning and general administrative services.

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

A. Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town has no component units and is not a component unit of another governmental agency.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

B. Basis of Accounting/Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Town's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements.

The Town reports the general fund as a major governmental fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

In addition, the Town reports the following other major funds:

Capital Project Fund – The *Town Hall Capital Project Fund* accounts for the construction of a new municipal complex. Authority for the creation of this fund is by Town resolution.

Capital Project Fund – The *ICI Capital Project Fund* is used to account for state funds for capital outlay expenditures.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. The Town's lone proprietary fund is the Joint Utility Fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Operating revenues, such as charges for services, in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues, such as subsidies/grants and investment earnings, 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.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The Town's fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above. The Town's sole Agency Fund is the Municipal Court Bond Fund used to account for bonds posted for court appearances.

C. Assets, Liabilities and Equity

Cash Equivalents

The Town'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 Town pools idle cash from all funds for the purpose of increasing income through investment activities. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in pooled cash and investments are considered to be cash equivalents for the purposes of the statement of cash flows, except for certificates of deposit or other investments that have original maturities of more than 90 days.

Investments

The Town's investments are regulated by state law as well as by guidelines and rules promulgated by the State Investment Council and the State Treasurer. All investments are generally highly liquid in nature and are integrated with cash on the financial statements with appropriate disclosure. Investments are stated at fair value, which is determined using selected bases. Certificates of deposit are reported at carrying amount, which reasonably estimates fair value. Investments in a U.S. Treasury Fund and repurchase agreements are valued at the last reported sales price at current exchange rates (Level 1 Input). Additional cash, investment information, and fair values are presented in Notes 3 and 4.

The Town also participates in the State Treasurer Local Government Investment Pool. State law and regulations regulate this pool. Investment in the pool is reported at carrying amount, which reasonably estimates fair value.

Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Property taxes attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied within five days of the rate setting order received from New Mexico Department of Finance and Administration (7-38-32 thru 7-38-36). Tax bills are mailed by November 1, unless the Doña Ana County Assessor obtains a formal extension of time from the New Mexico Property Tax Division. Taxpayers have the option to pay in two equal installments due by the close of business November 10th and April 10th. Penalty and interest will be accrued after the delinquency due dates of December 10th and May 10th. In the event of a formal extension, the respective dates are correspondingly extended.

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased. The Town current does not hold any items in inventory.

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

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at acquisition value at the date of donation. Capital assets that have been disposed of are recorded as deletions on the government-wide financial statements. Accumulated depreciation is adjusted for all deletions.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the Town during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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

<u>Asset Type</u>	<u>Years</u>
Land	Perpetuity
Construction in progress	Perpetuity
Buildings	30-40
Other improvements	40
Utility system	25
Machinery and equipment	5-10

Analysis of Impairment

Management reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such Town assets at June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Deferred Outflows of Resources

Both deferred inflows and outflows are reported in the Statement of Net Position but are not recognized in the financial statements as revenues, expenses, and reduction of liabilities or increase in assets until the period(s) to which they relate. In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Town has pension and Loss on debt refunding related to deferred outflows of resource items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Town has pension related deferred inflows of resources items that qualify for reporting in this category.

Under the modified accrual basis of accounting, revenue and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources. Deferred inflows of resources are also comprised of property tax and long-term receivables that are unavailable in the fund statements.

Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on their tenure with the Town. Accumulated unused vacation may be carried from one calendar year to another but the amount of annual leave carryover cannot exceed 160 hours. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is not be reported in the governmental fund balance sheet unless it was actually due and payable at year end for payments due to retired or terminated employees.

The Town allows full-time employees to accumulate unused sick leave to a maximum of 90 days or 720 hours. Hours accumulated above these thresholds are forfeited. Accumulated unused sick leave is 5% paid upon termination from employment or retirement.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of 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 debt proceeds received, are reported as expenditures.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

Governmental Fund Financial Statements. In accordance with GASBS No. 54, the Town classifies fund balances in the governmental funds as follows:

Nonspendable Fund Balance includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements. Examples are Prepaid Expenses and Inventory.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted includes fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are obligated to a specific purpose which are internally imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision-making authority (Board of Trustees). These commitments can only be overturned by a like action.

Assigned includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess Fund Balances may be assigned by the Board of Trustees, Mayor, or Town Clerk/Treasurer for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the Board of Trustees at any public meeting.

Unassigned includes residual positive fund balances within the General Fund, which have not been classified within the other above-mentioned categories. Unassigned Fund Balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes

See the Schedule of Fund Balances on page 89 for additional information about fund balances.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the Town's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the Town's policy to use committed resources first, then assigned, and then unassigned as needed.

The Town does not have a formal minimum fund balance requirement.

Net Position

Government-wide and Proprietary Fund Financial Statements. The Town classifies net position in the government-wide and proprietary fund financial statements as follows:

Net Investment in Capital Assets includes the Town's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Town Council has the authority to revisit or alter this designation.

D. Pensions

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

E. Inter-Fund Transactions

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

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

F. Income Taxes

As a local government entity, the Town is not subject to federal or state income taxes. The Town is generally no longer subject to examination by federal and state taxing authorities for years prior to 2015. For the year ended June 30, 2019, no interest or penalties were recorded or included in the financial statements.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Town adopts budgets for each individual fund (governmental and proprietary).

In late winter or early spring, the Town prepares a budget calendar, thus starting the budgetary process for the upcoming June 1 fiscal year. Budget request forms are distributed to Town departments with a specified completion date. Legally mandated advance notices are formally published for grant availability and other purposes once budget hearings have been scheduled. The budget hearings are then held with all Town department heads. Generally, in late May or early June, a budget meeting is held for tentative approval of the completed budget by the Board of Trustees. After tentative approval at the Town level, the budget is submitted to the New Mexico Department of Finance and Administration (DFA) for approval of a temporary operational budget beginning June 1.

Immediately after July 1, when ending cash balances for the preceding fiscal year have been accurately ascertained, a final hearing is convened for finalization of the budget, and it is resubmitted to DFA for formal approval. None of the above budgetary processes are legally required to occur at any specified time; however, DFA requires that the time frame be such that they (DFA) render their final budget approval no later than September 1 of the budget year in question.

During the course of the fiscal year, the Town prepares monthly budget reports. Under New Mexico State law, each year's budget appropriation legally lapses at year-end.

Budgetary Compliance - Budgetary control is required to be maintained at the individual fund level.

Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Budget Amendments - Budget increases and decreases can only be accomplished by Board of Trustee resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

Budgetary Basis - State law prescribes that the Town's budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenditures with a cash basis budget as amended.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2019 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Town's cash balances consist of demand deposits, interest bearing savings accounts. The majority of Town's cash and investments are pooled. All interest income is accounted for in the related funds.

The Town does not have a deposit policy. The Town's cash and cash equivalents are listed on page 90 of this report.

The following is a summary of the Town's cash and cash equivalents balances by fund type as of June 30, 2019:

<u>Fund Type</u>	<u>Amount</u>
Cash and equivalents	
Governmental funds	\$ 987,229
Business-type activities	585,166
Fiduciary funds	<u>9,660</u>
Total cash and cash equivalents	<u>\$ 1,582,055</u>

Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town funds may not be returned. The Town does not have a deposit policy for custodial risk.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 102% for financially troubled institutions.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Based on the above, the Town is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico. The Town's Schedule of Collateral is presented on page 91 of this report.

As of June 30, 2019, the Town's bank balance total of \$1,501,374 was exposed to credit risk in the amount of \$1,251,374 as follows:

Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the Town's name.	\$ 995,851
Uninsured and uncollateralized	<u>255,523</u>
Total uninsured deposits	<u><u>\$ 1,251,374</u></u>

NOTE 4 - INVESTMENTS

A summary of the Town's investments by fund type as of June 30, 2019 is as follows:

Fund Type	Amount
Governmental funds	\$ 252,976
Business-type activities	<u>47,276</u>
Total investments	<u><u>\$ 300,252</u></u>

The Town's investments consisted of the following as of June 30, 2019:

Investment Type	Cost Basis	Market Value	Credit Risk Rating	WAM(R)	WAM(F)
NM LGIP Fund	\$ <u>300,252</u>	\$ <u>300,252</u>	<u>AAAm</u>	<u>35 days</u>	<u>112 days</u>
	<u><u>\$ 300,252</u></u>	<u><u>\$ 300,252</u></u>			

The State Treasurer is authorized to invest in short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978.

The pool does not have unit shares. Per Section 6-10-101F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

The investments are valued at fair value based on quoted market prices as of the valuation date. Investments owned by the Town and the investment strategy is outlined on New MexiGROW LGIP website <http://www.stonm.org/NewMexiGROWLGIP/MonthlyInvestmentReports>.

NOTE 5 - RECEIVABLES

Receivables as of June 30, 2019 are as follows:

<u>Governmental Activities</u>	<u>General Funds</u>	<u>Total Non- Major Funds</u>	<u>Total Receivables</u>
Taxes:			
Property	\$ 3,108	\$ -	\$ 3,108
Other intergovernmental	2,500	-	2,500
Other	<u>-</u>	<u>538</u>	<u>538</u>
Subtotal	5,608	538	6,146
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 5,608</u>	<u>\$ 538</u>	<u>\$ 6,146</u>
			<u>Joint Utility Fund</u>
<u>Business-type Activities</u>			\$ 68,925
Accounts receivable			-
Less: Allowance for uncollectibles			<u>-</u>
Net Receivables			<u>\$ 68,925</u>

The Town has an established policy where an allowance for doubtful accounts is established for all receivable items outstanding over ninety (90) days.

In accordance with GASB No. 33, the property tax revenues totaling \$1,752 that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6 - CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows. Land and construction in progress are not subject to depreciation.

<u>GOVERNMENTAL ACTIVITIES</u>	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Non-depreciable capital assets:				
Land	\$ 1,399,500	\$ -	\$ -	\$ 1,399,500
Construction in progress	<u>115,109</u>	<u>-</u>	<u>-</u>	<u>115,109</u>
Total non-depreciable capital assets	<u>1,514,609</u>	<u>-</u>	<u>-</u>	<u>1,514,609</u>
Capital assets being depreciated:				
Buildings and improvements	8,205,017	38,633	-	8,243,650
Machinery and equipment	<u>1,810,245</u>	<u>43,107</u>	<u>-</u>	<u>1,853,352</u>
Total capital assets being depreciated	<u>10,015,262</u>	<u>81,740</u>	<u>-</u>	<u>10,097,002</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(2,452,454)	(219,314)	-	(2,671,768)
Machinery and equipment	<u>(1,377,354)</u>	<u>(61,696)</u>	<u>-</u>	<u>(1,439,050)</u>
Total accumulated depreciation	<u>(3,829,808)</u>	<u>(281,010)</u>	<u>-</u>	<u>(4,110,818)</u>
Total capital assets being depreciated	<u>6,185,454</u>	<u>(199,270)</u>	<u>-</u>	<u>5,986,184</u>
Total capital assets, net of depreciation	<u>\$ 7,700,063</u>	<u>\$ (199,270)</u>	<u>\$ -</u>	<u>\$ 7,500,793</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital assets being depreciated:				
Utility system	\$ 3,254,226	\$ -	\$ -	\$ 3,254,226
Machinery and equipment	<u>345,413</u>	<u>-</u>	<u>-</u>	<u>345,413</u>
Total capital assets being depreciated	<u>3,599,639</u>	<u>-</u>	<u>-</u>	<u>3,599,639</u>
Less accumulated depreciation for:				
Utility system	(2,204,619)	(73,665)	-	(2,278,284)
Machinery and equipment	<u>(319,028)</u>	<u>(14,884)</u>	<u>-</u>	<u>(333,912)</u>
Total accumulated depreciation	<u>(2,523,647)</u>	<u>(88,549)</u>	<u>-</u>	<u>(2,612,196)</u>
Total capital assets being depreciated	<u>1,075,992</u>	<u>(88,549)</u>	<u>-</u>	<u>987,443</u>
Total capital assets, net of depreciation	<u>\$ 1,075,992</u>	<u>\$ (88,549)</u>	<u>\$ -</u>	<u>\$ 987,443</u>

Depreciation expense for the year ended June 30, 2019 was charged to the following functions and funds:

<u>Governmental activities:</u>	
General government	\$ 151,334
Public safety	57,670
Public works	<u>72,006</u>
Total governmental activities	<u>\$ 281,010</u>
Business type activities	<u>\$ 88,549</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due within</u> <u>One Year</u>
Governmental funds debt:					
Compensated absences	\$ 48,770	\$ 30,776	\$ (43,612)	\$ 35,934	\$ 28,747
Notes payable	<u>753,927</u>	<u> </u>	<u>(90,841)</u>	<u>663,086</u>	<u>91,929</u>
Total governmental activities	<u>\$ 802,697</u>	<u>\$ 30,776</u>	<u>\$ (134,453)</u>	<u>\$ 699,020</u>	<u>\$ 120,676</u>
Business-type funds debt:					
Compensated absences	\$ 832	\$ 7,852	\$ (4,155)	\$ 4,529	\$ 3,623
Notes payable	<u>188,948</u>	<u> </u>	<u>(32,245)</u>	<u>156,703</u>	<u>35,535</u>
Total business-type activities	<u>\$ 189,780</u>	<u>\$ 7,852</u>	<u>\$ (36,400)</u>	<u>\$ 161,232</u>	<u>\$ 39,158</u>

Long-term liabilities are liquidated from the general fund and special revenue funds. Business-type longterm liabilities are liquidated from the Joint Utility Fund. No short-term debt was incurred during fiscal year 2019.

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2019 are as follows.

Governmental activities

Notes payable

NMFA - Town Hall Project

On November 21, 2003, the Town borrowed \$746,187 from the New Mexico Finance Authority. The note matures on May 1, 2033 and accrues interest at rates between 0.880% and 4.58% per annum. The proceeds of the loan were used for construction of the Town's municipal complex. The payments of principal and interest are paid from pledged governmental capital outlay gross receipts taxes.

On September 1, 2017, the Town entered into a new loan agreement with the New Mexico Finance Authority to refund this note. As a result of that transaction, the debt related to this note is no longer reported as outstanding debt in the Town's financial statements. Details on the refunding loan are below.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NMFA - Fire Pumper Truck

On January 4, 2013, the Town borrowed \$319,171 from the New Mexico Finance Authority. The note matures on May 1, 2022 and accrues interest at rates between .380% and 2.15% per annum. The proceeds of the loan were for the purchase of a fire pumper truck. The payments of principal and interest are paid from pledged governmental capital outlay gross receipts taxes. The revenues pledged totaled \$111,122 at June 30, 2019, and equal 8.64% of future gross receipts tax at their current rate. During the year ended June 30, 2019, the Town collected \$428,925 in pledged revenues, and retired \$37,040 in principal and interest on the aforementioned note. The Town has authorized the New Mexico Taxation and Revenue Department to intercept the required monthly payment from their gross receipts tax remittances. The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 34,986	\$ 2,054	\$ 37,040
2021	35,571	1,470	37,041
2022	<u>36,261</u>	<u>780</u>	<u>37,041</u>
Total	<u>\$ 106,818</u>	<u>\$ 4,304</u>	<u>\$ 111,122</u>

NMFA - Police Vehicles

On January 8, 2016, the Town borrowed \$78,826 from the New Mexico Finance Authority. The note matures on May 1, 2021 and accrues interest at 4.54% per annum. The proceeds of the loan were for the purchase of police vehicles. The payments of principal and interest are paid from pledged governmental capital outlay gross receipts taxes. The revenues pledged totaled \$32,984 at June 30, 2019, and equal 3.84% of future gross receipts tax at their current rate. During the year ended June 30, 2019, the Town collected \$428,925 in pledged revenues, and retired \$16,493 in principal and interest on the aforementioned note. The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 15,983	\$ 509	\$ 16,492
2021	<u>16,216</u>	<u>276</u>	<u>16,492</u>
Total	<u>\$ 32,199</u>	<u>\$ 785</u>	<u>\$ 32,984</u>

NMFA - Fire Vehicles

On January 8, 2016, the Town borrowed \$79,842 from the New Mexico Finance Authority. The note matures on May 1, 2024 and accrues interest at 1.13% per annum. The proceeds of the loan were for the purchase of fire vehicles. The payments of principal and interest are paid from pledged fire protection funds. The revenues pledged totaled \$60,013 at June 30, 2019, and equal 6.33% of future fire protection funds at their current rate. During the year ended June 30, 2019, the Town collected \$189,620 in pledged revenues, and retired \$12,002 in principal and interest on the aforementioned note.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 11,344	\$ 659	\$ 12,003
2021	11,440	563	12,003
2022	11,553	449	12,002
2023	11,686	316	12,002
2024	<u>11,837</u>	<u>166</u>	<u>12,003</u>
Total	<u>\$ 57,860</u>	<u>\$ 2,153</u>	<u>\$ 60,013</u>

NMFA - PP-3766 - Refunding Loan

On September 1, 2017, the Town entered into a loan agreement with the New Mexico Finance Authority to borrow \$514,928 to refund the outstanding Town Hall loan and pay issuance costs. The current refunding was done to reduce aggregate debt service payments by \$94,383 over the next fifteen years and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$57,864. As a result of this refunding, the Town has recognized a deferred charge on refunding totaling 7,534 that will be amortized over the life of the refunding note. During the fiscal year ended June 30, 2019, the Town amortized as current deferred charge on refunding totaling \$502.

The payments of principal and interest are paid from pledged governmental capital outlay gross receipts taxes. The revenues pledged totaled \$562,429 at June 30, 2019, and equal 84.63% of future gross receipts tax at their current rate. During the year ended June 30, 2019, the Town collected \$47,471 in pledged revenues, and retired \$40,173 in principal and interest on the aforementioned note. The Town has authorized the New Mexico Taxation and Revenue Department to intercept the required monthly payment from their gross receipts tax remittances. The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 29,616	\$ 10,558	\$ 40,174
2021	29,962	10,211	40,173
2022	30,346	9,828	40,174
2023	30,767	9,406	40,173
2024	31,247	8,926	40,173
2025-2029	165,502	35,365	200,867
2030-2033	<u>148,769</u>	<u>11,926</u>	<u>160,695</u>
Total	<u>\$ 466,209</u>	<u>\$ 96,220</u>	<u>\$ 562,429</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

The aggregated future payments required on the NMFA notes payable are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 91,929	\$ 13,780	\$ 105,709
2021	93,189	12,520	105,709
2022	78,160	11,057	89,217
2023	42,453	9,722	52,175
2024	43,084	9,092	52,176
2025-2029	165,502	35,365	200,867
2030-2033	<u>148,769</u>	<u>11,926</u>	<u>160,695</u>
Total	<u>\$ 663,086</u>	<u>\$ 103,462</u>	<u>\$ 766,548</u>

Business-type activities

Notes payable

NMFA - WTB 122

On December 19, 2008, the Town borrowed \$10,186 from the New Mexico Finance Authority. The note matures on June 1, 2028, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan are to be used for the water line extension project. The payments of principal and the administrative fees are paid from pledged net system revenues of the joint water/wastewater utility system. The revenues pledged totaled \$4,835 at June 30, 2019, and equal 1.18% of future estimated net revenues at their current rate. During the year ended June 30, 2019, the Town collected \$45,319 in pledged revenues, and retired \$537 in principal and interest on the aforementioned note. The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 525	\$ 12	\$ 537
2021	527	11	538
2022	528	9	537
2023	529	8	537
2024	531	7	538
2025-2028	<u>2,135</u>	<u>13</u>	<u>2,148</u>
Total	<u>\$ 4,775</u>	<u>\$ 60</u>	<u>\$ 4,835</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NMFA - WTB 159

On May 14, 2010, the Town borrowed \$22,609 from the New Mexico Finance Authority. The note matures on June 1, 2030, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan are to be used for the water line extension project. The payments of principal and the administrative fees are paid from pledged net system revenues of the joint water/wastewater utility system. The revenues pledged totaled \$12,764 at June 30, 2019, and equal 2.56% of future estimated net revenues at their current rate. During the year ended June 30, 2019, the Town collected \$45,319 in pledged revenues, and retired \$1,160 in principal and interest on the aforementioned note.

The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,129	\$ 31	\$ 1,160
2021	1,132	29	1,161
2022	1,135	26	1,161
2023	1,137	23	1,160
2024	1,140	20	1,160
2025-2029	5,745	58	5,803
2030	<u>1,156</u>	<u>3</u>	<u>1,159</u>
Total	<u>\$ 12,574</u>	<u>\$ 190</u>	<u>\$ 12,764</u>

NMFA - PPRF 4711

On June 1, 2018, the Town borrowed \$169,949 from the New Mexico Finance Authority. The note matures on June 1, 2023 and carries a 2.00% interest rate. The proceeds of the loan are to be used for the purchase of new water/waste water vehicles. The payments of principal and the administrative fees are paid from pledged net system revenues of the joint water/wastewater utility system. The revenues pledged totaled \$146,552 at June 30, 2019, and equal 80.84% of future estimated net revenues at their current rate. During the year ended June 30, 2019, the Town collected \$45,319 in pledged revenues, and retired \$33,585 in principal and interest on the aforementioned note.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 33,881	\$ 2,757	\$ 36,638
2021	34,481	2,157	36,638
2022	35,139	1,499	36,638
2023	<u>35,853</u>	<u>785</u>	<u>36,638</u>
Total	<u>\$ 139,354</u>	<u>\$ 7,198</u>	<u>\$ 146,552</u>

The aggregated future payments required on the NMFA notes payable are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 35,535	\$ 2,800	\$ 38,335
2021	36,140	2,197	38,337
2022	36,802	1,534	38,336
2023	37,519	816	38,335
2024	1,671	27	1,698
2025-2029	7,880	71	7,951
2030-2033	<u>1,156</u>	<u>3</u>	<u>1,159</u>
Total	<u>\$ 156,703</u>	<u>\$ 7,448</u>	<u>\$ 164,151</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - SEGMENT INFORMATION

The Town issues separate revenue bonds and notes payable to finance its water and wastewater departments. The two departments are accounted for in a single fund, but investors in those bonds and notes rely solely on the revenue generated by the individual activities for repayment. Summary financial information for each department is presented below. The Water Department operates the Town's water supply system. The Wastewater Department operates the Town's wastewater treatment plant, pumping stations, and collection systems.

CONDENSED STATEMENT OF NET POSITION

	<u>Water Dept</u>	<u>Wastewater Dept</u>
ASSETS		
Current assets	\$ 183,447	\$ 26,124
Capital assets	<u>987,443</u>	<u>-</u>
Total assets	<u>1,170,890</u>	<u>26,124</u>
LIABILITIES		
Current liabilities	79,413	4,430
Non-current liabilities	<u>122,074</u>	<u>-</u>
Total liabilities	<u>201,487</u>	<u>4,430</u>
NET POSITION		
Net investment in capital assets	830,740	-
Unrestricted	<u>138,663</u>	<u>21,694</u>
Total net position	<u>\$ 969,403</u>	<u>\$ 21,694</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

**CONDENSED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION**

	<u>Water Dept</u>	<u>Wastewater Dept</u>
Operating revenues (pledged against debt)	\$ 340,742	\$ 190,180
Depreciation expense	(88,549)	-
Other operating expenses	<u>(407,683)</u>	<u>(230,242)</u>
Operating income	<u>(155,490)</u>	<u>(40,062)</u>
Nonoperating revenues (expenses):		
Gross receipts and other taxes	-	-
Miscellaneous	1,138	9,745
Investment income	475	-
Interest and fees expense	<u>(3,037)</u>	<u>-</u>
Change in net position	<u>(156,914)</u>	<u>(30,317)</u>
Beginning net position	1,296,266	52,011
Net position, beginning - restatement (Note 17)	<u>(169,949)</u>	<u>-</u>
Net position - beginning, restated	<u>1,126,317</u>	<u>52,011</u>
Ending net position	<u>\$ 969,403</u>	<u>\$ 21,694</u>

CONDENSED STATEMENT OF CASH FLOWS

	<u>Water Dept</u>	<u>Wastewater Dept</u>
Net cash provided (used) by:		
Operating activities	\$ (60,285)	\$ (46,671)
Noncapital financing activities	1,138	9,745
Capital and related financing activities	(35,282)	-
Investing activities	<u>356</u>	<u>-</u>
Net increase (decrease)	(94,073)	(36,926)
Beginning cash and cash equivalents	<u>240,849</u>	<u>46,010</u>
Ending cash and cash equivalents	<u>\$ 146,776</u>	<u>\$ 9,084</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 - INTERFUND BALANCES AND TRANSFERS

The Town recorded interfund transfers to reflect activity occurring between funds. Transfers and payments within the Town are substantially for the purpose of subsidizing operating functions and funding various projects within the Town. All transfers made during the year were considered routine and were consistent with the general characteristics of the Town's transfer policy.

The composition of interfund transfers during the year ended June 30, 2019 was as follows:

Fund	Transfers In	Transfers Out
General Funds	\$ 275,000	\$ 161,195
Town Hall Project Fund	129,393	275,000
Total Non-Major Funds	31,802	-
Total	\$ 436,195	\$ 436,195

The Town recorded interfund receivables/payables to reflect temporary loans between funds. The purpose of the loans was to cover cash shortages until grant reimbursements or other funding measures could be obtained. All interfund balances are expected to be repaid within one year.

NOTE 10 - RISK MANAGEMENT

The Town 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.

Town of Mesilla has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insurers Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Town pays an annual premium to New Mexico Self-Insured Fund for general insurance coverage and all risk of loss is transferred. The premium paid for the year ended June 30, 2019 was \$86,113.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11 - PERA PENSION PLAN

General Information about the Pension Plan

Plan description

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 Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the 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.

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

Benefits provided

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 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 OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 0.50%, employee Contribution increased 1.50% and effective July 1, 2014 employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions:

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

PERA Contribution Rates and Pension Factors in effect during FY18

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90.00%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.40%	2.00%	2.00%	90.00%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90.00%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90.00%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90.00%

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

PERA Contribution Rates and Pension Factors in effect during FY18

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
MUNICIPAL PLANS 1 - 5						
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90.00%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90.00%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90.00%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90.00%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90.00%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90.00%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90.00%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90.00%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90.00%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90.00%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90.00%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90.00%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90.00%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90.00%

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 Town's proportion of the net pension liability was based on a projection of the Town's long term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

PERA Fund Division - General. At June 30, 2019, the Town reported a liability of \$701,523 for its proportionate share of the net pension liability at June 30, 2018. At June 30, 2018, the Town's proportion was 0.0440%, which was higher than its 0.0422% proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized PERA Fund - General pension expense of approximately \$(104,746).

At June 30, 2018, the Town reported PERA Fund Division - General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumption	\$ 63,603	\$ 4,033
Changes in Proportion	16,600	172,018
Differences Between Expected and Actual Experience	20,276	18,419
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	52,028	
Post Measurement Date Employer Contributions	<u>36,308</u>	<u> </u>
Totals	<u>\$ 188,815</u>	<u>\$ 194,470</u>

For the General Division, \$36,308 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2018 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ (70,114)
2021	13,127
2022	12,359
2023	<u>2,665</u>
Total	<u>\$ (41,963)</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

PERA Fund Division - Police. At June 30, 2019, the Town reported a liability of \$893,137 for its proportionate share of the net pension liability at June 30, 2018. As of June 30, 2018, the Town's proportion was 0.1309%, which was lower than its 0.1328% proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized PERA Fund - Police pension expense of approximately \$89,757.

At June 30, 2018, the Town reported PERA Fund Division - Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumption	\$ 101,908	\$ 5,460
Changes in Proportion	22,148	7,998
Differences Between Expected and Actual Experience	43,724	88,533
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	61,460	-
Post Measurement Date Employer Contributions	<u>53,500</u>	<u>-</u>
Totals	<u>\$ 282,740</u>	<u>\$ 101,991</u>

For the Police Division, \$53,500 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2018 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 86,842
2021	19,046
2022	18,175
2023	<u>3,186</u>
Total	<u>\$ 127,249</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

PERA Fund Division - Fire. At June 30, 2019, the Town reported a liability of \$298,909 for its proportionate share of the net pension liability at June 30, 2018. As of June 30, 2018, the Town's proportion was 0.0467%, which was lower than its 0.0472% proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized PERA Fund - Fire pension expense of approximately \$12,894.

At June 30, 2018, the Town reported PERA Fund Division - Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumption	\$ 17,263	\$ 1,091
Changes in Proportion	74	7,047
Differences Between Expected and Actual Experience	4,804	21,800
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	10,482	-
Post Measurement Date Employer Contributions	<u>13,160</u>	<u>-</u>
Totals	<u>\$ 45,783</u>	<u>\$ 29,938</u>

For the Fire Division, \$13,160 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2018 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 4,728
2021	(4,103)
2022	1,539
2023	<u>520</u>
Total	<u>\$ 2,684</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

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

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Total	<u>100%</u>	

Discount rate

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

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

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate

The following presents the employer name's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the employer name'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:

<u>Proportionate Share of Net Pension Liability</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
General	\$ 1,081,000	\$ 701,523	\$ 387,824
Police	1,373,277	893,137	501,708
Fire	<u>399,021</u>	<u>298,909</u>	<u>216,897</u>
Total	<u>\$ 2,853,298</u>	<u>\$ 1,893,569</u>	<u>\$ 1,106,429</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan

The Town doesn't have any amount due to the plan at June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 12 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

The Retiree Health Care Act, Chapter IV, Article 7C NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Town has elected not to participate in the post-employment health insurance plan.

NOTE 13 - OPERATING LEASES

The Town leases equipment under an operating lease with various terms. Future minimum lease payments under with remaining terms of one year or more consist of the following:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ <u>2,902</u>
Total	\$ <u><u>2,902</u></u>

NOTE 14 - FUND DEFICITS AND NON-COMPLIANCE

Deficit Fund Balances

The following governmental funds incurred a deficit fund balance at June 30, 2019 :

<u>Fund</u>	<u>Fund Type</u>	<u>Amount</u>
Emergency Medical Services Fund	Special revenue fund	\$ 1,236
School Resource Officer Fund	Special revenue fund	<u>4,243</u>
Total		\$ <u><u>5,479</u></u>

The balances were caused due to end of year expense accruals and management intends to transfer sufficient funds from General Fund to cover any deficits.

Legal Compliance with Budget

The Town was in compliance with Section 6-6-6 of the New Mexico State Statues regarding legal compliance with approved budgets for the year ended June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 15 - CONTINGENCIES

The Town participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government.

As of June 30, 2019, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds of the overall financial position of the Town.

NOTE 16 - COMMITMENTS

Future commitments for engineering and construction projects relating to construction or major repairs in progress aggregated approximately \$1,128,194 as of June 30, 2019. These projects will be paid in future periods as work is performed. Payment will be made with proceeds remaining from debt issuances, operating revenues, and future grants to be received.

NOTE 17 - RESTATEMENT OF PRIOR YEAR ENDING FUND BALANCE/NET POSITION

On June 1, 2018, the Town borrowed \$169,949 from the New Mexico Finance Authority. The note matures on June 1, 2023 and carries a 2.00% interest rate. The Town did not record the liability held by the New Mexico Finance Authority (NMFA) in the books of accounts. As a result, A prior period adjustment of \$169,949 has been reflected in the Town's business type activities and Water Services Fund (Proprietary Fund) to record the NMFA – PPRF 4711 loan balance liability and the net position accordingly. The following table summarized the cumulative restatements to net position:

Beginning net position as previously reported at June 30, 2018	\$ 1,754,566
Prior period adjustment:	
NMFA – PPRF 4711 loan balance	<u>(169,949)</u>
Total prior period adjustment	<u>(169,949)</u>
Net position as restated, July 1, 2018	<u>\$ 1,584,617</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 18. GASBS 77 TAX ABATEMENT DISCLOSURES

The Town was not part of any tax abatement agreements subject to GASBS 77 Tax Abatement Disclosures during the year ended June 30, 2019. As a result, they make no such disclosures related to GASBS 77.

NOTE 19 - EVALUATION OF SUBSEQUENT EVENTS

The management of Town have reviewed the results of operations for the period of time from its year end June 30, 2019 through December 16, 2019, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Town of Mesilla's proportion of the net pension liability (asset)	0.1035 %	0.0994 %	0.0459 %	0.0422 %	0.0440 %
Town of Mesilla's proportionate share of the net pension liability (asset)	\$ 807,411	\$ 1,013,469	\$ 733,328	\$ 579,864	\$ 701,523
Town of Mesilla's covered-employee payroll	\$ 1,037,985	\$ 567,421	\$ 483,316	\$ 496,706	\$ 295,979
Town of Mesilla's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	77.79 %	178.61 %	151.73 %	116.74 %	237.02 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %	71.13 %

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

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL POLICE
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Town of Mesilla's proportion of the net pension liability (asset)	0.0932 %	0.1266 %	0.1284 %	0.1328 %	0.1309 %
Town of Mesilla's proportionate share of the net pension liability (asset)	\$ 303,822	\$ 608,764	\$ 947,374	\$ 737,791	\$ 893,137
Town of Mesilla's covered-employee payroll	\$ 266,700	\$ 290,571	\$ 305,847	\$ 308,373	\$ 436,125
Town of Mesilla's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	113.92 %	209.51 %	309.75 %	239.25 %	204.79 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %	71.13 %

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

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL FIRE
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Town of Mesilla's proportion of the net pension liability (asset)	0.0493 %	0.0496 %	0.0485 %	0.0472 %	0.0467 %
Town of Mesilla's proportionate share of the net pension liability (asset)	\$ 205,778	\$ 255,995	\$ 323,544	\$ 270,052	\$ 298,909
Town of Mesilla's covered-employee payroll	\$ 56,596	\$ 56,534	\$ 57,229	\$ 59,361	\$ 107,279
Town of Mesilla's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	363.59 %	452.82 %	565.35 %	454.93 %	278.63 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %	71.13 %

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

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 79,763	\$ 36,822	\$ 36,030	\$ 36,829	\$ 36,308
Contributions in relation to the contractually required contribution	<u>(79,763)</u>	<u>(36,822)</u>	<u>(36,030)</u>	<u>(36,829)</u>	<u>(36,308)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal Police Division
Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 51,835	\$ 46,212	\$ 51,730	\$ 54,386	\$ 53,500
Contributions in relation to the contractually required contribution	<u>(51,835)</u>	<u>(46,212)</u>	<u>(51,730)</u>	<u>(54,386)</u>	<u>(53,500)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal Fire Division
Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 12,240	\$ 12,240	\$ 12,390	\$ 13,351	\$ 13,160
Contributions in relation to the contractually required contribution	<u>(12,240)</u>	<u>(12,240)</u>	<u>(12,390)</u>	<u>(13,351)</u>	<u>(13,160)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**STATE OF NEW MEXICO
TOWN OF MESILLA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

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 2018 report is available at <http://www.nmpera.org/>

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
TOWN OF MESILLA
NON-MAJOR GOVERNMENTAL FUNDS DESCRIPTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

SPECIAL REVENUE FUNDS

Correction Fees - To account for the collection and expenditures of fees charged on citations for court appearances (NMSA 35-14-11).

Emergency Medical Services - To account for the acquisition of emergency medical equipment financed through a grant from the state of New Mexico (NMSA 24-0A4-6).

Fire Fund Grant - To account for the operation and acquisition of assets for the Fire Department. This fund is financed through state grants (NMSA 59A-53-1).

Fire Protection - To account for the operation and acquisition of assets for the Fire Department. This fund is financed through state grants (NMSA 59A-53-1).

Law Enforcement - To account for receipts and disbursements of State Funds Chapter 289, Law of 1983. These funds are to enhance the efficiency and effectiveness of the police force (NMSA 29-13-3)

Lodgers' Tax - To account for the operations of promotional activities of the Town of Mesilla. Financing is provided primarily by specific tax levy on area motels (NMSA 14-37-16).

Street Improvement - To account for the receipts, disbursements and transfer of funds received from state shared gasoline taxes. These funds are designated for street and highway maintenance and improvements (NMSA 7-24A-10).

Recreation - To account for the operations and maintenance of recreation facilities. Financing is provided by a cigarette tax levy to the extent that other revenues are not sufficient to provide such services (NMSA 7-12-15 and 16).

Court Automation Fund - To account for fees collected upon conviction from persons convicted of violating any Town ordinance relating to the operation of motor vehicle or any ordinance that may be enforced by the imposition of a jail term (NMSA 35-14-11).

Events Fund - To account for receipts from the rental fees for the promotion and organization of Town Fiestas and other events. The creation and maintenance of a separate fund was established by Town resolution.

Stonegarden - To account for federal grant revenues from the Department of Justice and the related expenditures. This fund is required by the federal grant.

School Resource Officer Grant - To account for state grant revenue and expenditures from the Department of Public Safety program. The creation and maintenance of a separate fund was established by Town resolution.

**STATE OF NEW MEXICO
TOWN OF MESILLA
NON-MAJOR GOVERNMENTAL FUNDS DESCRIPTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL PROJECT FUNDS

Public Safety Bldg Rehab Fund - To account for the reconstruction and remodel of the Town's Public Safety building. Authority for the creation of this fund is by Town resolution.

DEBT SERVICE FUNDS

Fire Truck Loan - To account for debt service requirements related to the Town's NMFA Fire truck loan.

**STATE OF NEW MEXICO
TOWN OF MESILLA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019**

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
ASSETS				
Cash and cash equivalents	\$ 319,725	\$ -	\$ 40,969	\$ 360,694
Investments	54,305	-	-	54,305
Receivable:				
Other receivables	538	-	-	538
Total assets	374,568	-	40,969	415,537
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	1,236	-	-	1,236
Accrued payroll liabilities	4,257	-	-	4,257
Total liabilities	5,493	-	-	5,493
FUND BALANCES				
Restricted for:				
Special revenue fund	363,060	-	-	363,060
Debt service fund	-	-	40,969	40,969
Committed	11,494	-	-	11,494
Unassigned	(5,479)	-	-	(5,479)
Total fund balances	369,075	-	40,969	410,044
Total liabilities and fund balances	\$ 374,568	\$ -	\$ 40,969	\$ 415,537

STATE OF NEW MEXICO
TOWN OF MESILLA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
REVENUES				
Taxes:				
Gross receipts	\$ -	\$ -	\$ 27,780	\$ 27,780
Other	14,903	-	-	14,903
Charges for services	13,983	-	-	13,983
Fines and forfeitures	21,065	-	-	21,065
Intergovernmental revenue:				
State grants	614,986	-	-	614,986
Interest income	1,922	-	938	2,860
Miscellaneous income	9,391	-	-	9,391
Total revenues	<u>676,250</u>	<u>-</u>	<u>28,718</u>	<u>704,968</u>
EXPENDITURES				
Current:				
General government	-	8,442	-	8,442
Public safety	132,202	-	-	132,202
Public works	222,945	-	-	222,945
Culture and recreation	5,737	-	-	5,737
Capital outlay	81,740	-	-	81,740
Debt service - Principal	27,053	-	34,486	61,539
Debt service - Interest and fees	1,442	-	2,553	3,995
Total expenditures	<u>471,119</u>	<u>8,442</u>	<u>37,039</u>	<u>516,600</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>205,131</u>	<u>(8,442)</u>	<u>(8,321)</u>	<u>188,368</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>22,100</u>	<u>442</u>	<u>9,260</u>	<u>31,802</u>
Total other financing sources (uses)	<u>22,100</u>	<u>442</u>	<u>9,260</u>	<u>31,802</u>
Net change in fund balance	227,231	(8,000)	939	220,170
Fund balance - beginning of year	<u>141,844</u>	<u>8,000</u>	<u>40,030</u>	<u>189,874</u>
Fund balance - end of year	<u>\$ 369,075</u>	<u>\$ -</u>	<u>\$ 40,969</u>	<u>\$ 410,044</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2019**

	<u>Fire Protection Grant Fund</u>	<u>Fire Protection Fund</u>	<u>Recreation Fund</u>	<u>Emergency Medical Services Fund</u>
ASSETS				
Cash and cash equivalents	\$ 101,352	\$ 29,862	\$ 7,445	\$ -
Investments	-	-	-	-
Receivable:				
Other receivables	<u>-</u>	<u>538</u>	<u>-</u>	<u>-</u>
Total assets	<u>101,352</u>	<u>30,400</u>	<u>7,445</u>	<u>-</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	-	-	-	1,236
Accrued payroll liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,236</u>
FUND BALANCES				
Restricted for:				
Special revenue fund	101,352	30,400	-	-
Committed	-	-	7,445	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,236)</u>
Total fund balances	<u>101,352</u>	<u>30,400</u>	<u>7,445</u>	<u>(1,236)</u>
Total liabilities and fund balances	<u>\$ 101,352</u>	<u>\$ 30,400</u>	<u>\$ 7,445</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2019**

	<u>Corrections Fund</u>	<u>Stonegarden Fund</u>	<u>Law Enforcement Fund</u>	<u>Court Automation Fund</u>
ASSETS				
Cash and cash equivalents	\$ 75,603	\$ -	\$ 244	\$ -
Investments	54,305	-	-	-
Receivable:				
Other receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>129,908</u>	<u>-</u>	<u>244</u>	<u>-</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	-	-	-	-
Accrued payroll liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Special revenue fund	129,908	-	244	-
Committed	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>129,908</u>	<u>-</u>	<u>244</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 129,908</u>	<u>\$ -</u>	<u>\$ 244</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2019**

	<u>Lodger's Tax Fund</u>	<u>Street Improvements Fund</u>	<u>School Resource Officer Fund</u>
ASSETS			
Cash and cash equivalents	\$ 5,104	\$ 96,052	\$ 14
Investments	-	-	-
Receivable:			
Other receivables	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>5,104</u>	<u>96,052</u>	<u>14</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	-	-
Accrued payroll liabilities	<u>-</u>	<u>-</u>	<u>4,257</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>4,257</u>
FUND BALANCES			
Restricted for:			
Special revenue fund	5,104	96,052	-
Committed	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(4,243)</u>
Total fund balances	<u>5,104</u>	<u>96,052</u>	<u>(4,243)</u>
Total liabilities and fund balances	<u>\$ 5,104</u>	<u>\$ 96,052</u>	<u>\$ 14</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2019**

	<u>Events Fund</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 4,049	\$ 319,725
Investments	-	54,305
Receivable:		
Other receivables	<u>-</u>	<u>538</u>
Total assets	<u>4,049</u>	<u>374,568</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	-	1,236
Accrued payroll liabilities	<u>-</u>	<u>4,257</u>
Total liabilities	<u>-</u>	<u>5,493</u>
FUND BALANCES		
Restricted for:		
Special revenue fund	-	363,060
Committed	4,049	11,494
Unassigned	<u>-</u>	<u>(5,479)</u>
Total fund balances	<u>4,049</u>	<u>369,075</u>
Total liabilities and fund balances	<u>\$ 4,049</u>	<u>\$ 374,568</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS- SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Fire Protection Grant Fund</u>	<u>Fire Protection Fund</u>	<u>Recreation Fund</u>
REVENUES			
Taxes:			
Other	\$ -	\$ -	\$ -
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue:			
State grants	100,000	189,620	3,000
Interest income	-	702	-
Miscellaneous income	<u>-</u>	<u>1,156</u>	<u>5,735</u>
Total revenues	<u>100,000</u>	<u>191,478</u>	<u>8,735</u>
EXPENDITURES			
Current:			
Public safety	148	-	-
Public works	-	120,374	-
Culture and recreation	-	-	777
Capital outlay	-	46,501	-
Debt service - Principal	-	11,262	-
Debt service - Interest and fees	<u>-</u>	<u>740</u>	<u>-</u>
Total expenditures	<u>148</u>	<u>178,877</u>	<u>777</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>99,852</u>	<u>12,601</u>	<u>7,958</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	99,852	12,601	7,958
Fund balance - beginning of year	<u>1,500</u>	<u>17,799</u>	<u>(513)</u>
Fund balance - end of year	<u>\$ 101,352</u>	<u>\$ 30,400</u>	<u>\$ 7,445</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS- SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Emergency Medical Services Fund	Corrections Fund	Stonegarden Fund
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes:			
Other	\$ -	\$ -	\$ -
Charges for services	-	-	-
Fines and forfeitures	-	19,760	-
Intergovernmental revenue:			
State grants	7,673	-	-
Interest income	-	1,164	-
Miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>7,673</u>	<u>20,924</u>	<u>-</u>
EXPENDITURES			
Current:			
Public safety	5,418	19,939	-
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service - Principal	-	-	-
Debt service - Interest and fees	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>5,418</u>	<u>19,939</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,255</u>	<u>985</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,255	985	-
Fund balance - beginning of year	<u>(3,491)</u>	<u>128,923</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ (1,236)</u></u>	<u><u>\$ 129,908</u></u>	<u><u>\$ -</u></u>

**STATE OF NEW MEXICO
TOWN OF MESILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS- SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Law Enforcement Fund	Court Automation Fund	Lodger's Tax Fund
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes:			
Other	\$ -	\$ -	\$ 10,714
Charges for services	-	-	-
Fines and forfeitures	1,305	-	-
Intergovernmental revenue:			
State grants	24,800	3,082	-
Interest income	56	-	-
Miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>26,161</u>	<u>3,082</u>	<u>10,714</u>
EXPENDITURES			
Current:			
Public safety	9,611	-	-
Public works	-	-	-
Culture and recreation	-	-	4,960
Capital outlay	-	3,082	-
Debt service - Principal	15,791	-	-
Debt service - Interest and fees	<u>702</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>26,104</u>	<u>3,082</u>	<u>4,960</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>57</u>	<u>-</u>	<u>5,754</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	57	-	5,754
Fund balance - beginning of year	<u>187</u>	<u>-</u>	<u>(650)</u>
Fund balance - end of year	<u>\$ 244</u>	<u>\$ -</u>	<u>\$ 5,104</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS- SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Street Improvements <u>Fund</u>	School Resource Officer Fund	<u>Events Fund</u>
REVENUES			
Taxes:			
Other	\$ 4,189	\$ -	\$ -
Charges for services	-	-	13,983
Fines and forfeitures	-	-	-
Intergovernmental revenue:			
State grants	199,512	87,299	-
Interest income	-	-	-
Miscellaneous income	-	-	2,500
Total revenues	<u>203,701</u>	<u>87,299</u>	<u>16,483</u>
EXPENDITURES			
Current:			
Public safety	-	97,086	-
Public works	76,329	-	26,242
Culture and recreation	-	-	-
Capital outlay	32,157	-	-
Debt service - Principal	-	-	-
Debt service - Interest and fees	-	-	-
Total expenditures	<u>108,486</u>	<u>97,086</u>	<u>26,242</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>95,215</u>	<u>(9,787)</u>	<u>(9,759)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	8,100	14,000
Total other financing sources (uses)	<u>-</u>	<u>8,100</u>	<u>14,000</u>
Net change in fund balance	95,215	(1,687)	4,241
Fund balance - beginning of year	<u>837</u>	<u>(2,556)</u>	<u>(192)</u>
Fund balance - end of year	<u>\$ 96,052</u>	<u>\$ (4,243)</u>	<u>\$ 4,049</u>

STATE OF NEW MEXICO
TOWN OF MESILLA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS- SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Total</u>
REVENUES	
Taxes:	
Other	\$ 14,903
Charges for services	13,983
Fines and forfeitures	21,065
Intergovernmental revenue:	
State grants	614,986
Interest income	1,922
Miscellaneous income	<u>9,391</u>
Total revenues	<u>676,250</u>
EXPENDITURES	
Current:	
Public safety	132,202
Public works	222,945
Culture and recreation	5,737
Capital outlay	81,740
Debt service - Principal	27,053
Debt service - Interest and fees	<u>1,442</u>
Total expenditures	<u>471,119</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>205,131</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	<u>22,100</u>
Total other financing sources (uses)	<u>22,100</u>
Net change in fund balance	227,231
Fund balance - beginning of year	<u>141,844</u>
Fund balance - end of year	<u><u>\$ 369,075</u></u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
AS OF JUNE 30, 2019**

	Public Safety Bldg Rehab Fund	Total
ASSETS		
Total assets	\$ _____ -	\$ _____ -
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Total liabilities	_____ -	_____ -
FUND BALANCES		
Restricted for:		
Total fund balances	_____ -	_____ -
Total liabilities and fund balances	\$ <u>_____ -</u>	\$ <u>_____ -</u>

STATE OF NEW MEXICO
TOWN OF MESILLA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS- CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Public Safety Bldg Rehab Fund</u>	<u>Total</u>
REVENUES		
Total revenues	\$ _____ -	\$ _____ -
EXPENDITURES		
Current:		
General government	<u>8,442</u>	<u>8,442</u>
Total expenditures	<u>8,442</u>	<u>8,442</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(8,442)</u>	<u>(8,442)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	<u>442</u>	<u>442</u>
Total other financing sources (uses)	<u>442</u>	<u>442</u>
Net change in fund balance	(8,000)	(8,000)
Fund balance - beginning of year	<u>8,000</u>	<u>8,000</u>
Fund balance - end of year	<u><u>\$ _____ -</u></u>	<u><u>\$ _____ -</u></u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
AS OF JUNE 30, 2019**

	<u>Fire Truck Loan Fund</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ <u>40,969</u>	\$ <u>40,969</u>
Total assets	<u>40,969</u>	<u>40,969</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Total liabilities	<u>-</u>	<u>-</u>
FUND BALANCES		
Restricted for:		
Debt service fund	<u>40,969</u>	<u>40,969</u>
Total fund balances	<u>40,969</u>	<u>40,969</u>
Total liabilities and fund balances	<u>\$ 40,969</u>	<u>\$ 40,969</u>

STATE OF NEW MEXICO
TOWN OF MESILLA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS- DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Fire Truck Loan Fund</u>	<u>Total</u>
REVENUES		
Taxes:		
Gross receipts	\$ 27,780	\$ 27,780
Interest income	<u>938</u>	<u>938</u>
Total revenues	<u>28,718</u>	<u>28,718</u>
EXPENDITURES		
Debt service - Principal	34,486	34,486
Debt service - Interest and fees	<u>2,553</u>	<u>2,553</u>
Total expenditures	<u>37,039</u>	<u>37,039</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(8,321)</u>	<u>(8,321)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	<u>9,260</u>	<u>9,260</u>
Total other financing sources (uses)	<u>9,260</u>	<u>9,260</u>
Net change in fund balance	939	939
Fund balance - beginning of year	<u>40,030</u>	<u>40,030</u>
Fund balance - end of year	<u>\$ 40,969</u>	<u>\$ 40,969</u>

STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
- AGENCY FUNDS
AS OF JUNE 30, 2019

	<u>Balance June 30, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2019</u>
Municipal court bonds				
Assets:				
Cash	\$ <u>14,000</u>	\$ <u>11,076</u>	\$ <u>(15,416)</u>	\$ <u>9,660</u>
Total assets	<u>14,000</u>	<u>11,076</u>	<u>(15,416)</u>	<u>9,660</u>
Liabilities:				
Refund payable	14,526	11,076	(11,405)	14,197
Held for others	<u>(526)</u>	<u>-</u>	<u>(4,011)</u>	<u>(4,537)</u>
Total liabilities	<u>\$ 14,000</u>	<u>\$ 11,076</u>	<u>\$ (15,416)</u>	<u>\$ 9,660</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF FUND BALANCES
AS OF JUNE 30, 2019**

	<u>Major Funds</u>				
	<u>General</u>	<u>Capital Project Funds</u>		<u>Total Non-</u>	<u>Total Funds</u>
	<u>Funds</u>	<u>Town Hall</u>	<u>ICI Fund</u>	<u>Major Funds</u>	
		<u>Project Fund</u>			
Fund Balances:					
Restricted for:					
Improvements to public safety building	\$ -	\$ -	\$ 8,901	\$ -	\$ 8,901
Improvements to Town Hall complex	-	636,477	-	-	636,477
Road improvements	-	-	-	96,052	96,052
Fire fighting efforts/equipment	-	-	-	131,752	131,752
Public safety and law enforcement efforts	-	-	-	130,152	130,152
Economic development efforts	-	-	-	5,104	5,104
Debt service requirements	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,969</u>	<u>40,969</u>
Subtotal restricted funds	<u>-</u>	<u>636,477</u>	<u>8,901</u>	<u>404,029</u>	<u>1,049,407</u>
Committed to:					
DFA required reserves	123,352	-	-	-	123,352
Operate/maintain recreational facilities	-	-	-	7,445	7,445
Economic development efforts	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,049</u>	<u>4,049</u>
Subtotal committed funds	<u>123,352</u>	<u>-</u>	<u>-</u>	<u>11,494</u>	<u>134,846</u>
Unassigned	<u>(35,179)</u>	<u>-</u>	<u>-</u>	<u>(5,479)</u>	<u>(40,658)</u>
Total	<u>\$ 88,173</u>	<u>\$ 636,477</u>	<u>\$ 8,901</u>	<u>\$ 410,044</u>	<u>\$ 1,143,595</u>

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF DEPOSITORIES
AS OF JUNE 30, 2019**

Account name	Type	First American Bank	NM Finance Authority	Plus Deposit in Transit	Less O/S Check	Balance Per Books
General pooled cash	CK*	\$ 862,456	\$ -	\$ 645	\$ -	\$ 863,101
Clearing account	CK*	61,708	-	-	36,121	25,587
Enterprise pooled cash	CK*	567,550	-	298	-	567,848
Municipal court bonds	CK*	9,660	-	-	-	9,660
Reserve and Debt Service	CK*	<u>-</u>	<u>115,859</u>	<u>-</u>	<u>-</u>	<u>115,859</u>
Total cash and equivalents		<u>1,501,374</u>	<u>115,859</u>	<u>943</u>	<u>36,121</u>	<u>1,582,055</u>
Total amount on deposit		1,501,374	115,859	<u>\$ 943</u>	<u>\$ 36,121</u>	<u>\$ 1,582,055</u>
FDIC coverage		<u>(250,000)</u>	<u>-</u>			
Total uninsured public funds		1,251,374	115,859			
50% collateral requirement (Section 6-10-17 NMSA-1978)		625,687	57,930			
Pledge security		995,851	-			
See NMFA audited financials		<u>-</u>	<u>115,859</u>			
Amount (over)/under collateralized		<u>\$ (370,164)</u>	<u>\$ (57,929)</u>			

* denotes interest bearing account

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY
AS OF JUNE 30, 2019**

<u>Cusip</u>	<u>Description/Maturity</u>	<u>Coupon</u>	<u>Moody S&P</u>	<u>Pledged Percent</u>	<u>Pledged</u>			<u>Market Value</u>
					<u>Original Face</u>	<u>Par</u>	<u>Book Value</u>	
First American Bank								
<i>Safekeeping Location - FHLB: Fed Home Loan Bank</i>								
914684DU6	UNIV OF NEW MEXICO 10/15/21	2.00	A1	100%	\$ 250,000	\$ 250,000	\$ 250,427	\$ 250,325
781338HS0	RUIDOSO SD#3 08/01/22	2.50	Aa3	100%	200,000	200,000	202,573	203,864
077581PS9	BELEN SD #2-BLDG 08/01/24	3.00	Aa3	100%	250,000	250,000	258,758	261,385
781346DQ1	RUIDOSO-REF NM 27 06/01/27	3.50	A1	<u>100%</u>	<u>275,000</u>	<u>275,000</u>	<u>278,047</u>	<u>280,277</u>
					<u>\$ 975,000</u>	<u>\$ 975,000</u>	<u>\$ 989,805</u>	<u>\$ 995,851</u>

STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF
UNDERSTANDING
AS OF JUNE 30, 2019

Inmate Housing

Participants: County of Doña Ana and Town of Mesilla
Responsible party: County of Doña Ana
Description: This agreement was entered into to provide for the housing of prisoners at Doña Ana County Detention Center
Period: Perpetual
Project costs: Town of Mesilla agrees to pay \$87 per day per prisoner
Town contributions: Undeterminable
Audit responsibility: County of Doña Ana

Wildfire Management - Town of Mesilla

Participants: New Mexico Energy, Minerals and Natural Resources Department and Town of Mesilla
Responsible party: New Mexico Energy, Minerals and Natural Resources Department
Description: This agreement is to document the commitment to wildfire suppression, protection responsibilities, interagency cooperation and coordination, reimbursement for use of shared resources on wildfires, mutual wildfire suppression, management assistance, cooperation and use of federal excess property.
Period: Perpetual
Project costs: Undeterminable
Town contributions: Undeterminable
Audit responsibility: New Mexico Energy, Minerals and Natural Resources Department

Master Fire Cooperative Agreement - Town of Mesilla

Participants: Bureau of Land Management, Department of Interior and Town of Mesilla
Responsible party: Bureau of Land Management, Department of Interior
Description: To assist with local initial attack operations of short duration.
Period: Perpetual
Project costs: Undeterminable
Town contributions: Undeterminable
Audit responsibility: Bureau of Land Management, Department of Interior

STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF
UNDERSTANDING
AS OF JUNE 30, 2019

Mesilla Valley Regional Dispatch Authority (MVRDA)

Participants: Village of Hatch, Doña Ana County (DAC), City of Las Cruces, Town of Mesilla, City of Sunland Park

Responsible party: DAC

Description: DAC shall continue to provide space, utilities, and janitorial services for MVRDA, consistent with DAC policies and procedures providing space and services for DAC entities.

Period: Perpetual

Project costs: Undeterminable

Town contributions: Undeterminable

Audit responsibility: MVRDA

New Mexico Taxation and Revenue Department (TRD)

Participants: Town of Mesilla and NM Taxation and Revenue Department

Responsible party: Town of Mesilla

Description: TRD shall provide the Town with the forms and information necessary for the Town to register those businesses operating within the Town for gross receipts tax reporting purposes.

Period: Perpetual

Project costs: Undeterminable

Town contributions: Undeterminable

Audit responsibility: Town of Mesilla

Doña Ana Office of the Flood Commissioner

Participants: Town of Mesilla and NM Taxation and Doña Ana Office of the Flood Commissioner

Responsible party: Doña Ana Office of the Flood Commissioner

Description: The Town shall continue to apply its policies and procedures for zoning ordinances and any other applicable land use regulations. All enforcement of regulations, drainage requirements and zoning ordinances remain with the Town. Doña Ana Flood Commission shall act as the Town's flood plain administration agent by reviewing and recommending cases within the limits of the Town's jurisdiction.

Period: Perpetual

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF
UNDERSTANDING
AS OF JUNE 30, 2019**

Project costs:	Undeterminable
Town contributions:	Undeterminable
Audit responsibility:	Town of Mesilla

**INDEPENDENT AUDITOR'S 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**

Mr. Brian S.Colón,
New Mexico State Auditor
Honorable Mayor and Board of Trustees
Town of Mesilla
Mesilla, New Mexico

To the Mayor and Board of Trustees

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, and the budgetary comparison of the general fund of the Town of Mesilla, State of New Mexico, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and the combining and individual funds, presented as supplementary information, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2019-003 to be material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as item 2019-002 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2019-001.

The Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Harshwal & Company LLP

Albuquerque, New Mexico
December 16, 2019

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weakness?	Yes
• Noncompliance material to financial statements noted?	No
• Other noncompliance/other matters?	Yes

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2019-001 Incorrect Per Diem Paid Out and Improper Mileage Reimbursement (Other Noncompliance)

Condition:

During our testing of travel and per diem, we noted that:

- In one instance, the wrong amount was advanced of lodging for a trip totaling \$361.
- In four instances incorrect mileage was reimbursed to employees. In three instances totaling \$1,040, employees were reimbursed at the rate of \$0.46 per mile instead of the maximum allowed rate of \$0.43 per mile. In one instance totaling \$210, an employee was reimbursed at the rate of \$0.46 per mile instead of the maximum allowed rate of \$0.44 per mile.
- In three instances, the travel authorization form was missing an authorized signature.

Criteria:

The New Mexico Department of Finance and Administration has issued regulations in the form of Title 2, Chapter 42, Part 2, Travel and Per Diem Regulations Governing the Per Diem and Mileage Act of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978. Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80% of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC.

Cause:

It appears the wrong amount advanced and the payout for incorrect mileage reimbursement was due to a lack of oversight in the review and approval process.

Effect:

Non-compliance with state statute.

Recommendation:

We recommend that the Town staff review the New Mexico Statutes and Administrative Code related to travel advances to ensure compliance with the requirements as set forth by NMAC 2.42.2.10. Management oversight in this area is necessary to ensure records and reimbursements are reasonable, proper, accurate, and supported.

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

Management's Response:

We will ensure that when the mileage changes, all employees are utilizing the correct request form. Accounts Payable and Finance staff will double check amounts being requested to ensure compliance with NMAC 2.42.2.10.

Responsible Party:

Finance/Administrative Staff and all Departments.

Estimated Completion Date:

January 2020.

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

2019-002 Annual Inventory Certification (Significant Deficiency)

Condition:

The Town did not perform an annual capital asset inventory certification of their capital assets listing.

Criteria:

According to 2.2.2.10 W (2), Agencies shall conduct an annual physical inventory of chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of Section 12-6-10 NMSA 1978. The agency shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors. The IPA shall audit the inventory listing for correctness and compliance with the requirements of the Audit Act.

Cause:

The Town has not conducted a physical inventory count at year end.

Effect:

The Town is not in compliance with the statutory requirement of conducting an annual physical count of inventory. Additionally, without conducting a physical inventory count, the Town is susceptible to misappropriation of assets as well as inaccurate depreciation expense, accumulated depreciation, and inaccurate additions and deletions of capital assets. Items could be present on the capital assets listing that do not exist or items could also exist that are not on the listing. The listing could also be misstated.

Recommendation:

We recommend the Town implement a system to accurately track, maintain and update changes in inventory on an annual basis.

Management Response:

In this fiscal year, we failed to obtain inventory lists from all departments certifying capital assets. In the future, we will ensure that each department head is given a list of capital assets and that they update and certify accordingly.

Responsible party:

Finance/Administrative staff and Department Heads.

Estimated Completion date:

January 2020.

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

2019-003 Maintenance of Long-Term Debt - (Material Weakness)

Condition:

During our testwork of NMFA loan balances for business type activities, it was identified that the NMFA –PPRF 4711 loan was not properly recorded on the Towns' financial statements. A prior period adjustment in the amount of \$169,949 was recorded to properly state the loan balances at June 30, 2019.

Criteria:

Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, The Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Cause:

The Town has not recorded this loan into their books.

Effect:

The loan balance of the Town is misstated.

Recommendation:

We recommend the Town implement a mechanism to ensure that all future loan proceeds are captured into the Town's books.

Management's Response:

We will ensure that all loans are captured correctly in future audits.

Responsible Party:

Finance/Administrative staff.

Estimated Completion Date:

December 2019.

**STATE OF NEW MEXICO
TOWN OF MESILLA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

STATUS OF PRIOR YEAR FINDINGS

No matters were reported in the prior year.

**STATE OF NEW MEXICO
TOWN OF MESILLA
FINANCIAL STATEMENT PREPARATION AND EXIT CONFERENCE
JUNE 30, 2019**

AUDITOR PREPARED FINANCIAL STATEMENTS

Presentation: The accompanying financial statements are the responsibility of the Town and are based on information from the Town's financial records. Assistance was provided by Harshwal & Company LLP to the Town in preparing the financial statements.

EXIT CONFERENCE

An exit conference was held on December 10, 2019, and attended by the following people:

Town of Mesilla Officials

Nora L. Barraza, Mayor

Gloria Maya, Deputy Clerk/Treasurer

Cynthia Stoechner-Hernandez, Town Clerk/Treasurer

Harshwal & Company LLP

Mariem Tall, Audit Manager