

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
For the Year Ended June 30, 2018

TABLE OF CONTENTS

	Page
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2 - 4
BASIC FINANCIAL STATEMENTS:	
Government - Wide Financial Statements:	
Statement of Net Position	6 - 7
Statement of Activities	8
Fund Financial Statements:	
Major Governmental Funds:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Government Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	12 - 13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	15
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual - Law Enforcement Protection Fund	16
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual - Fire Protection Fund	17

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
For the Year Ended June 30, 2018

TABLE OF CONTENTS (CONTINUED)

	Page
Proprietary Funds:	
Statement of Net Position	19 - 20
Statement of Revenues, Expenditures, and Changes in Net Position	21
Statement of Cash Flows	22 - 23
Notes to the Financial Statements	25 - 48
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Proportionate Share of the Net Pension Liability	50
Schedule of Village of Mosquero's Contributions	51
Notes to the Required Supplementary Information	52
Supplementary Information:	
Non-Major Funds	54
Combining Balance Sheets - Non-Major Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Funds	56
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Depositories	58
COMPLIANCE:	
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	60 - 61
Summary of Audit Results	62
Schedule of Findings and Responses	63 - 80
Entrance and Exit Conference	81

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
OFFICIAL ROSTER
June 30, 2018

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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 in 2017, and they lost information. 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 50 through 52 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 other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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. Because of the significance of the matter discussed in the basis for disclaimer of opinion paragraph, it is inappropriate to and we do not express an opinion on the supplemental information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 7, 2020 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
Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
April 7, 2020

GOVERNMENT - WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business- type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Current assets:			
Cash and cash equivalents	\$ 221,226	\$ 44,000	\$ 265,226
Investments	6,470	-	6,470
Accounts receivables	19,388	4,018	23,406
Taxes receivable	4,294	-	4,294
Due from other funds	<u>42,039</u>	<u>-</u>	<u>42,039</u>
Total current assets	293,417	48,018	341,435
Non-current assets:			
Capital assets	5,116,556	3,919,095	9,035,651
Less accumulated depreciation	<u>(1,975,282)</u>	<u>(1,568,990)</u>	<u>(3,544,272)</u>
Total non-current assets	<u>3,141,274</u>	<u>2,350,105</u>	<u>5,491,379</u>
Total assets	3,434,691	2,398,123	5,832,814
Deferred outflows:			
Deferred outflows - subsequent	2,711	2,712	5,423
Deferred outflows	<u>8,290</u>	<u>8,288</u>	<u>16,578</u>
Total deferred outflows	<u>11,001</u>	<u>11,000</u>	<u>22,001</u>
Total assets and deferred outflows	<u>\$ 3,445,692</u>	<u>\$ 2,409,123</u>	<u>\$ 5,854,815</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, 2018

	Governmental Activities	Business- type Activities	Total
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
Current liabilities			
Accounts payable	\$ 11,037	\$ -	\$ 11,037
Accrued interest payable	24	-	24
Accrued expenses	802	-	802
Current portion of long-term debt	31,802	-	31,802
Due to other funds	-	42,039	42,039
Current portion of compensated absences	560	-	560
Total current liabilities	44,225	42,039	86,264
Non-current liabilities			
Compensated absences, net of current	356	-	356
Net pension liability	25,421	25,420	50,841
Landfill closure payables	-	94,900	94,900
Long-term debt, less current maturities	147,409	-	147,409
Total non-current liabilities	173,186	120,320	293,506
Total liabilities	217,411	162,359	379,770
Deferred inflows:			
Deferred inflows	7,090	7,088	14,178
Total deferred inflows	7,090	7,088	14,178
Total liabilities and deferred inflows	224,501	169,447	393,948
NET POSITION			
Net investment in capital assets	2,962,063	2,350,105	5,312,168
Restricted for:			
Capital projects	24,693	-	24,693
Special revenue funds	57,866	-	57,866
Unrestricted	176,569	(110,429)	66,140
Total net position	3,221,191	2,239,676	5,460,867
Total liabilities, deferred inflows and net position	\$ 3,445,692	\$ 2,409,123	\$ 5,854,815

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, 2018

	General Fund	Law Enforcement Fund	Fire Protection Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS					
Assets					
Cash and cash equivalents	\$ 147,068	\$ 12,598	\$ 50,196	\$ 11,364	\$ 221,226
Investments	6,470	-	-	-	6,470
Taxes receivable	4,294	-	-	-	4,294
Accounts receivable	6,059	-	-	13,329	19,388
Due from other funds	<u>42,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,039</u>
 Total assets	 <u>\$ 205,930</u>	 <u>\$ 12,598</u>	 <u>\$ 50,196</u>	 <u>\$ 24,693</u>	 <u>\$ 293,417</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 6,128	\$ 4,901	\$ 8	\$ -	\$ 11,037
Accrued interest payable	5	-	19	-	24
Accrued expenses	802	-	-	-	802
 Total liabilities	 6,935	 4,901	 27	 -	 11,863
Fund balances:					
Restricted - special revenue	-	7,697	50,169	-	57,866
Restricted - capital projects	-	-	-	24,693	24,693
Unassigned	<u>198,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,995</u>
 Total fund balances	 <u>198,995</u>	 <u>7,697</u>	 <u>50,169</u>	 <u>24,693</u>	 <u>281,554</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 205,930</u>	 <u>\$ 12,598</u>	 <u>\$ 50,196</u>	 <u>\$ 24,693</u>	 <u>\$ 293,417</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, 2018

Total fund balances - governmental funds \$ 281,554

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	5,116,556	
Accumulated depreciation	<u>(1,975,282)</u>	3,141,274

Deferred outflows - contributions made after the measurement date, will be recognized as a reduction of net pension liability	2,711
-------------------------------------------------------------------------------------------------------------------------------	-------

Deferred outflows	8,290
-------------------	-------

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	(25,421)	
Notes payable	(179,211)	
Compensated absences	<u>(916)</u>	(205,548)

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>(7,090)</u>
------------------	----------------

Total net position - governmental activities \$ 3,221,191

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, 2018

	General Fund	Law Enforcement Fund	Fire Protection Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES					
Property tax	\$ 1,589	\$ -	\$ -	\$ -	\$ 1,589
Gross receipts tax	33,607	-	-	-	33,607
Gasoline tax	5,147	-	-	-	5,147
Motor vehicle tax	847	-	-	-	847
Licenses and permits	425	-	-	-	425
Local sources	4,855	-	-	-	4,855
State sources	199,743	19,836	55,805	13,329	288,713
Miscellaneous	27,955	-	-	-	27,955
Investment income	-	450	274	14	738
	<u>274,168</u>	<u>20,286</u>	<u>56,079</u>	<u>13,343</u>	<u>363,876</u>
Total revenues	274,168	20,286	56,079	13,343	363,876
EXPENDITURES					
Current					
General government	134,994	-	-	-	134,994
Public safety	154	39,722	33,434	-	73,310
Public works	16,318	-	-	-	16,318
Debt service:					
Debt principal	-	-	-	27,126	27,126
Interest	-	-	-	5	5
Capital outlay	556,489	-	-	-	556,489
	<u>707,955</u>	<u>39,722</u>	<u>33,434</u>	<u>27,131</u>	<u>808,242</u>
Total expenditures	707,955	39,722	33,434	27,131	808,242
Excess (deficiency) of revenues over expenditures	(433,787)	(19,436)	22,645	(13,788)	(444,366)

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, 2018

	General Fund	Law Enforcement Fund	Fire Protection Fund	Total Non-Major Funds	Total Governmental Funds
OTHER FINANCING SOURCES					
(USES)					
Loan proceeds	-	21,849	-	-	21,849
Transfers in	-	-	-	155,337	155,337
Transfers out	<u>(129,562)</u>	<u>-</u>	<u>(25,775)</u>	<u>-</u>	<u>(155,337)</u>
Total other financing sources (uses)	<u>(129,562)</u>	<u>21,849</u>	<u>(25,775)</u>	<u>155,337</u>	<u>21,849</u>
Net change in fund balance	(563,349)	2,413	(3,130)	141,549	(422,517)
Fund balance at beginning of year, as previously stated	202,724	5,284	53,299	(116,856)	144,451
Restatement - (Note 13)	<u>559,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>559,620</u>
Fund balance at beginning of year, as restated	<u>762,344</u>	<u>5,284</u>	<u>53,299</u>	<u>(116,856)</u>	<u>704,071</u>
Fund balance at end of year	<u>\$ 198,995</u>	<u>\$ 7,697</u>	<u>\$ 50,169</u>	<u>\$ 24,693</u>	<u>\$ 281,554</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, 2018

Net change in fund balances - total governmental funds \$ (422,517)

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	556,489	
Depreciation expense	<u>(260,757)</u>	295,732
Change in deferred outflows		(10,366)
Change in deferred inflows		(6,693)
Change in net pension liability		14,521
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		27,126
Loan proceeds		(21,849)
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>(76)</u>
Change in net position of governmental activities		<u>\$ (124,122)</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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Property tax	\$ 1,033	\$ 1,033	\$ 1,589	\$ 556
Gross receipts tax	18,600	18,600	37,132	18,532
Gasoline tax	5,704	5,704	5,147	(557)
Motor vehicle tax	1,000	1,000	847	(153)
Licenses and permits	250	250	425	175
Local sources	15,000	15,000	4,855	(10,145)
State sources	-	-	109,743	109,743
Miscellaneous	5,500	5,500	27,955	22,455
Small cities assistance	90,000	90,000	90,000	-
Total revenues	137,087	137,087	277,693	140,606
EXPENDITURES:				
General government	110,000	110,000	129,155	(19,155)
Public works	20,000	20,000	16,318	3,682
Public Safety	-	-	154	(154)
Health and welfare	5,000	500	-	500
Capital outlay	-	-	556,489	(556,489)
Total expenditures	135,000	130,500	702,116	(571,616)
Excess (deficiency) of revenues over expenditures	2,087	6,587	(424,423)	(431,010)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(35,411)	(35,411)	(129,562)	(94,151)
Total other financing sources (uses)	(35,411)	(35,411)	(129,562)	(94,151)
Net changes in fund balance Non-GAAP basis	(33,324)	(28,824)	(553,985)	(525,161)
Fund balance - beginning	202,724	202,724	202,724	-
Fund balance - ending	<u>\$ 169,400</u>	<u>\$ 173,900</u>	<u>\$ 208,359</u>	<u>\$ 34,459</u>
Reconciliation in fund balance - budgetary basis				
Net change in fund balance - budgetary basis			\$ (553,985)	
Revenue accrual			(3,525)	
Expenditure accrual			<u>(5,839)</u>	
Net change in fund balance - GAAP basis			<u>\$ (563,349)</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
LAW ENFORCEMENT PROTECTION FUND
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
State sources	20,050	20,050	41,685	21,635
Miscellaneous	-	-	450	450
Total revenues	<u>20,050</u>	<u>20,050</u>	<u>42,135</u>	<u>22,085</u>
EXPENDITURES:				
Public Safety	<u>25,334</u>	<u>25,334</u>	<u>44,623</u>	<u>(19,289)</u>
Total expenditures	<u>25,334</u>	<u>25,334</u>	<u>44,623</u>	<u>(19,289)</u>
Excess (deficiency) of revenues over expenditures	<u>(5,284)</u>	<u>(5,284)</u>	<u>(2,488)</u>	<u>2,796</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	20,000	-	(20,000)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Net changes in fund balance Non-GAAP basis	(5,284)	14,716	(2,488)	(17,204)
Fund balance - beginning	<u>5,284</u>	<u>5,284</u>	<u>5,284</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 2,796</u>	<u>\$ (17,204)</u>
Reconciliation in fund balance - budgetary basis				
Net change in fund balance - budgetary basis			\$ (2,488)	
Revenue accrual			-	
Expenditure accrual			<u>4,901</u>	
Net change in fund balance - GAAP basis			<u>\$ 2,413</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
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION FUND
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
State sources	\$ 80,250	\$ 80,250	\$ 55,805	\$ (24,445)
Miscellaneous	<u>-</u>	<u>-</u>	<u>274</u>	<u>274</u>
Total revenues	80,250	80,250	56,079	(24,171)
EXPENDITURES:				
Public Safety	<u>50,000</u>	<u>50,000</u>	<u>33,442</u>	<u>16,558</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>33,442</u>	<u>16,558</u>
Excess (deficiency) of revenues over expenditures	<u>30,250</u>	<u>30,250</u>	<u>22,637</u>	<u>(7,613)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(25,775)</u>	<u>(25,775)</u>	<u>(25,775)</u>	<u>-</u>
Total other financing sources (uses)	<u>(25,775)</u>	<u>(25,775)</u>	<u>(25,775)</u>	<u>-</u>
Net changes in fund balance Non-GAAP basis	4,475	4,475	(3,138)	(7,613)
Fund balance - beginning	<u>5,284</u>	<u>5,284</u>	<u>5,284</u>	<u>-</u>
Fund balance - ending	<u>\$ 9,759</u>	<u>\$ 9,759</u>	<u>\$ 2,146</u>	<u>\$ (7,613)</u>
Reconciliation in fund balance - budgetary basis				
Net change in fund balance - budgetary basis			\$ (3,138)	
Revenue accrual			-	
Expenditure accrual			<u>8</u>	
Net change in fund balance - GAAP basis			<u>\$ (3,130)</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, 2018

	<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	\$ 34,325	\$ 9,675	\$ -	\$ 44,000
Accounts receivable	<u>2,132</u>	<u>1,074</u>	<u>812</u>	<u>4,018</u>
Total current assets	36,457	10,749	812	48,018
Non-current assets				
Capital assets	2,070,867	1,640,028	208,200	3,919,095
Less accumulated depreciation	<u>(808,293)</u>	<u>(618,332)</u>	<u>(142,365)</u>	<u>(1,568,990)</u>
Total non-current assets	<u>1,262,574</u>	<u>1,021,696</u>	<u>65,835</u>	<u>2,350,105</u>
Total assets	1,299,031	1,032,445	66,647	2,398,123
Deferred outflows				
Deferred outflows	<u>5,500</u>	<u>-</u>	<u>5,500</u>	<u>11,000</u>
Total deferred outflows	<u>5,500</u>	<u>-</u>	<u>5,500</u>	<u>11,000</u>
Total assets and deferred outflows	<u>\$ 1,304,531</u>	<u>\$ 1,032,445</u>	<u>\$ 72,147</u>	<u>\$ 2,409,123</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, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
Due to governmental funds	-	-	42,039	42,039
Total current liabilities	<u>-</u>	<u>-</u>	<u>42,039</u>	<u>42,039</u>
Non-current liabilities				
Net pension liability	\$ 12,709	\$ -	\$ 12,711	\$ 25,420
Landfill closure payables	<u>-</u>	<u>-</u>	<u>94,900</u>	<u>94,900</u>
Total non-current liabilities	<u>12,709</u>	<u>-</u>	<u>107,611</u>	<u>120,320</u>
Total liabilities	12,709	-	149,650	162,359
Deferred inflows:				
Deferred inflows	<u>3,544</u>	<u>-</u>	<u>3,544</u>	<u>7,088</u>
Total deferred inflows	<u>3,544</u>	<u>-</u>	<u>3,544</u>	<u>7,088</u>
Total liabilities and deferred inflows	<u>16,253</u>	<u>-</u>	<u>153,194</u>	<u>169,447</u>
NET POSITION				
Net investment in capital assets	1,262,574	1,021,696	65,835	2,350,105
Unrestricted	<u>25,704</u>	<u>10,749</u>	<u>(146,882)</u>	<u>(110,429)</u>
Total net position	<u>1,288,278</u>	<u>1,032,445</u>	<u>(81,047)</u>	<u>2,239,676</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,304,531</u>	<u>\$ 1,032,445</u>	<u>\$ 72,147</u>	<u>\$ 2,409,123</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, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary</u>
OPERATING REVENUES				
Charges for services	\$ 167,069	\$ 2,632	\$ 5,130	\$ 174,831
Other income	<u>43,951</u>	<u>-</u>	<u>3</u>	<u>43,954</u>
Total operating revenues	211,020	2,632	5,133	218,785
OPERATING EXPENSES				
Salaries	83,001	-	-	83,001
Maintenance and operations	31,006	15,012	81,702	127,720
Depreciation expense	<u>63,672</u>	<u>44,659</u>	<u>15,025</u>	<u>123,356</u>
Total operating expenses	<u>177,679</u>	<u>59,671</u>	<u>96,727</u>	<u>334,077</u>
Operating income	33,341	(57,039)	(91,594)	(115,292)
OTHER FINANCING SOURCES				
Investment income	98	-	-	98
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>98</u>	<u>-</u>	<u>-</u>	<u>98</u>
Change in net position	33,439	(57,039)	(91,594)	(115,194)
Net position, beginning of year	948,056	470,123	(43,681)	1,374,498
Restatement	<u>306,783</u>	<u>619,361</u>	<u>54,228</u>	<u>980,372</u>
Net position, beginning of year as restated	<u>1,254,839</u>	<u>1,089,484</u>	<u>10,547</u>	<u>2,354,870</u>
Net position, end of year	<u>\$ 1,288,278</u>	<u>\$ 1,032,445</u>	<u>\$ (81,047)</u>	<u>\$ 2,239,676</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, 2018

	<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	\$ 208,888	\$ 1,558	\$ 9,504	\$ 219,950
Cash payments to employees for services	(81,733)	-	(3,914)	(85,647)
Cash paid to suppliers	<u>275,777</u>	<u>604,349</u>	<u>(57,524)</u>	<u>822,602</u>
Net cash provided by (used in) operating activities	402,932	605,907	(51,934)	956,905
Cash flows from investing activities:				
Investment income	<u>98</u>	<u>-</u>	<u>-</u>	<u>98</u>
Net cash used in investing activities	<u>98</u>	<u>-</u>	<u>-</u>	<u>98</u>
Cash flows from financing activities:				
Change in capital assets	<u>(368,705)</u>	<u>(619,361)</u>	<u>(24,178)</u>	<u>(1,012,244)</u>
Net cash used in financing activities	<u>(368,705)</u>	<u>(619,361)</u>	<u>(24,178)</u>	<u>(1,012,244)</u>
Net increase (decrease) in cash	34,325	(13,454)	(76,112)	(55,241)
CASH, Beginning of year	<u>-</u>	<u>23,129</u>	<u>34,073</u>	<u>57,202</u>
CASH, End of year	<u>\$ 34,325</u>	<u>\$ 9,675</u>	<u>\$ -</u>	<u>\$ 44,000</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, 2018

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)	\$ 33,341	\$ (57,039)	\$ (91,594)	\$ (115,292)
Adjustments to reconcile change in net assets to net cash				
Depreciation	63,672	44,659	(15,025)	93,306
Restatement	306,783	619,361	54,228	980,372
Changes in working capital components:				
(Increase) Decrease in:				
Accounts receivables	(2,132)	(1,074)	(812)	(4,018)
Other assets	5,183	-	5,183	10,366
Increase (Decrease) in:				
Other liabilities	<u>(3,915)</u>	<u>-</u>	<u>(3,914)</u>	<u>(7,829)</u>
Net cash provided by operating activities	<u>\$ 402,932</u>	<u>\$ 605,907</u>	<u>\$ (51,934)</u>	<u>\$ 956,905</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, 2018

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.

A. Reporting Entity

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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018

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, 2018

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.

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).

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Under the requirements of GASB No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include 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, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
(Continued)

Fair Value Measurements:

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2018, there are no items are required to be valued using valuation techniques.

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.

Deferred Outflows:

In the government-wide fund financial statements, deferred outflows are contributions to a pension plan after the measurement date, and the change in assumption.

Property Taxes:

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

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.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
(Continued)

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.

Pensions:

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

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.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
(Continued)

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.

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.

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.

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

Restricted net position - Fund balance should be reported when constraints placed on the use of resources are either;

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

b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unrestricted net position - This category reflects net position 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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
(Continued)

Fund Balance:

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.

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, for example, inventories, prepaid amounts, long term amount of loans and note receivable; or (b) legally or contractually required to be maintained intact, for example, debt service reserves. The Village has no nonspendable fund balance at June 30, 2018.

Restricted – This classification includes amounts that are restricted to a specific purpose. Fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as debt covenants) grantors, contributors, or laws or regulations of other governments; (b) enabling legislation, as the term is used authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The Village has \$82,559 in restricted fund balances at June 30, 2018.

Committed – This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same type of action (for example, resolution or ordinance) it employed to previously commit those amounts. The Village has no committed funds at June 30, 2018.

Assigned – This classification includes amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed and should be reported as assigned fund balance. The Village no assigned fund balances at June 30, 2018.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
(Continued)

Unassigned - Fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Village's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

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.

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.

Implementation of New Accounting Standards

In June 2017, GASB Statement No. 87 Leases, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The Village is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In April 2018, GASB No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements related to debt for periods beginning after June 15, 2018. Furthermore, GASB No. 88 clarifies which liabilities governments should include when disclosing information. Earlier application is encouraged. The Village is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of the Statement are effective for reporting periods beginning after December 15, 2019.

Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Village of is still evaluating how this pronouncement will affect the financial statements.

In December 2018, GASB 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

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-GAAP 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, 2018 is presented.

Budgetary Control

1. Prior to June 1, the Village's Clerk submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted in May and June to obtain taxpayers comments.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.

3. The Village Council is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the State Department of Finance and Administration.

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

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

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	124,420
Uninsured and collateralized	<u>(69,825)</u>
Total Cash and Investments, Primary Government	<u>\$ 304,595</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, 2018, \$304,595 of the Village's bank balance of \$304,595 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 180,175
Cash held by pledging bank's trust	<u>124,420</u>
Total Cash and Investments, Primary Government	<u>\$ 304,595</u>

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, consist of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Accounts receivable	\$ 19,388	\$ 4,018	\$ 23,406
Various taxes	<u>4,294</u>	<u>-</u>	<u>4,294</u>
Net receivables	<u>\$ 23,682</u>	<u>\$ 4,018</u>	<u>\$ 27,700</u>

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

5. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018, 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, 2017</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Government activities					
Capital assets not being depreciated:					
Land	\$ 174,014	\$ -	\$ -	\$ -	\$ 174,014
Construction in progress	<u>-</u>	<u>-</u>	<u>27,858</u>	<u>-</u>	<u>27,858</u>
Total	<u>174,014</u>	<u>-</u>	<u>27,858</u>	<u>-</u>	<u>201,872</u>
Other capital assets being depreciated					
Buildings and improvements	572,483	(904)	-	-	571,579
Infrastructure	3,152,042	-	506,362	-	3,658,404
Vehicles	143,853	13,967	21,849	(11,059)	168,610
Machinery and equipment	<u>677,157</u>	<u>(161,486)</u>	<u>420</u>	<u>-</u>	<u>516,091</u>
Total	<u>4,545,535</u>	<u>(148,423)</u>	<u>528,631</u>	<u>(11,059)</u>	<u>4,914,684</u>
Accumulated depreciation					
Buildings and improvements	372,552	(58,689)	33,443	-	347,306
Infrastructure	949,755	-	182,920	-	1,132,675
Vehicles	81,196	1,952	17,739	-	100,887
Machinery and equipment	<u>383,352</u>	<u>(15,593)</u>	<u>26,655</u>	<u>-</u>	<u>394,414</u>
Total accumulated depreciation	<u>1,786,855</u>	<u>(72,330)</u>	<u>260,757</u>	<u>-</u>	<u>1,975,282</u>
Total capital assets	<u>\$ 2,932,694</u>	<u>\$ (76,093)</u>	<u>\$ 295,732</u>	<u>\$ (11,059)</u>	<u>\$ 3,141,274</u>

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

5. CAPITAL ASSETS (Continued)

Depreciation expense, for the year ended June 30, 2018 was charged as follows:

General government	\$	235,563
Public safety		22,451
Public works		2,114
Culture and recreation		<u>629</u>
Total depreciation expense	\$	<u>260,757</u>

Depreciation expense relating to Government Activities for the year-ended June 30, 2018 totaled \$260,757.

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

	<u>Balance June 30, 2017</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Business-type activities					
Capital assets being depreciated					
Land Improvements	\$ 75,797	\$ 53,518	\$ -	\$ -	\$ 129,315
Buildings	60,000	86,772	-	-	146,772
Utility system	2,191,245	1,266,804	-	-	3,458,049
Machinery and equipment	<u>122,940</u>	<u>62,019</u>	<u>-</u>	<u>-</u>	<u>184,959</u>
Total	<u>2,449,982</u>	<u>1,469,113</u>	<u>-</u>	<u>-</u>	<u>3,919,095</u>
Accumulated depreciation					
Land Improvements	69,363	(17,015)	6,155	-	58,503
Buildings	47,955	(18,808)	3,830	-	32,977
Utility system	807,992	419,628	97,387	-	1,325,007
Machinery and equipment	<u>93,506</u>	<u>43,013</u>	<u>15,984</u>	<u>-</u>	<u>152,503</u>
Total accumulated depreciation	<u>1,018,816</u>	<u>426,818</u>	<u>123,356</u>	<u>-</u>	<u>1,568,990</u>
Total capital assets	<u>\$ 1,431,166</u>	<u>\$ 1,042,295</u>	<u>\$ (123,356)</u>	<u>\$ -</u>	<u>\$ 2,350,105</u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2018 totaled \$123,356.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

6. LONG TERM DEBT

During the year-end June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Funds	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
New Mexico Finance Authority - General	\$ 4,063	\$ -	\$ 1,351	\$ 2,712	\$ 1,353
New Mexico Finance Authority - Fire	180,425	-	25,775	154,650	25,993
New Mexico Finance Authority - LEPP	<u>-</u>	<u>21,849</u>	<u>-</u>	<u>21,849</u>	<u>4,456</u>
Total	<u>\$ 184,488</u>	<u>\$ 21,849</u>	<u>\$ 27,126</u>	<u>\$ 179,211</u>	<u>\$ 31,802</u>

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 existing 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>
2019	\$ 1,353
2020	1,353
2021	<u>6</u>
	<u>\$ 2,712</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>
2019	\$ 25,993
2020	25,993
2021	25,993
2022	25,993
2023 - 2024	<u>50,678</u>
	<u>\$ 154,650</u>

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

6. LONG TERM DEBT (Continued)

The Village obtained a \$21,849 loan from the State of New Mexico Finance Authority, during the 2018 fiscal year; the purpose of the loan was to defray the cost of acquiring a police pick-up truck. The note bears interest of 1.96%. The maturity date of the loan is May 2022. The payment amounts are as follows:

<u>June 30:</u>	<u>Principal</u>
2019	\$ 4,456
2020	4,544
2021	4,634
2022	4,328
2023 - 2024	<u>3,887</u>
	<u>\$ 21,849</u>

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

Governmental Funds	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
	<u>June 30, 2017</u>			<u>June 30, 2018</u>	<u>One Year</u>
Compensated absences	\$ <u>840</u>	\$ <u>636</u>	\$ <u>560</u>	\$ <u>916</u>	\$ <u>560</u>
Total	\$ <u>840</u>	\$ <u>636</u>	\$ <u>560</u>	\$ <u>916</u>	\$ <u>560</u>

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.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

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, 2017 available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>.

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 FY17 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 FY17 annual audit report at https://reports.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2017.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, 2017.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

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, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 are included in the total contribution amounts.

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

For PERA Fund Division Municipal General, at June 30, 2018, the Village reported a liability of \$50,841 for its proportionate share of the net pension liability. At June 30, 2017, the Village's proportion was 0.0037%, which was unchanged from its proportion measured as of June 30, 2016, due to the insignificance of the difference.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

For the year ended June 30, 2018, the Village recognized PERA Fund Division Municipal General pension expense of \$7,745. At June 30, 2017, the Village reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Differences between expected and actual experience	\$ 1,997	\$ 2,604
Changes of assumptions	2,345	525
Net difference between projected and actual earnings on pension plan investments	4,171	-
Changes in proportion and differences between Village of Mosquero contributions and proportionate share of contributions	8,065	11,049
Village of Mosquero contributions subsequent to the measurement date	5,423	-
Total	\$ 22,001	\$ 14,178

In June 30, 2017 \$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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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, 2017 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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	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

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:

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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	\$ 50,841	\$ 47,355

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.

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

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, 2018.

10. 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.

11. INTER-FUND TRANSFERS AND BALANCES

There were the following inter-fund transfers during the year ended June 30, 2018.

<u>Amount</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
\$ 129,562	General Fund	Capital Projects	To fund operations
25,775	Fire	Capital Projects	To fund operations

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 7, 2020 the date the financial statements were available to be issued.

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 NOTES TO BASIC FINANCIAL STATEMENTS
 As of and For the Year Ended June 30, 2018

13. Restatement

A prior year adjustment of \$1,452,840 was recorded for the fiscal year ended June 30, 2018. Of the total adjustment, (\$57,835) was related to match 2017 ending equity to 2018 beginning equity. An adjustment of \$60,969 was made to correctly match cash balances to confirmations. To have a better representation of fixed assets in the government-wide and enterprise funds a restatement of \$1,449,706 was made.

Restatements

Fixed Assets		
Government-wide	\$	469,334
Water		306,783
Sewer		619,361
Solid waste		<u>54,228</u>
Fixed assets restatement		1,449,706
Equity roll-forward		(57,835)
Cash restatement		<u>60,969</u>
	\$	<u>1,452,840</u>

14. Tax Abatement

There are no tax abatements to report under GASB 77.

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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The Village of Mosquero's proportion of the net pension liability	\$ 50,841	\$ 79,883	\$ 42,823	\$ 23,403
The Village of Mosquero's proportionate share of the net pension liability	0.0037%	0.0042%	0.0042%	0.0030%
The Village of Mosquero's covered-employee payroll	\$ 31,615	\$ 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	160.81 %	205.38 %	96.41 %	52.69 %
Plan fiduciary net position as a percentage of the total pension liability	73.74 %	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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,010	\$ 6,168	\$ 4,112	\$ 3,282
Contributions in relation to the contractually required contribution	<u>5,010</u>	<u>6,168</u>	<u>4,112</u>	<u>3,282</u>
Contribution deficiency (excess)	-	-	-	-
The Village of Mosquero' covered-employee payroll	<u>\$ 31,615</u>	<u>\$ 38,895</u>	<u>\$ 44,417</u>	<u>\$ 155,923</u>
Contributions as a percentage of covered-employee payroll	<u>15.85 %</u>	<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, 2018

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 FY17 audit available at https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf

Changes of assumptions- The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2017 is available at https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf See Appendix B on pages 53 - 61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2017 valuation.

Changes in assumptions resulted in a decrease of \$63.3 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, 2017. 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 https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf

SUPPLEMENTARY INFORMATION

NON-MAJOR FUNDS

CAPITAL PROJECTS FUND - To account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

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, 2018

	Capital Projects Fund	Debt Service Fund	Total
ASSETS AND DEFERRED OUTFLOWS			
Assets			
Cash and cash equivalents	\$ 11,364	\$ -	\$ 11,364
Accounts receivable	13,329	-	13,329
Total assets	\$ 24,693	\$ -	\$ 24,693
LIABILITIES AND FUND BALANCE			
Fund balance:			
Restricted for capital projects	\$ 24,693	\$ -	\$ 24,693
Total fund balance	24,693	-	24,693
Total liabilities and fund balances	\$ 24,693	\$ -	\$ 24,693

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL TYPES
June 30, 2018

	Capital Projects Fund	Debt Service Fund	Total
REVENUES			
State allocation	\$ 13,329	\$ -	\$ 13,329
Miscellaneous income	<u>14</u>	<u>-</u>	<u>14</u>
Total revenues	13,343	-	13,343
EXPENDITURES			
Principal	-	27,126	27,126
Interest	<u>-</u>	<u>5</u>	<u>5</u>
Total expenditures	<u>-</u>	<u>27,131</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	13,343	(27,131)	(13,788)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	<u>128,206</u>	<u>27,131</u>	<u>155,337</u>
Total other financing uses	<u>128,206</u>	<u>27,131</u>	<u>155,337</u>
Net change in fund balance	141,549	-	141,549
Fund balance, beginning of year	<u>(116,856)</u>	<u>-</u>	<u>(116,856)</u>
Fund balance end of year	<u>\$ 24,693</u>	<u>\$ -</u>	<u>\$ 24,693</u>

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF DEPOSITORIES
June 30, 2018

	<u>Type</u>	<u>Amount Per Bank</u>	<u>Plus DIT</u>	<u>Outstanding Checks</u>	<u>Balance Per Books</u>
First National Bank of NM					
General - Operating	CK	\$ 203,657	\$ -	\$ 15,716	\$ 187,941
Fire fund	CK	55,938	-	6,102	49,836
Law Enforcement	CK	13,565	4	971	12,598
CDBG	CK	11,364	-	-	11,364
Utility	CK	12,435	84	10,558	1,961
Reserve	CK	<u>1,166</u>	<u>-</u>	<u>-</u>	<u>1,166</u>
CD	CD	<u>6,470</u>	<u>-</u>	<u>-</u>	<u>6,470</u>
 Total		 <u>\$ 304,595</u>	 <u>\$ 88</u>	 <u>\$ 33,347</u>	 <u>\$ 271,336</u>
 Reconciliation:					
Government-Wide Cash					\$ 271,336
NMFA					<u>360</u>
 Total					 <u>\$ 271,696</u>

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

	1st New Mexico Bank
Amount held in bank June 30, 2018	\$ 304,595
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	<u>54,595</u>
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	27,298
Pledged Securities	<u>124,420</u>
Over (Under) Collateralized	<u>\$ 97,122</u>

<u>Description of Pledged Collateral</u>	<u>Amount</u>
FNMA Pool # MA 1983 4.0% Cusip # 31418BFZ4 Maturing 08/01/2034	<u>\$124,420</u>
 Total pledged securities	 <u>\$124,420</u>

COMPLIANCE SECTION

**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, 2018, 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 April 7, 2020.

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. 2018-003(2017-001) 2018-005(2017-003) 2018-008(2017-007) 2018-010(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. 2018-001(2008-001) 2018-002(2015-002) 2018-004(2017-002) 2018-006(2017-005) 2018-007(2017-006) 2018-011(2017-010) 2018-013 2018-015

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*. 2018-009(2017-008) 2018-012 2018-014 2018-016

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
April 7, 2020

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Disclaimer

Internal control over financial reporting:

- Material weakness (es) identified? **X** Yes No
- Significant deficiencies identified that
are not considered to be material
weaknesses? **X** Yes No

- Noncompliance material to financial
statements noted? **X** Yes No

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Section I - Financial Statements Findings

PRIOR YEAR FINDINGS

2018-001 (2008-001)	Revenue Resources for Post - Closure Cost of Landfill (Significant Deficiency)	Repeated and Modified
2018-002 (2015-002)	Accounting System (Significant Deficiency)	Repeated and Modified
2018-003 (2017-001)	DFA report and trial balance reconciliation (Material Weakness)	Repeated and Modified
2018-004 (2017-002)	Inconsistency in reports (Significant Deficiency)	Repeated and Modified
2018-005 (2017-003)	Discrepancies from software to source documents (Material Weakness)	Repeated and Modified
2017-004	Cutoff and completeness (Material Weakness)	Resolved
2018-006 (2017-005)	Internal controls over payroll (Significant Deficiency)	Repeated and Modified
2018-007 (2017-006)	Journal entries (Significant Deficiency)	Repeated and Modified
2018-008 (2017-007)	Information Technology (Material Weakness)	Repeated and Modified
2018-009 (2017-008)	Audit contract (Other Matters)	Repeated and Modified
2018-010 (2017-009)	Capital assets (Material Weakness)	Repeated and Modified
2018-011 (2017-010)	Bank Reconciliation (Significant Deficiency)	Repeated and Modified

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

CURRENT YEAR FINDINGS

2018-012	Late audit (Other Non-Compliance)	New
2018-013	Lack of supporting documentation (Significant Deficiency)	New
2018-014	Expenses in excess of budget (Other Non-Compliance)	New
2018-015	Chief Procurement Officer (Significant Deficiency)	New
2018-016	Indebtedness (Other Non-Compliance)	New

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Revenue Resources for Post-Closure Cost of Landfill 2018-001 (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. The Village has made progress by engaging in discussion with New Mexico Environment Department on correct course of action.
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, 2018 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. Also, the Mayor will be working with Harding County to determine what amounts the county is willing to help fund the post closure costs.
IMPLEMENTATION	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Accounting System 2018-002 (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 FY20. The Village had not made any progress as of June 30, 2018 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 is looking into purchasing governmental 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 FY20 audit will be recorded in the new accounting system before June 30, 2020.
IMPLEMENTATION	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

DFA Report and trial balance reconciliation 2018-003 (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 partially used to create the trial balance. Progress has not been made.
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 that continue to affect 2018.
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 Clerk is looking to purchase a new software that is equipped for fund accounting. The Village will work on reconciling the DFA report and the software.
IMPLEMENTATION	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Inconsistency in reports 2018-004 (2017-002) - Significant Deficiency

CONDITION	Trial balances by funds do not add up to the consolidated trial balance. Progress has been made as Village clerk has received training.
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 is looking to purchase new accounting software. The Village experienced high turnover. The Village is expecting that the records for the FY20 audit will be recorded in the new accounting system before June 30, 2020.
IMPLEMENTATION	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Discrepancies from software to source Documents 2018-005 (2017-003) - Material Weakness

CONDITION	A total of 25 expenses were tested, and it was noted that the supporting documentation for 4 items could not be located, because the check number in QuickBooks did not match the source documents. Progress has been made, as new clerk has implemented procedures.
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 is looking to purchase new accounting software. The Village experienced high turnover. The Village is expecting that the records for the FY20 audit will be recorded in the new accounting system before June 30, 2020.
IMPLEMENTATION	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Internal controls over payroll 2018-006 (2017-005) - Significant Deficiency

CONDITION	<p>During our test work of payroll, it was noted that the Village was unable to locate various required payroll forms (i.e. I-9, Job description, reviewed evaluations) for 5 of the 5 employees selected.</p> <p>The Village was unable to locate an I-9 for 2 of the 5 employees selected for payroll test work. Progress has been made as Village Clerk has begun working on employee files.</p>
CRITERIA	<p>NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls. The entity should establish sufficient internal controls over employee files and payroll processing.</p>
CAUSE	<p>The Village was not keeping good records and supervision. Supporting documentation for payroll was missing and there is no way to verify that the payroll was properly recorded.</p>
EFFECT	<p>There did not appear to be a system to verify if a employee's timesheet was completed correctly, creating a high risk in the area of payroll.</p>
RECOMMENDATION	<p>We recommend that the Village implement a process to ensure that supporting documentation for all employee and payroll is retained and readily available.</p>
RESPONSE	<p>Payroll documentation will be retained and kept readily available according to State and Federal retention guidelines. Care is taken by the Village to ensure that all time sheets are complete and filled in accordance to Village personnel policy, signed by supervisors and that appropriate leave requests are attached. Additionally, new employees are given a new hire packet which includes all pertinent information as required and asked to fill out all forms. Personnel file is created using this information. I-9s are kept in a separate file.</p>
IMPLEMENTATION	<p>Expected Completion: June 30, 2020 Employee Responsible: Village Clerk</p>

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Journal Entries 2018-007 (2017-006) - Significant Deficiency

CONDITION	Through employee interviews, it was noted that journal entries are not reviewed and approved. The Village has been made aware of the requirements and will begin to adhere to the policy.
CRITERIA	Section 6-5-2, NMSA 1978, requires that the authority shall implement accounting internal controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.
CAUSE	Due to the size of the employment and high turnover, 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, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Information Technology 2018-008 (2017-007) - Material Weaknesses

CONDITION	During the 2017 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. Progress has been made by restricting access to accounting system and updating passwords.
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. The village is currently working on implementing a IT Policy.
IMPLEMENTATION	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Audit Contract 2018-009 (2017-008) - Other Matters

CONDITION	The Village did not submit an audit contract by the May 15th deadline. The Village has been made aware of the state requirements and will begin to adhere to policy. Progress has been made as 2019 contract has been submitted timely.
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 2017 audit. The Village will submit the audit contract on time in future years.
IMPLEMENTATION	Expected Completion: June 30, 2019 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Capital Assets 2018-010 (2017-009) - Material Weakness

CONDITION	It was noted in the capital assets test work that the client was unable to provide a complete and comprehensive capital assets listing in fiscal year 2018. The Village has made progress by contracting a asset management company.
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 has resulted in improper accounting, thus creating a restatement referred to in note 13. Also there may be 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, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Bank reconciliation 2018-011 (2017-010) - Significant Deficiency

CONDITION	Bank reconciliations were not performed in a timely matter. Progress has been made as policy has been implemented to include monthly bank reconciliations.
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 been unable to train new staff with enough time.
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, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Late audit (2018-012) - Other Non-Compliance

CONDITION	The Village did not have an audit report submitted by the December 15, 2018 deadline. Progress has not been made.
CRITERIA	Per section 2.2.2.9 NMAC, the annual financial audit report shall be delivered to the state auditor by December 15.
CAUSE	The Village experienced high turnover during the fiscal year as well as after fiscal year end.
EFFECT	The Village is in violation of the audit rule and will be added to the State Auditors "At Risk" listing. Late audits result in untimely reporting.
RECOMMENDATION	It is recommended that the Village close out the year in a timely manner in order to schedule fieldwork earlier and to promote timely reporting.
RESPONSE	The Village has been consistent in developing efficient accounting procedures, so that audit report can be submitted timely.
IMPLEMENTATION	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Lack of supporting documentation (2018-013) - Significant Deficiency

CONDITION	During per diem testing, 4 out of 10 items tested did not have proper supporting documentation for reimbursement. The 4 items totaled \$3,176 accounting for 70% of the population tested. Progress has been made to include proper processes for recordkeeping.
CRITERIA	NMSA 1978 Section 6-5-2 requires that the authority shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.
CAUSE	The Village experienced high turnover during the fiscal year as well as after fiscal year end.
EFFECT	Lack of documentation and incorrect accounting increases the risk of potential errors and misstatements in the financial statements.
RECOMMENDATION	It is recommended that the Village retain all supporting documentation related to transaction in a organized filing system.
RESPONSE	The Village is developing policy and procedures to retain adequate supporting documentation for record keeping.
IMPLEMENTATION	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Expenses in excess of budget (2018-014) - Other Non-Compliance

CONDITION Section 6-6-6 of the New Mexico state statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget. During the fiscal year ended June 30, 2018, the Village remitted payments for goods and services in excess of the adopted budget as follows:

<u>Fund</u>	<u>Reason</u>	<u>Budget Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
Fire Protection Fund	Operating expenses	\$ 50,000	\$ 59,201	\$ 9,201
Law Enforcement Fund	Operating expenses	25,334	39,722	14,388
Water Fund	Operating expenses	20,000	177,679	157,679
Solid Waste Fund	Operating transfers	20,000	59,671	39,671
Waste Water Fund	Operating transfers	<u>14,548</u>	<u>96,727</u>	<u>82,179</u>
Totals		<u>\$ 129,882</u>	<u>\$ 433,000</u>	<u>\$ 303,118</u>

CRITERIA New Mexico State Statutes Section 6-6-6 states that all approved budgets shall bind all officials and governing authorities and no official can pay a claim in excess of the approved budget.

CAUSE The Village did not have accounting controls in place to ensure that it is not expending funds in excess of approved budgeted amounts.

EFFECT Non-compliance with New Mexico state statutes could subject officials and employees to penalties and fines required by state statutes.

RECOMMENDATION We recommend that management closely monitor expenditures and budget limitations to ensure compliance with budget restrictions.

RESPONSE The Village has attended training and is working closely with DFA budget issues. The Village Clerk is prepared to submit proper documentation to the State in the event excessive expenditure is required.

IMPLEMENTATION **Expected Completion:** June 30, 2019 **Employee Responsible:** Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Chief Procurement Officer (2018-015) - Significant Deficiency

CONDITION	During our NM Compliance test work, it was noted that the Village did not have a Chief Procurement Officer. The Village Clerk has now since received certification.
CRITERIA	Section 13-1-97 of NMSA 1978 requires that purchases be made through a central purchasing office which properly authorizes and approves the purchase prior to payment. An authorized official should indicate that the goods or services have been received prior to payment for the goods or services.
CAUSE	The Village failed to designate and register a purchasing agent due to high turnover.
EFFECT	The Village does not implement a proper purchasing process which exposes the District to the risk of following an improper purchasing process and increases the risk of errors in payments issued by District due to the lack of proper supervision and monitoring by the Chief Procurement Officer.
RECOMMENDATION	The Village should designate an agent to become certified and registered as a Chief Procurement Officer for the Village.
RESPONSE	The Village Clerk will obtain CPO certification and act as the District's procurement officer.
IMPLEMENTATION	Expected Completion: June 30, 2019 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

State, County and Municipal Indebtedness (2018-016) - Other Non-Compliance

CONDITION	During our NM Compliance test work, it was noted that the Village's debt exceeded the the four per centum of taxable property in the amount of \$140,338. Progress has been made to increase awareness.
CRITERIA	Per Article IX Sec 13. of the New Mexico Constitution, no county, city, town or village shall ever become indebted to an amount in the aggregate, including existing indebtedness, exceeding four per centum on the value of the taxable property within such county, city, town or village, as shown by the last preceding assessment for state or county taxes; and all bonds or obligations issued in excess of such amount shall be void; provided, that any city, town or village may contract debts in excess of such limitation for the construction or purchase of a system for supplying water, or of a sewer system, for such city, town or village.
CAUSE	The Village was not aware of this requirement.
EFFECT	The Village is not in compliance with Article IX Sec 13. of the New Mexico Constitution.
RECOMMENDATION	We recommend the Village review their debt contracts and the limits to which they are allowed to carry debt.
RESPONSE	The Village will obtain necessary understanding of the Article IX Sec 13. to be in compliance.
IMPLEMENTATION	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED June 30, 2018

An entrance conference was held on May 13, 2019 in a closed meeting with Beasley, Mitchell & Co., LLP, with the following Village officials:

Village of Mosquero

Jeff Green	Trustee
Daniela Johnson	Clerk

Beasley, Mitchell & Co., LLP

Dahlia Garcia, CPA	Audit Supervisor
Jesse Olivar	Audit Staff I
Itza Sosa	Audit Staff I

An exit conference was held on March 18, 2020 in a closed meeting with Beasley, Mitchell & Co., LLP, with the following Village officials:

Village of Mosquero

Victor Vigil	Mayor
Daniela Johnson	Village Clerk

Beasley, Mitchell & Co., LLP

Jesse Olivar	Staff Auditor
--------------	---------------

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.