

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
For the Year Ended June 30, 2017

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STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
For the Year Ended June 30, 2017

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STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
OFFICIAL ROSTER
June 30, 2017

Victor Vijil	Mayor
Robert Aragon	Mayor Pro-tem
Barbara Melton	Trustee
Teresa Trujillo	Trustee
Connie Cook	Trustee



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

INDEPENDENT AUDITORS' REPORT

Office of the State Auditor
and the Mayor and Village Trustees of the
Village of Mosquero, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of Mosquero, New Mexico, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village'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.

Auditors' Responsibility

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

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.

Basis for Disclaimer of Opinion

As a result of turnover in Village personnel and poor recordkeeping, we were unable to obtain sufficient detail for capital assets. Further, the Village had an accounting system breach, and they lost information for 3 months. The information was re-entered; however, several discrepancies were noted. We were unable to satisfy ourselves about the lack of the subsidiary ledger by means of other auditing procedures.

Disclaimer Opinion

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

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting principles generally accepted in the United States of America require that schedules related to net pension liability 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Mosquero, New Mexico's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements except for capital assets 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 15, 2017 on our consideration of Village of Mosquero's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Mosquero's internal control over financial reporting and compliance.


Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
December 15, 2017

GOVERNMENT - WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business- type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Current assets			
Cash and cash equivalents	\$ 668,255	\$ 57,202	\$ 725,457
Investments	6,456	-	6,456
Taxes receivable	<u>6,828</u>	<u>-</u>	<u>6,828</u>
Total current assets	681,539	57,202	738,741
Non-current assets			
Capital assets	4,719,549	2,449,983	7,169,532
Less accumulated depreciation	<u>(1,786,855)</u>	<u>(1,018,816)</u>	<u>(2,805,671)</u>
Total non-current assets	<u>2,932,694</u>	<u>1,431,167</u>	<u>4,363,861</u>
Total assets	3,614,233	1,488,369	5,102,602
Deferred outflows:			
Deferred outflows - subsequent	3,084	3,084	6,168
Deferred outflows	<u>18,283</u>	<u>18,282</u>	<u>36,565</u>
Total deferred outflows	<u>21,367</u>	<u>21,366</u>	<u>42,733</u>
Total assets and deferred outflows	<u>\$ 3,635,600</u>	<u>\$ 1,509,735</u>	<u>\$ 5,145,335</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2017

	Governmental Activities	Business- type Activities	Total
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
Current liabilities			
Accounts payable	\$ 535,973	\$ -	\$ 535,973
Accrued interest payable	24	-	24
Accrued expenses	1,091	-	1,091
Current portion of long-term debt	27,346	-	27,346
Compensated absences	840	-	840
	<u>565,274</u>	<u>-</u>	<u>565,274</u>
Total current liabilities			
Non-current liabilities			
Net pension liability	39,942	39,941	79,883
Landfill closure payables	-	94,900	94,900
Long-term debt, less current maturities	157,142	-	157,142
	<u>197,084</u>	<u>134,841</u>	<u>331,925</u>
Total non-current liabilities			
Total liabilities			
	762,358	134,841	897,199
Deferred inflows:			
Deferred inflows	397	396	793
	<u>397</u>	<u>396</u>	<u>793</u>
Total deferred inflows			
Total liabilities and deferred inflows			
	762,755	135,237	897,992
NET POSITION			
Net investment in capital assets	2,748,206	1,431,167	4,179,373
Restricted for:			
Capital projects	419,117	-	419,117
Special revenue funds	58,583	-	58,583
Unrestricted	(353,061)	(56,669)	(409,730)
	<u>2,872,845</u>	<u>1,374,498</u>	<u>4,247,343</u>
Total net position			
Total liabilities, deferred inflows and net position			
	<u>\$ 3,635,600</u>	<u>\$ 1,509,735</u>	<u>\$ 5,145,335</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

FUNCTIONAL/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 169,339	\$ 317	\$ 24,509	\$ 96,400	\$ (48,113)	\$ -	\$ (48,113)
Public safety	129,001	-	-	-	(129,001)	-	(129,001)
Public works	184,852	-	-	532,996	348,144	-	348,144
Culture and recreation	879	-	-	-	(879)	-	(879)
Health and welfare	8,532	-	-	-	(8,532)	-	(8,532)
Total governmental activities	492,603	317	24,509	629,396	161,619	-	161,619
Business-type activities:							
Water expenses	118,106	19,955	-	-	-	(98,151)	(98,151)
Sewer expenses	42,030	13,404	-	-	-	(28,626)	(28,626)
Solid Waste	25,090	10,720	-	-	-	(14,370)	(14,370)
Total business-type activities	185,226	44,079	-	-	-	(141,147)	(141,147)
Total primary government	\$ 677,829	\$ 44,396	\$ 24,509	\$ 629,396	161,619	(141,147)	20,472
General Revenues and Transfers:							
Taxes							
Property taxes							
				1,610	-		1,610
Gross receipts taxes							
				21,346	-		21,346
Gasoline taxes							
				5,168	-		5,168
Motor vehicle taxes							
				847	-		847
Licenses and fees							
				265	-		265
State allocation							
				99,650	-		99,650
Miscellaneous							
				21,387	36,977		58,364
Transfers							
				(21,440)	21,440		-
Total general revenues and transfers							
				128,833	58,417		187,250
Changes in net position							
				290,452	(82,730)		207,722
Net position, beginning of year							
				2,582,393	1,457,228		4,039,621
Net position, end of year							
				\$ 2,872,845	\$ 1,374,498		\$ 4,247,343

See independent auditors' report and accompanying notes to financial statements.

GOVERNMENTAL FUND STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets				
Cash and cash equivalents	\$ 190,536	\$ 419,117	\$ 58,602	\$ 668,255
Investments	6,456	-	-	6,456
Taxes receivable	6,828	-	-	6,828
Accounts receivable	-	-	-	-
 Total assets	 <u>\$ 203,820</u>	 <u>\$ 419,117</u>	 <u>\$ 58,602</u>	 <u>\$ 681,539</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities				
Accounts payable	\$ -	\$ 535,973	\$ -	\$ 535,973
Accrued interest payable	5	-	19	24
Accrued expenses	1,091	-	-	1,091
 Total liabilities	 1,096	 535,973	 19	 537,088
Fund balances:				
Restricted - special revenue	-	-	58,583	58,583
Restricted - capital projects	-	419,117	-	419,117
Unassigned	202,724	(535,973)	-	(333,249)
 Total fund balances	 <u>202,724</u>	 <u>(116,856)</u>	 <u>58,583</u>	 <u>144,451</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 203,820</u>	 <u>\$ 419,117</u>	 <u>\$ 58,602</u>	 <u>\$ 681,539</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total fund balances - governmental funds		\$ 144,451
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:		
The cost of capital assets	4,719,549	
Accumulated depreciation	<u>(1,786,855)</u>	2,932,694
Deferred outflows - contributions made after the measurement date, will be recognized as a reduction of net pension liability		3,084
Deferred outflows		18,283
Other long-term liabilities and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:		
Net pension liability	(39,942)	
Notes payable	(184,488)	
Compensated absences	<u>(840)</u>	(225,270)
Deferred inflows due to actual non-investment experience that was better than expected and changes in benefits or assumption which result in a decrease to net pension liability:		
Deferred inflows		<u>(397)</u>
Total net position - governmental activities		<u>\$ 2,872,845</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES				
Property tax	\$ 1,610	\$ -	\$ -	\$ 1,610
Gross receipts tax	21,346	-	-	21,346
Gasoline tax	5,168	-	-	5,168
Motor vehicle tax	847	-	-	847
Charges for services	317	-	-	317
Licenses and permits	265	-	-	265
Local sources	24,509	-	-	24,509
State sources	96,400	532,996	-	629,396
Miscellaneous	21,095	-	292	21,387
State allocation	-	-	99,650	99,650
	<u>171,557</u>	<u>532,996</u>	<u>99,942</u>	<u>804,495</u>
Total revenues	171,557	532,996	99,942	804,495
EXPENDITURES				
Current				
General government	148,867	-	-	148,867
Public safety	-	-	76,148	76,148
Public works	23,488	-	-	23,488
Culture and recreation	250	-	-	250
Health and welfare	8,532	-	-	8,532
Debt service:				
Debt principal	-	-	27,123	27,123
Interest	-	-	71	71
Capital outlay	-	649,852	-	649,852
	<u>181,137</u>	<u>649,852</u>	<u>103,342</u>	<u>934,331</u>
Total expenditures	181,137	649,852	103,342	934,331
Excess (deficiency) of revenues over expenditures	(9,580)	(116,856)	(3,400)	(129,836)

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS - (CONTINUED)
For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Total Non-Major Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)				
Transfers in	5,264	-	27,194	32,458
Transfers out	<u>(28,065)</u>	<u>-</u>	<u>(25,833)</u>	<u>(53,898)</u>
Total other financing sources (uses)	<u>(22,801)</u>	<u>-</u>	<u>1,361</u>	<u>(21,440)</u>
Net change in fund balance	(32,381)	(116,856)	(2,039)	(151,276)
Fund balance at beginning of year	<u>235,105</u>	<u>-</u>	<u>60,622</u>	<u>295,727</u>
Fund balance at end of year	<u>\$ 202,724</u>	<u>\$ (116,856)</u>	<u>\$ 58,583</u>	<u>\$ 144,451</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ (151,276)

Amounts reported for governmental activities in the Statement of Activities are different because:
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital assets reported as capital outlay expenditures	649,852	
Depreciation expense	<u>(234,576)</u>	415,276
Change in deferred outflows		15,737
Change in deferred inflows		154
Change in net pension liability		(18,530)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		27,123
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).		<u>1,968</u>
Change in net position of governmental activities		<u>\$ 290,452</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Property tax	\$ 1,900	\$ 1,900	\$ 1,610	\$ (290)
Gross receipts tax	73,800	73,800	26,760	(47,040)
Gasoline tax	5,204	5,204	5,168	(36)
Motor vehicle tax	1,000	1,000	847	(153)
Charges for services	5,000	5,000	317	(4,683)
Licenses and permits	800	800	265	(535)
Local sources	26,000	26,000	24,509	(1,491)
State sources	90,000	90,000	96,400	6,400
Miscellaneous	27,450	27,450	21,095	(6,355)
Total revenues	<u>231,154</u>	<u>231,154</u>	<u>176,971</u>	<u>(54,183)</u>
EXPENDITURES:				
General government	130,000	160,000	152,529	7,471
Public works	15,000	15,000	23,488	(8,488)
Culture and recreation	5,000	5,000	250	4,750
Health and welfare	5,500	5,500	8,532	(3,032)
Total expenditures	<u>155,500</u>	<u>185,500</u>	<u>184,799</u>	<u>701</u>
Excess (deficiency) of revenues over expenditures	<u>75,654</u>	<u>45,654</u>	<u>(7,828)</u>	<u>(53,482)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	5,264	5,264
Transfers out	(35,411)	(35,411)	(28,065)	7,346
Total other financing sources (uses)	<u>(35,411)</u>	<u>(35,411)</u>	<u>(22,801)</u>	<u>12,610</u>
Net changes in fund balance Non-GAAP basis	40,243	10,243	(30,629)	(40,872)
Fund balance - beginning	<u>235,105</u>	<u>235,105</u>	<u>235,105</u>	<u>-</u>
Fund balance - ending	<u>\$ 275,348</u>	<u>\$ 245,348</u>	<u>\$ 204,476</u>	<u>\$ (40,872)</u>
Reconciliation in fund balance - budgetary basis				
Net change in fund balance - budgetary basis			\$ (30,629)	
Revenue accrual			(5,414)	
Expenditure accrual			<u>3,662</u>	
Net change in fund balance - GAAP basis			<u>\$ (32,381)</u>	

See independent auditors' report and accompanying notes to financial statements.

PROPRIETARY FUNDS

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary</u>
ASSETS AND DEFERRED OUTFLOWS				
Current assets				
Cash and cash equivalents	\$ -	\$ 23,129	\$ 34,073	\$ 57,202
Total current assets	-	23,129	34,073	57,202
Non-current assets				
Capital assets	957,541	446,994	26,632	1,431,167
Total non-current assets	957,541	446,994	26,632	1,431,167
Total assets	957,541	470,123	60,705	1,488,369
Deferred outflows				
Deferred outflows	10,683	-	10,683	21,366
Total deferred outflows	10,683	-	10,683	21,366
Total assets and deferred outflows	<u>\$ 968,224</u>	<u>\$ 470,123</u>	<u>\$ 71,388</u>	<u>\$ 1,509,735</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
June 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
Non-current liabilities				
Net pension liability	\$ 19,970	\$ -	\$ 19,971	\$ 39,941
Landfill closure payables	<u>-</u>	<u>-</u>	<u>94,900</u>	<u>94,900</u>
Total non-current liabilities	<u>19,970</u>	<u>-</u>	<u>114,871</u>	<u>134,841</u>
Total liabilities	19,970	-	114,871	134,841
Deferred inflows:				
Deferred inflows	<u>198</u>	<u>-</u>	<u>198</u>	<u>396</u>
Total deferred inflows	<u>198</u>	<u>-</u>	<u>198</u>	<u>396</u>
Total liabilities and deferred inflows	<u>20,168</u>	<u>-</u>	<u>115,069</u>	<u>135,237</u>
NET POSITION				
Net investment in capital assets	957,541	446,994	26,632	1,431,167
Unrestricted	<u>(9,485)</u>	<u>23,129</u>	<u>(70,313)</u>	<u>(56,669)</u>
Total net position	<u>948,056</u>	<u>470,123</u>	<u>(43,681)</u>	<u>1,374,498</u>
Total liabilities, deferred inflows and net position	<u>\$ 968,224</u>	<u>\$ 470,123</u>	<u>\$ 71,388</u>	<u>\$ 1,509,735</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary</u>
OPERATING REVENUES				
Charges for services	\$ 19,955	\$ 13,404	\$ 10,720	\$ 44,079
Other income	<u>19,718</u>	<u>-</u>	<u>17,156</u>	<u>36,874</u>
Total operating revenues	39,673	13,404	27,876	80,953
OPERATING EXPENSES				
Maintenance and operations	65,493	11,342	14,094	90,929
Depreciation expense	<u>52,613</u>	<u>30,688</u>	<u>10,996</u>	<u>94,297</u>
Total operating expenses	<u>118,106</u>	<u>42,030</u>	<u>25,090</u>	<u>185,226</u>
Operating income	(78,433)	(28,626)	2,786	(104,273)
OTHER FINANCING SOURCES				
Investment income	103	-	-	103
Transfer out	(4,211)	-	(1,053)	(5,264)
Transfers in	<u>26,704</u>	<u>-</u>	<u>-</u>	<u>26,704</u>
Total other financing sources (uses)	<u>22,596</u>	<u>-</u>	<u>(1,053)</u>	<u>21,543</u>
Change in net position	(55,837)	(28,626)	1,733	(82,730)
Net position, beginning of year	<u>1,003,893</u>	<u>498,749</u>	<u>(45,414)</u>	<u>1,457,228</u>
Net position, end of year	<u>\$ 948,056</u>	<u>\$ 470,123</u>	<u>\$ (43,681)</u>	<u>\$ 1,374,498</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary</u>
Cash flows from operating activities:				
Cash received from agencies and customers	\$ 33,722	\$ 13,404	\$ 17,226	\$ 64,352
Cash payments to employees for services	(3,331)	-	-	(3,331)
Cash paid to suppliers	<u>(45,325)</u>	<u>(11,342)</u>	<u>6,075</u>	<u>(50,592)</u>
Net cash provided by (used in) operating activities	(14,934)	2,062	23,301	10,429
Cash flows from investing activities:				
Acquisition and construction of capital assets	<u>(5,348)</u>	<u>-</u>	<u>-</u>	<u>(5,348)</u>
Net cash used in investing activities	<u>(5,348)</u>	<u>-</u>	<u>-</u>	<u>(5,348)</u>
Cash flows from financing activities:				
Operating transfers to/from other funds	<u>103</u>	<u>-</u>	<u>-</u>	<u>103</u>
Net cash used in financing activities	<u>103</u>	<u>-</u>	<u>-</u>	<u>103</u>
Net increase (decrease) in cash	(20,179)	2,062	23,301	5,184
CASH, Beginning of year	<u>20,179</u>	<u>21,067</u>	<u>10,772</u>	<u>52,018</u>
CASH, End of year	<u>\$ -</u>	<u>\$ 23,129</u>	<u>\$ 34,073</u>	<u>\$ 57,202</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
For the Year Ended June 30, 2017

Reconciliation of operating income to net cash provided (used in) by operating activities:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary</u>
Cash flows from operating activities				
Operating income (loss)	\$ (78,433)	\$ (28,626)	\$ 2,786	\$ (104,273)
Adjustments to reconcile change in net assets to net cash				
Depreciation	52,613	30,688	10,996	94,297
Changes in working capital components:				
(Increase) Decrease in:				
Accounts receivables	4,732	-	33	4,765
Other assets	(10,683)	-	(10,683)	(21,366)
Increase (Decrease) in:				
Other liabilities's	<u>16,837</u>	<u>-</u>	<u>20,169</u>	<u>37,006</u>
Net cash provided by operating activities	<u>\$ (14,934)</u>	<u>\$ 2,062</u>	<u>\$ 23,301</u>	<u>\$ 10,429</u>

See independent auditors' report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Mosquero (the "Village") was established by the laws of the State of New Mexico in 1908, under the provisions of the act now referred to as Sections 4-9-1 and 4-9-2 of the New Mexico Statutes Annotated, 1978 Compilation. The Village operates under the Board of Trustees form of government and provides the following services as authorized in the grant of powers: public safety (police, fire, and emergency medical), public works (highways and streets), water, sewer and sanitation, health and welfare services, culture and recreation, public improvements, planning and zoning, and general administration services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial reporting standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Village's accounting policies are described below.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable.

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

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-34. 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 Village has no component units, and is not a component unit of another governmental agency.

B. Basis of Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers for utility and other services provided, fines and forfeitures from the courts, licenses and permits issued and funds from the small city assistance program. 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular department or function of the Village. Taxes and other items not properly included among program revenues are reported instead as general revenues.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Presentation (continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

C. Measurement Focus, Basis of Accounting, and Fund Financial Statements

Government-wide and Fiduciary Financial Statements - The government-wide, and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes and property taxes, grants and entitlements. On an accrual basis, revenue from property taxes, net of estimated refunds and uncollectible amounts, is recognized as revenues in the year for which they are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements are met.

All governmental and business-type activities of the Village follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The Village has elected not to follow FASB Statements and interpretations issued after November 30, 1989.

Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Village considers all revenues to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not considered available are recorded as deferred inflows. Property taxes, gross receipts taxes, franchise taxes, and interest are considered susceptible to accrual. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting, and Fund Financial Statements
(Continued)

For this purpose, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government because they are not measurable or reasonably estimable.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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

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

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

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting, and Fund Financial Statements
(Continued)

Under the requirements of GASB No. 34, the County is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which includes funds that were not required to be presented as major but were at the discretion of management:

The Water Fund - To account for the activities of the Village's water operations.

The Sewer Fund - To account for the activities of the Village's wastewater operations.

The Solid Waste Fund - To account for the collection and disposal of solid waste.

The Village reports deferred inflows on its combined balance sheet. Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Village before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the Village has a legal claim to the resources, the liability for deferred inflows is removed from the combined balance sheet and revenue is recognized.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments:

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

- a. State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Government, and fully collateralized repurchase agreements.
- b. Investments for the Village are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Liabilities and Net Position or Equity (Continued)

2. Receivables and Payables:

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund balance. Long term 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 from available resources.

3. Capital Assets:

Capital assets, which include land, buildings and improvements, machinery and equipment, and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements.

Capital assets including computer software are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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. Donated capital assets are recorded at estimated fair market 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 removed for all deleted capital assets.

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. No computer software has been developed in-house.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Capital assets of the primary government are depreciated using the straight-line method over their useful lives.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Liabilities and Net Position or Equity (Continued)

4. Deferred Inflows:

The Village defers revenue from non-exchange transactions. The amount deferred results from the difference between the receivable recognized on an accrual basis and the related revenue recognized on the modified accrual basis. Revenue is recognized as the receivables are collected.

5. Compensated Absences:

Village employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation cost become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

6. Long-Term Obligations:

In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of position. The face amount of debt issued is reported as other financing sources.

7. Net Position:

The government-wide and business-type activities fund financial statements utilize a net position presentation. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, and then unrestricted resources as needed.

Investment in capital assets, net of related debt - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - Restricted net position results from the constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation.

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Liabilities and Net Position or Equity (Continued)

8. Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Village records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure.

Reserved, designated for subsequent year's expenditures - Represents the amounts, other than carryover expenditures, which are required to be designated for subsequent year's expenditures.

Unreserved, undesignated - Amounts that have not been reserved or designated for any purpose. These funds are available for unrestricted use by the Village.

9. Inter-Fund Transactions:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. All other inter-fund transfers are reported as operating transfers.

10. 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.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets for the Village are prepared prior to June 1 and must be approved by the Board of Trustees and the New Mexico Department of Finance and Administration (DFA), Local Government Division (LGD). Once the budget has been formally approved, the Village Board of Trustees, DFA LGD must also approve any amendments. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

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

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

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds.

The Village is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

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

Since accounting principals applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principals, 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, 2017 is presented.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Implementation of New Accounting Standards

In 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Village is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The Village is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

<u>Depository Account</u>	<u>Bank Balance</u>
FDIC insured	\$ 250,000
Collateralized	
Cash held by pledging bank	683,262
Uninsured and uncollateralized	<u>(196,025)</u>
Total Cash and Investments, Primary Government	<u>\$ 737,237</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$737,237 of the Village's bank balance of \$737,237 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 53,975
Cash held by pledging bank's trust	<u>683,262</u>
Total Cash and Investments, Primary Government	<u>\$ 737,237</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Various taxes	<u>\$ 6,828</u>	<u>\$ -</u>	<u>\$ 6,828</u>
Net receivables	<u>\$ 6,828</u>	<u>\$ -</u>	<u>\$ 6,828</u>

The Village has booked allowance for uncollectible accounts totaling \$0. All receivables are considered collectible.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

5. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2017, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and Construction in Progress is not subject to depreciation.

Governmental fund capital asset activity for the year was as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2017</u>
Government activities					
Capital assets not being depreciated:					
Land	\$ 174,014	\$ -	\$ -	\$ -	\$ 174,014
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>174,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,014</u>
Other capital assets being depreciated					
Buildings and improvements	572,483	-	-	-	572,483
Infrastructure	2,544,190	607,852	-	-	3,152,042
Vehicles	123,853	20,000	-	-	143,853
Machinery and equipment	<u>655,157</u>	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>677,157</u>
Total	<u>3,895,683</u>	<u>649,852</u>	<u>-</u>	<u>-</u>	<u>4,545,535</u>
Accumulated depreciation					
Buildings and improvements	338,697	33,855	-	-	372,552
Infrastructure	792,153	157,602	-	-	949,755
Vehicles	70,773	10,423	-	-	81,196
Machinery and equipment	<u>350,656</u>	<u>32,696</u>	<u>-</u>	<u>-</u>	<u>383,352</u>
Total accumulated depreciation	<u>1,552,279</u>	<u>234,576</u>	<u>-</u>	<u>-</u>	<u>1,786,855</u>
Total capital assets	<u>\$ 2,517,418</u>	<u>\$ 415,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,932,694</u>

Depreciation expense, for the year ended June 30, 2017 was charged as follows:

General government	\$ 19,730
Public safety	52,853
Public works	161,364
Culture and recreation	<u>629</u>
Total depreciation expense	<u>\$ 234,576</u>

Depreciation expense relating to Government Activities for the year-ended June 30, 2017 totaled \$234,576.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

5. CAPITAL ASSETS (Continued)

Enterprise fund capital asset activity for the year was as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type activities					
Capital assets being depreciated					
Land Improvements	75,797	-	-	-	75,797
Buildings	60,000	-	-	-	60,000
Utility system	2,191,246	-	-	-	2,191,246
Machinery and equipment	<u>117,593</u>	<u>5,347</u>	<u>-</u>	<u>-</u>	<u>122,940</u>
Total	<u>2,444,636</u>	<u>5,347</u>	<u>-</u>	<u>-</u>	<u>2,449,983</u>
Accumulated depreciation					
Land Improvements	67,331	2,032	-	-	69,363
Buildings	46,455	1,500	-	-	47,955
Utility system	730,710	77,282	-	-	807,992
Machinery and equipment	<u>80,023</u>	<u>13,483</u>	<u>-</u>	<u>-</u>	<u>93,506</u>
Total accumulated depreciation	<u>924,519</u>	<u>94,297</u>	<u>-</u>	<u>-</u>	<u>1,018,816</u>
Total capital assets	<u>\$ 1,520,117</u>	<u>\$ (88,950)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,431,167</u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2017 totaled \$94,297.

6. LONG TERM DEBT

During the year-end June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Funds	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
New Mexico Finance Authority					
- General	\$ 5,411	\$ -	\$ 1,348	\$ 4,063	\$ 1,353
New Mexico Finance Authority					
- Fire	<u>206,200</u>	<u>-</u>	<u>25,775</u>	<u>180,425</u>	<u>25,993</u>
Total	<u>\$ 211,611</u>	<u>\$ -</u>	<u>\$ 27,123</u>	<u>\$ 184,488</u>	<u>\$ 27,346</u>

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

6. LONG TERM DEBT (Continued)

The Village obtained a \$20,000 loan from the State of New Mexico Finance Authority, during the 2005 fiscal year; the purpose of the loan was to defray the cost of remodeling the exist administrative building. The note bears interest of 0.250%. The maturity date of the loan is May 2020. The payment amounts are as follows:

<u>June 30:</u>	<u>Principal</u>
2018	\$ 1,353
2019	1,353
2020	<u>1,357</u>
	<u>\$ 4,063</u>

The Village obtained a \$304,500 loan from the State of New Mexico Finance Authority, during the 2011 fiscal year; the purpose of the loan was to defray the cost of acquiring a fire tanker. The note bears interest of 0.09%. The maturity date of the loan is May 2024. The payment amounts are as follows:

<u>June 30:</u>	<u>Principal</u>
2018	\$ 25,993
2019	25,993
2020	25,993
2021	25,993
2022 - 2024	<u>76,453</u>
	<u>\$ 180,425</u>

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
	<u>June 30, 2016</u>			<u>June 30, 2017</u>	<u>One Year</u>
Governmental funds					
Compensated absences	<u>2,808</u>	<u>1,068</u>	<u>3,036</u>	<u>840</u>	<u>840</u>
Proprietary Fund					
Compensated absences	<u>3,331</u>	<u>-</u>	<u>3,331</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,808</u>	<u>\$ 1,068</u>	<u>\$ 3,036</u>	<u>\$ 840</u>	<u>\$ 840</u>

Compensated absences typically have been liquidated in the general and proprietary funds.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

7. RISK MANAGEMENT

The Village of Mosquero is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters.

The Village has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool currently operating as a common risk management and insurance program for local government. The Village pays an annual premium to New Mexico Self-Insured Fund for general insurance coverage and all risk of loss is transferred.

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

Plan description.

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund. PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided.

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at:

<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2016.pdf>.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Contributions.

The contribution requirements of defined benefit plan members and the (name of employer) are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY16 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2016.pdf. The PERA coverage options that apply to the Village is Municipal General Division. Statutorily required contributions to the pension plan from the Village were \$6,168 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2016.

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

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 are included in the total contribution amounts.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2016, the Village reported a liability of \$79,883 for its proportionate share of the net pension liability. At June 30, 2016, the Village's proportion was 0.0050%, which was unchanged from its proportion measured as of June 30, 2016, due to the insignificance of the difference.

For the year ended June 30, 2016, the Village recognized PERA Fund Division Municipal General pension expense of \$4,112. At June 30, 2016, the Village reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 3,992	\$ 780
Changes of assumptions	4,684	13
Net difference between projected and actual earnings on pension plan investments	14,698	-
Changes in proportion and differences between Village of Mosquero contributions and proportionate share of contributions	13,191	-
Village of Mosquero contributions subsequent to the measurement date	<u>6,168</u>	<u>-</u>
Total	<u>\$ 42,733</u>	<u>\$ 793</u>

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

In June 30, 2016 \$9,773, deferred outflows - contributions made after measurement date, will be recognized as a reduction of net pension liability. Other deferred amounts to be recognized in fiscal years following the reporting date are below:

Year Ended June 30:

2017	\$	10,050
2018	\$	10,050
2019	\$	11,770
2020	\$	3,902

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2016 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
- Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
-Payroll growth	3.50% annual rate
-Projected salary increases	3.50% to 14.25% annual rate
-Includes inflation at	3.00% annual rate
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5 %	7.39 %
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.0</u>	7.35
Total	100.0 %	

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

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease 6.75%	Current 7.75%	1% Increase 8.75%
Net Pension Liability	\$ 119,098	\$ 79,883	\$ 47,355

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124.

9. POST-EMPLOYMENT BENEFITS

The Village of Mosquero did not participate in the Retiree Health Care Act Program during the fiscal year ending June 30, 2017.

10. DEFICIT FUND BALANCE

The following funds had deficit fund balances as of June 30, 2017:

Capital projects fund	\$	116,856
Solid waste fund		<u>43,681</u>
 Total	 \$	 <u>160,537</u>

11. FEDERAL AND STATE GRANTS

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

12. INTER-FUND TRANSFERS AND BALANCES

There were the following inter-fund transfers during the year ended June 30, 2017.

<u>Amount</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
\$ 1,053	Solid Waste	General Fund	To fund operations
4,211	Water	General Fund	To fund operations
25,833	Fire	Water	To fund operations
871	General Fund	Water	To fund operations
\$ 27,194	General Fund	Debt Service	To fund debt payments

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2017 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS
For the Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
The Village of Mosquero's proportion of the net pension liability	\$ 79,883	\$ 42,823	\$ 23,403
The Village of Mosquero's proportionate share of the net pension liability	0.0042%	0.0042%	0.0030%
The Village of Mosquero's covered-employee payroll	\$ 38,895	\$ 44,417	\$ 44,417
The Village of Mosquero's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205.38 %	96.41 %	52.69 %
Plan fiduciary net position as a percentage of the total pension liability	69.18 %	76.99 %	81.29 %

*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 Village of Mosquero will present information for those years for which information is available.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF VILLAGE OF MOSQUERO' CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
For the Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 6,168	\$ 4,112	\$ 3,282
Contributions in relation to the contractually required contribution	<u>6,168</u>	<u>4,112</u>	<u>3,282</u>
Contribution deficiency (excess)	-	-	-
The Village of Mosquero' covered-employee payroll	<u>\$ 38,895</u>	<u>\$ 44,417</u>	<u>\$ 155,923</u>
Contributions as a percentage of covered-employee payroll	<u>15.86 %</u>	<u>9.26 %</u>	<u>7.39 %</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 Village of Mosquero will present information for those years for which information is available.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2017

Changes of benefit terms- The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 on pages 40-42 of the PERA FY16 audit available at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.pdf.

Changes of assumptions- The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2016 is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2016-PERA-Valuation-Report-FINAL.pdf>. See Appendix B on pages 53 - 61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumptions resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2016. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2016.pdf.

SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

LAW ENFORCEMENT PROTECTION FUND - State Statutes Section 29-13 provides for the distribution of funds from the State Law Enforcement Protection Fund to municipal and village police and sheriff department for the maintenance and improvement of those departments in order to enhance the efficiency and effectiveness of law enforcement services provided. The fund is used to account for specific law enforcement expenditures not included in the general fund. Financing is provided by a state allocation and can only be used for law enforcement equipment and personnel training (NMSA 29-13-3).

FIRE FUND - To account for the revenues allocated by the state to the Village and the expenditure for maintaining and operating a volunteer fire department authorized by NMSA Section 59A-53-1.

DEBT SERVICE - This fund accounts for the management of the debt held by the Village.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL TYPES
June 30, 2017

	<u>Special Revenue Law Enforcement</u>	<u>Special Revenue Fire Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS				
Assets				
Cash and cash equivalents	\$ 5,284	\$ 53,318	\$ -	\$ 58,602
Total assets	<u>\$ 5,284</u>	<u>\$ 53,318</u>	<u>\$ -</u>	<u>\$ 58,602</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accrued interest	\$ -	\$ 19	\$ -	\$ 19
Total liabilities	-	19	-	19
Fund balance:				
Restricted for special revenue funds	<u>5,284</u>	<u>53,299</u>	<u>-</u>	<u>58,583</u>
Total fund balance	<u>5,284</u>	<u>53,299</u>	<u>-</u>	<u>58,583</u>
Total liabilities and fund balances	<u>\$ 5,284</u>	<u>\$ 53,318</u>	<u>\$ -</u>	<u>\$ 58,602</u>

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL TYPES
June 30, 2017

	Special Revenue Law Enforcement	Special Revenue Fire Fund	Debt Service Fund	Total
REVENUES				
State allocation	\$ 20,000	\$ 79,650	\$ -	\$ 99,650
Investment income	55	237	-	292
Total revenues	20,055	79,887	-	-
EXPENDITURES				
Public safety	23,096	53,052	-	76,148
Principal	-	-	27,123	27,123
Interest	-	-	71	71
Total expenditures	23,096	53,052	27,194	-
Excess (deficiency) of revenues over (under) expenditures	(3,041)	26,835	(27,194)	(3,400)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	27,194	27,194
Operating transfers out	-	(25,833)	-	(25,833)
Total other financing uses	-	(25,833)	27,194	1,361
Net change in fund balance	(3,041)	1,002	-	(2,039)
Fund balance, beginning of year	8,325	52,297	-	60,622
Fund balance end of year	\$ 5,284	\$ 53,299	\$ -	\$ 58,583

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF DEPOSITORIES
June 30, 2017

	<u>Type</u>	<u>Amount Per Bank</u>	<u>Plus DIT</u>	<u>Outstanding Checks</u>	<u>Balance Per Books</u>
First New Mexico Bank					
General - Operating	CK	\$ 614,185	\$ -	\$ 4,532	\$ 609,653
Fire fund	CK	53,192	-	-	53,192
Law Enforcement	CK	5,284	-	-	5,284
CDBG	CK	196	-	70	126
Utility	CK	56,769	7,125	8,094	55,800
Reserve	CK	1,165	-	-	1,165
CD	CD	<u>6,446</u>	<u>10</u>	<u>-</u>	<u>6,456</u>
 Total		 <u>\$ 737,237</u>	 <u>\$ 7,135</u>	 <u>\$ 12,696</u>	 <u>\$ 731,676</u>
Reconciliation:					
Government-Wide Cash					\$ 731,676
Petty cash					<u>237</u>
 Total					 <u>\$ 731,913</u>

Type:
CK= Checking
SV= Savings
CD= Certificate of Deposit

1st New Mexico Bank

Amount held in bank June 30, 2017	\$	737,237
Less FDIC Insurance		<u>250,000</u>
Uninsured Public Funds		<u>487,237</u>
50% Collateral Requirements (Section 6-10-17 NMSA-1978)		243,619
Pledged Securities		<u>683,262</u>
Over (Under) Collateralized	<u>\$</u>	<u>439,643</u>

<u>Description of Pledged Collateral</u>	<u>Amount</u>
FNMA Pool # MA 1983 4.0% Cusip # 31418BFZ4 Maturing 08/01/2034	\$ 151,127
SBA Pool # 521929 4.106% Cusip # 83165ALJ1 Maturing 07/25/2038	<u>532,135</u>
 Total pledged securities	 <u>\$ 683,262</u>

COMPLIANCE SECTION



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

**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**

New Mexico State Auditor
and the Mayor and the Village Council of the
Village of Mosquero
Mosquero, New Mexico

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of Village of Mosquero, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Village of Mosquero's basic financial statements, and the combining and individual funds of Village of Mosquero presented as supplemental information, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Mosquero'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 Village of Mosquero's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Mosquero'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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2017-001) (2017-003) (2017-004) (2017-007) (2017-009)

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 questioned costs to be significant deficiencies. (2008-001) (2015-002) (2017-002) (2017-005) (2017-006) (2010-010)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Mosquero'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 did not disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. (2017-008)

Village of Mosquero's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.


Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 15, 2017

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Section I - Financial Statements Findings

PRIOR YEAR FINDINGS

2008-001	Revenue Resources for Post - Closure Cost of Landfill (Significant Deficiency)	Revised and Repeated
2015-002	Accounting System (Significant Deficiency)	Revised and Repeated
2016-001	Overspent Budgets (Other Matter)	Resolved
2016-002	Approval of Board Minutes (Other Matter)	Resolved

CURRENT YEAR FINDINGS

2017-001	DFA report and trial balance reconciliation (Material Weakness)	New
2017-002	Inconsistency in reports (Significant Deficiency)	New
2017-003	Discrepancies from software to source Documents (Material Weakness)	New
2017-004	Cutoff and completeness (Material Weakness)	New
2017-005	Internal controls over payroll (Significant Deficiency)	New
2017-006	Journal entries (Significant Deficiency)	New
2017-007	Information Technology (Material Weakness)	New
2017-008	Audit contract (Other Matters)	New
2017-009	Capital assets (Material Weakness)	New
2017-010	Bank reconciliation (Significant Deficiency)	New

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Revenue Resources for Post-Closure Cost of Landfill (2008-001) - Significant Deficiency

CONDITION	The Village is responsible for providing a financial mechanism to pay for all post-closure costs associated with the landfill. The Village has not obtained any resources to date to help with any post-closure costs. These costs are estimated at \$94,900. There has been no progress to report.
CRITERIA	The Village is responsible for providing a financial mechanism to pay for all post-closure costs associated with the landfill. This is to ensure that if the Village goes bankrupt that there is still a financial mechanism for the State to use to finish and maintain the post-closure procedures.
CAUSE	Upon prior review of the current post-closure payable on the financial statements, it was discovered through discussions with the New Mexico Environment Department that the Village needed to obtain this resource. As of June 30, 2017 these resources had not been obtained
EFFECT	The Village has not followed New Mexico Environment Department Solid Waste procedures for closure and post-closure requirements.
RECOMMENDATION	The Village should continue investigating all resources from which revenues can be obtained to ensure all post-closure costs can be paid for, especially if the Village becomes bankrupt.
RESPONSE	Management has been working toward correcting the post closure cost issue in several ways. The post-closure of the Solid Waste Facility has been requested for re-evaluation of costs by NMED. Funding resources have been looked into for the funding for this post-closure plan. The NMED has been contacted to see if a new evaluation can be made to determine if the cost requirement can be lowered. Also, the Village has begun to put a percentage of General funds into a restricted account specifically to help provide the resources required. The Council will pass a resolution to restrict these funds within the next 6 months. Also, the Mayor will be working with Harding County to determine what amounts the county is willing to help fund the post closure costs. The Village has received its official closure letter from the State.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Accounting System (2015-002) - Significant Deficiency

CONDITION	The accounting system being used is not adequate to maintain a set of books for a Village based on fund accounting, and provide timely accurate reporting to the Village Mayor and Council. The Village expects the prior year corrective action plan to be implemented before the end of FY18. The Village had not made any progress as of June 30, 2017 due to employee turnover.
CRITERIA	Good accounting policies and procedures dictate that timely and accurate books are needed so that reports are available to management and governance to make sound financial decisions.
CAUSE	The accounting system in place is not designed for fund accounting. It will allow for single sided entries and does not use general ledger account numbers to drive the processing. This circumvents the controls of a double entry system and does not provide for easy processing of information into the reporting process.
EFFECT	The accuracy and completeness of the entire financial reporting system could be questionable
RECOMMENDATION	The Village should consider changing to an accounting system that is an double entry system designed specifically for fund accounting.
RESPONSE	The Village has purchased the new Tyler Fund Balance accounting software. The Village experienced turnover before the software could be implemented in the prior year. The Village is expecting that the records for the FY18 audit will be recorded in the new accounting system before June 30, 2018.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

DFA Report and trial balance reconciliation (2017-001) - Material Weakness

CONDITION	The DFA report is cannot be reconciled to QuickBooks. The funds do not balance in QuickBooks, thus the DFA report was used to create the trial balance.
CRITERIA	<p>Per Section 6-6-3 NMSA 1978, every local public body shall:</p> <ol style="list-style-type: none">1) Keep all the books, records, and accounts in their respective offices in the form prescribed by the local government division;2) Make all reports as may be required by the local government division; and3) Conform to the rules and regulations adopted by the local government division. <p>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.</p>
CAUSE	The Village had a software breach in 2017 and had to re-enter information. There are several discrepancies noted with the re-entering.
EFFECT	Balances may be incorrectly reported to Governance and to DFA.
RECOMMENDATION	The Village should work on verifying all balances, should ensure each fund is balancing in the software, and ensure that balances can be reconciled to the DFA report.
RESPONSE	The Village has acquired a new software that is equipped for fund accounting. The Village is currently working on implementing the new software, further, the Village will work on reconciling the DFA report and the software.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Inconsistency in reports (2017-002) - Significant Deficiency

CONDITION	Trial balances by funds do not add up to the consolidated trial balance.
CRITERIA	<p>Per Section 6-6-3 NMSA 1978, every local public body shall:</p> <ol style="list-style-type: none">1) Keep all the books, records, and accounts in their respective offices in the form prescribed by the local government division;2) Make all reports as may be required by the local government division; and3) Conform to the rules and regulations adopted by the local government division. <p>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.</p>
CAUSE	QuickBooks is not equipped to manage fund accounting, further, there are set up errors in the software and reports do not coincide with each other.
EFFECT	The Village cannot determine what report to rely on when they provide inconsistent results.
RECOMMENDATION	The Village should upgrade to software that can properly support fund accounting. Further, the Village should ensure that the software is properly set up so that reports are consistent with each other.
RESPONSE	The Village has purchased the new Tyler Fund Balance accounting software. The Village experienced turnover before the software could be implemented in the prior year. The Village is expecting that the records for the FY18 audit will be recorded in the new accounting system before June 30, 2018.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Mismatch from software to source documents (2017-003) - Material Weakness

CONDITION	A total of 39 expenses were tested, and it was noted that 8 of the check numbers did not match from QuickBooks reports to the actual source document. It was also noted that the supporting documentation for 5 could not be located, because the check number in QuickBooks did not match the source documents.
CRITERIA	Section 6-5-2, NMSA 1978, requires that the authority shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters
CAUSE	The Village had a software breach in 2017 and had to re-enter information. There are several discrepancies noted with the re-entering.
EFFECT	Balances may be incorrectly posted, and may be recorded in the incorrect period.
RECOMMENDATION	The Village should work on verifying all balances, should ensure each fund is balancing in the software, and ensure that posted items in QuickBooks match the source document.
RESPONSE	The Village has changed password in attempt to deter and future breach. Further, the Village has purchased the new Tyler Fund Balance accounting software. The Village experienced turnover before the software could be implemented in the prior year. The Village is expecting that the records for the FY18 audit will be recorded in the new accounting system before June 30, 2018.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Cutoff and Completeness (2017-004) - Material Weakness

CONDITION	During subsequent deposit testing it was noted that transactions are not being booked in the proper period, since 6 out of 7 cash receipts booked after June 30, 2017 but were actually received and earned before June 30, 2017.
CRITERIA	Per FASB ASC 958-605, contributions received shall be recognized as revenues in the period received. Per FASB ASC 958-720, expenses should be recognized in the period when the economic benefits are used.
CAUSE	The Village had a software breach in 2017 and had to re-enter information. There are several discrepancies noted with the re-entering.
EFFECT	To completeness and accuracy of the books cannot be determined since there are no internal controls over completeness and cutoff.
RECOMMENDATION	The Village should develop and maintain internal controls over completeness and cutoff, including a review and approval process. Further, the data entered in the accounting system should match the source document and should be recorded in the proper period.
RESPONSE	The Village will review internal process and will apply internal controls over reporting.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Internal Controls over Payroll (2017-005) - Significant Deficiency

CONDITION	During payroll testing it was noted that the check issued to employees was for a different dollar value than what was noted in the payroll summary.
CRITERIA	Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.
CAUSE	The Village had a software breach in 2017 and had to re-enter information. There are several discrepancies noted with the re-entering.
EFFECT	Inconsistent reports may result in improper payment of payroll and may be misleading.
RECOMMENDATION	The Village should ensure that payroll summaries match to checks paid out to employees, to ensure there is no error in payroll payments, and to ensure Governance is not misled.
RESPONSE	The Village will work with the software provider to set up payroll reports properly in the new software.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Journal Entries (2017-006) - Significant Deficiency

CONDITION	Through employee interviews, it was noted that journal entries are not reviewed and approved.
CRITERIA	Section 6-5-2, NMSA 1978, requires that the authority shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.
CAUSE	The Village was unaware of this requirement.
EFFECT	There may be unauthorized adjustments made, leaving room for error and management override.
RECOMMENDATION	The Village should implement a review process for all transactions to mitigate risk of error, or manipulation.
RESPONSE	The Village will implement a process of authorizing journal entries that involves signed approval.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Information Technology (2017-007) - Material Weaknesses

CONDITION	During the audit it was noted that the Village accounting system had a breach, and the Village did not have an adequate back up to restore lost information. Consequently, the Village had to re-enter information for several months. The adequate controls have not been established for the protection of IT resources including data and information in the following areas: Physical security - Disaster recovery/contingency planning.
CRITERIA	The State of New Mexico Statewide Guideline S-GUIDE-002.003 (per NMSA 1978 Section 15-1C-1 et. SEQ and NMAC 1.12.6 and NMAC 1.12.2) establishes an Enterprise Security Policy for the protection of IT assets and resources including data and information. The policy establishes that protection must be provided for IT assets, resources, and data/ information from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide integrity, confidentiality, availability, accountability, and assurance, and establishes that controls must be maintained over information systems, resources, and data/information sufficient to contain risk of loss or misuse of information.
CAUSE	The Village is not properly safeguarding IT assets and resources. The following deficiencies were noted: - Lack of IT Policies - Lack of physical controls over servers - Lack of contingency planning.
EFFECT	The Village can experience loss of general ledger information. The lack of IT policies, lack of physical controls over servers, and lack of contingency planning leave the Village of risk of loss or misuse of data and information. The Village is unable to properly report reliable financial information due to incomplete information.
RECOMMENDATION	The Village should implement the following recommendations: - Establish policies to govern IT use and security - Develop a contingency plan detailing how to recover IT systems and become operational in the vent of a disaster of interruption of IT function - get consulting when implementing an accounting software to minimize transposition error, and run some form of parallel transitioning to reduce the loss of data.
RESPONSE	The Village has changed password to software, and is in the process of implementing a different software that will have back up functions.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Audit Contract (2017-008) - Other Matters

CONDITION	The Village did not submit an audit contract by the May 15th deadline.
CRITERIA	Per Subsection F of 2.2.2.8 NMAC, local public bodies need to submit their audit contract by May 15th.
CAUSE	The Village was unaware of this requirement.
EFFECT	The last submission can result in un-timely reporting.
RECOMMENDATION	The Village should submit their contract by the May 15th deadline in future years.
RESPONSE	The Village was in the process of changing auditor during the 2016/2017 audit. The Village will submit the audit contract on time in future years.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Capital Assets (2017-009) - Material Weakness

CONDITION	It was noted in the capital assets testwork that the client was unable to provide a complete and comprehensive capital assets listing because the village did not perform a physical count of capital assets in fiscal year 2016.
CRITERIA	Section 2.20.1.15 of NMAC requires agencies to properly safeguard assets. All assets within an established materiality limit should be tagged with unique numbers and accounted for on the capital asset listing. The statutory annual inventory requirement is described in Section 2.20.1.16 of NMAC.
CAUSE	The Village was unaware of this requirement.
EFFECT	Lack of complete and accurate capital assets listing may result in improper accounting, and increases the risk of error or theft.
RECOMMENDATION	The Village should perform an annual inventory of capital assets and tag them.
RESPONSE	The Village will ensure to perform an inventory of capital assets on an annual basis, appropriately tag them and have the capital assets listings certified by the board as to its correctness.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

Bank reconciliation (2017-010) - Significant Deficiency

CONDITION	It was noted that 3 out of 6 bank reconciliations tested were not accurately reconciled to the trial balance resulting in a discrepancy of \$9,145.
CRITERIA	Section 6-6-3 NMSA, 1978 discusses good accounting practices and require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.
CAUSE	The Village has had turnover and has experienced computer breach.
EFFECT	The cash accounts may be over/understated as a result of inaccurate bank reconciliations.
RECOMMENDATION	It is recommended that the Village perform complete and accurate bank reconciliations at month end and assign another member of management the responsibility of reviewing each month's bank reconciliation. All unusual reconciling items should be investigated and dealt with promptly so errors do not accumulate thereby making the reconciliation process more difficult and time consuming.
RESPONSE	The Village is looking into the difference and will be reviewing each month's bank reconciliation timely.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED June 30, 2017

An entrance conference was held on October 5, 2017 in a closed meeting with Beasley, Mitchell & Co., LLP, with the following Village officials:

Village of Mosquero

Theresa Trujillo	Trustee
Vanita Menapace	Interim Clerk

Beasley, Mitchell & Co., LLP

Dahlia Garcia, CPA	Audit Supervisor
Juan Garcia	Senior Audit Accountant
Amr Sakka, CPA	Audit Staff II

An exit conference was held on December 15, 2017 in a closed meeting with Beasley, Mitchell & Co., LLP, with the following Village officials:

Village of Mosquero

Theresa Trujillo	Trustee
Vanita Menapace	Interim Clerk

Beasley, Mitchell & Co., LLP

Juan Garcia	Senior Audit Accountant
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The financial statements presented in this report were compiled with the assistance of the auditors, Beasley, Mitchell & Co., LLP. However, the contents of the financial statements remain the responsibility of management.