

STATE OF NEW MEXICO  
VILLAGE OF QUESTA

**ANNUAL FINANCIAL REPORT  
AND INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**



**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

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STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
OFFICIAL ROSTER  
AS OF JUNE 30, 2017

**VILLAGE COUNCIL**

Mark Gallegos ..... Mayor  
Brent Jaramillo ..... Councilor  
Lawrence A. Ortega ..... Councilor  
John Anthony Ortega ..... Councilor  
Julian Cisneros ..... Councilor

**VILLAGE OFFICIALS**

Renee Martinez ..... Interim Village Administrator/Village Clerk  
Karen Quintana Shannon ..... Finance Director  
Michael G. Rael ..... Village Judge



## Independent Auditors' Report

Honorable Wayne Johnson  
New Mexico State Auditor  
Santa Fe, New Mexico  
and  
To the Honorable Mayor and the Village Council  
Village of Questa  
Questa, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major governmental funds of the Village of Questa (Village), New Mexico, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise a portion of the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds and fiduciary funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2017, 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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 opinion.

**Basis for Qualified Opinions on the Governmental Activities and Business-type Activities Capital Assets, the accumulated and current year depreciation, the Capital Outlay Expenditures and Expenses related to Governmental and Enterprise Funds**

Management has not implemented proper internal controls over governmental or business-type capital assets, nor over the expenditures and expenses related to the governmental and enterprise funds sufficient enough to provide evidence that all beginning balances of capital assets are accurate and complete. The Village did not complete an inventory count at year end, nor has a capital asset detail listing of the business-type activities been maintained. The amount by which this departure would affect the assets, fund balances, net position, revenues, and expenditures/expenses of the governmental activities and business-type activities has not been determined.

**Qualified Opinions**

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinions on the Governmental Activities and Business-type Activities Capital Assets, the accumulated and current year depreciation, the Capital Outlay Expenditures and Expenses related to Governmental and Enterprise Funds" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities and Business-type of the Village of Questa as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities that are not mentioned above, the business-type activities that are not mentioned above, each major fund, and the aggregate remaining fund information of Village of Questa, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major governmental fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and each nonmajor enterprise fund of the Village not mentioned above, as of June 30, 2017, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information:

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

Accounting principles generally accepted in the United States of America require that the *Schedule of Village's Proportionate Share of the Net Pension Liability* on pages 44-45, *Schedule of Village Contributions* on pages 46 to 47 and *Notes to Required Supplementary Information* on page 48, respectively, 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 Schedule of Village's Proportionate Share of the Net Pension Liability, and Schedule of Village Contributions 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 Village's basic financial statements, the combining and individual fund financial statements and the budgetary comparisons. The other schedules found on pages 61-62 are required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

The other schedules found on pages 61-62 are required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying financial and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the supplementary information described in the basis for qualified opinion paragraph above, these other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2017 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village's internal control over financial reporting and compliance.

*Kubiak Melton & Associates, LLC*

Kubiak Melton & Associates, LLC  
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico  
December 14, 2017

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 782,992	\$ 125,972	\$ 908,964
Accounts and Taxes Receivable	335,125	165,883	501,008
Due from Other Governments	-	72	72
<b>Total Current Assets</b>	<b>1,118,117</b>	<b>291,927</b>	<b>1,410,044</b>
<b>Noncurrent Assets:</b>			
Capital Assets			
Capital Assets Not Being Depreciated	6,148,115	-	6,148,115
Capital Assets Being Depreciated	7,864,564	5,240,533	13,105,097
Less: Accumulated Depreciation	<u>(1,256,092)</u>	<u>(2,350,466)</u>	<u>(3,606,558)</u>
<b>Total Noncurrent Assets</b>	<b>12,756,587</b>	<b>2,890,067</b>	<b>15,646,654</b>
<b>Deferred Outflows of Resources:</b>			
Deferred Outflows of Resources, Pension Related	352,563	130,401	482,964
<b>Total Deferred Outflows of Resources</b>	<b>352,563</b>	<b>130,401</b>	<b>482,964</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 14,227,267</b>	<b>\$ 3,312,395</b>	<b>\$ 17,539,662</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 226,164	\$ 242	\$ 226,406
Accrued Salaries and Benefits	17,213	10,457	27,670
Due to Other Governments	38,901	-	38,901
Accrued Compensated Absences	11,030	6,318	17,348
Current Portion of Loans and Bonds Payable	39,468	15,073	54,541
Net Pension Liability	<u>804,637</u>	<u>297,605</u>	<u>1,102,242</u>
<b>Total Current Liabilities</b>	<b>1,137,413</b>	<b>329,695</b>	<b>1,467,108</b>
<b>Noncurrent Liabilities:</b>			
Loans and Bonds Payable, Long-term	<u>317,180</u>	<u>141,990</u>	<u>459,170</u>
<b>Total Noncurrent Liabilities</b>	<b>317,180</b>	<b>141,990</b>	<b>459,170</b>
<b>TOTAL LIABILITIES</b>	<b>1,454,593</b>	<b>471,685</b>	<b>1,926,278</b>
<b>Deferred Inflows of Resources:</b>			
Deferred Inflows of Resources, Pension Related	19,278	7,130	26,408
<b>Total Deferred Inflows of Resources</b>	<b>19,278</b>	<b>7,130</b>	<b>26,408</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>1,473,871</b>	<b>478,815</b>	<b>1,952,686</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	12,399,939	2,733,004	15,132,943
Restricted for Special Revenue	421,137	-	421,137
Restricted for Capital Projects	23,287	-	23,287
Restricted for Debt Service	-	-	-
Restricted for Subsequent Year Expenditures	92,750	-	92,750
Unrestricted	<u>(183,717)</u>	<u>100,576</u>	<u>(83,141)</u>
<b>Total Net Position</b>	<b>12,753,396</b>	<b>2,833,580</b>	<b>15,586,976</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 14,227,267</b>	<b>\$ 3,312,395</b>	<b>\$ 17,539,662</b>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contrib.	Government Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities</b>							
General Government	\$ 1,268,215	\$ 65,752	\$ 1,851,291	\$ -	\$ 648,828	\$ -	\$ 648,828
Public Safety	322,401	-	-	-	(322,401)	-	(322,401)
Public Works	395,118	-	-	-	(395,118)	-	(395,118)
Culture and Recreation	136,195	-	-	-	(136,195)	-	(136,195)
Interest on Long-Term Debt	15,626	-	-	-	(15,626)	-	(15,626)
Total Governmental Activities	<u>2,137,555</u>	<u>65,752</u>	<u>1,851,291</u>	<u>-</u>	<u>(220,512)</u>	<u>-</u>	<u>(220,512)</u>
<b>Business-Type Activities</b>							
Enterprise Fund	546,846	777,319	-	-	-	230,473	230,473
EMS County	199,541	178,298	-	-	-	(21,243)	(21,243)
Total Business-Type Activities	<u>\$ 746,387</u>	<u>\$ 955,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,230</u>	<u>\$ 209,230</u>
<b>General Revenues:</b>							
Taxes:							
Property Taxes levied for general purposes					24,312	-	24,312
Franchise Taxes					46,577	-	46,577
Gross Receipts Taxes					600,313	-	600,313
Interest Income					327	7,617	7,944
Net Transfers					(50,699)	50,699	-
Miscellaneous Income					131,750	-	131,750
Subtotal, General Revenues					<u>752,580</u>	<u>58,316</u>	<u>810,896</u>
Change in Net Position					532,068	267,546	799,614
Net Position, Beginning					12,290,632	2,763,711	15,054,343
Restatement					(69,304)	(197,677)	(266,981)
Net Position, as Restated					<u>12,221,328</u>	<u>2,566,034</u>	<u>14,787,362</u>
<b>Net Position, Ending</b>					<u>\$ 12,753,396</u>	<u>\$ 2,833,580</u>	<u>\$ 15,586,976</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<b>General Fund</b>	<b>Rapid Action Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 364,172	\$ 13,381	\$ 405,439	\$ 782,992
Accounts and Taxes Receivable	88,705	-	246,420	335,125
Due From Other Governments	-	-	-	-
Due From Other Funds	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 452,877</u></b>	<b><u>\$ 13,381</u></b>	<b><u>\$ 651,859</u></b>	<b><u>\$ 1,118,117</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 5,947	\$ 300	\$ 219,917	\$ 226,164
Accrued Salaries and Benefits	16,614	599	-	17,213
Due to Other Funds	38,901	-	-	38,901
Unearned Revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>61,462</u></b>	<b><u>899</u></b>	<b><u>219,917</u></b>	<b><u>282,278</u></b>
<b>FUND BALANCES</b>				
Restricted for:				
Subsequent Year Expenditures	92,750	-	-	92,750
Special Revenue Funds	-	12,482	408,655	421,137
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	23,287	23,287
Unassigned:				
General Fund	298,665	-	-	298,665
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>391,415</u></b>	<b><u>12,482</u></b>	<b><u>431,942</u></b>	<b><u>835,839</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 452,877</u></b>	<b><u>\$ 13,381</u></b>	<b><u>\$ 651,859</u></b>	<b><u>\$ 1,118,117</u></b>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$</b>	<b>835,839</b>
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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

Capital Assets	14,012,679	
Less: Accumulated Depreciation	<u>(1,256,092)</u>	
Capital Assets, Net		12,756,587

Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds:

Deferred Outflows, Pension Related		352,563
Deferred Inflows, Pension Related		<u>(19,278)</u>

Long-term 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:

Accrued Compensated Absences	(11,030)	
Net Pension Liability	(804,637)	
Long-Term Debt	<u>(356,648)</u>	
Total		<u>(1,172,315)</u>

<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>12,753,396</u></b>
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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>General Fund</b>	<b>Rapid Action Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>REVENUES</b>				
Property Taxes	\$ 24,312	\$ -	\$ -	\$ 24,312
Gross Receipts Taxes	559,488	-	10,216	569,704
Public Service Taxes	6,136	-	24,473	30,609
Franchise Taxes	46,577	-	-	46,577
Federal Sources	-	-	-	-
State Sources	177,449	25,000	1,648,842	1,851,291
Local Sources	18,335	-	1,877	20,212
Charges for Services	21,767	-	43,985	65,752
Licenses and Fees	48,855	-	1,940	50,795
Investment Income	327	-	-	327
Miscellaneous	1,769	-	58,974	60,743
<b>TOTAL REVENUES</b>	<u>905,015</u>	<u>25,000</u>	<u>1,790,307</u>	<u>2,720,322</u>
<b>EXPENDITURES</b>				
Current				
General Government	1,100,102	13,604	79,682	1,193,388
Public Safety	-	-	322,401	322,401
Public Works	31,464	-	363,654	395,118
Culture and Recreation	-	-	136,195	136,195
Capital Outlay	-	-	658,781	658,781
Debt Service Principal	-	-	34,865	34,865
Debt Service Interest	-	-	15,626	15,626
<b>TOTAL EXPENDITURES</b>	<u>1,131,566</u>	<u>13,604</u>	<u>1,611,204</u>	<u>2,756,374</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(226,551)	11,396	179,103	(36,052)
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan Proceeds	71,973	-	-	71,973
Transfers in	204,603	-	304,539	509,142
Transfers out	(309,391)	-	(250,450)	(559,841)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(32,815)</u>	<u>-</u>	<u>54,089</u>	<u>21,274</u>
<b>NET CHANGE IN FUND BALANCES</b>	(259,366)	11,396	233,192	(14,778)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>650,781</u>	<u>1,086</u>	<u>198,750</u>	<u>850,617</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 391,415</u>	<u>\$ 12,482</u>	<u>\$ 431,942</u>	<u>\$ 835,839</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Net Changes in Fund Balance - Governmental Funds** \$ (14,778)

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

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

Capital Outlay	658,781
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Governmental funds report Village pension contributions as expenditures.

However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Pension Expense	(77,765)
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In the Statement of Activities, operating expenses such as compensated absences and long-term debt are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid):

Loan Proceeds	(71,973)
Debt Service Principal	34,865
Change in Compensated Absences	2,938
	_____

<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>532,068</u></b>
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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP BUDGETARY  
BASIS) AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Property Taxes	\$ 90,000	\$ 123,485	\$ 156,534	\$ 33,049
Gross Receipts Taxes	545,000	582,134	490,682	(91,452)
Public Service Taxes	5,350	28,033	5,638	(22,395)
Franchise Taxes	35,000	35,000	39,771	4,771
Federal Sources	-	-	-	-
State Sources	95,000	185,155	177,449	(7,706)
Local Sources	-	-	13,355	13,355
Charges for Services	54,350	12,078	21,767	9,689
Licenses and Fees	33,225	34,425	45,417	10,992
Investment Income	150	429	327	(102)
Miscellaneous	8,800	52,438	1,769	(50,669)
<b>TOTAL REVENUES</b>	866,875	1,053,177	952,709	(100,468)
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	857,775	1,219,942	1,081,530	138,412
Public Safety	-	-	-	-
Public Works	90,384	107,211	31,464	75,747
Culture and Recreation	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	948,159	1,327,153	1,112,994	214,159
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(81,284)	(273,976)	(160,285)	(314,627)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	25,400	109,169	204,603	95,434
Transfers Out	(115,807)	(253,808)	(309,391)	(55,583)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(90,407)	(144,639)	(104,788)	39,851
<b>Net Increase (Decrease)</b>	(171,691)	(418,615)	\$ (265,073)	\$ (274,776)
<b>Prior Year Cash Balance Budgeted</b>	\$ 171,691	\$ -		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 1,157,312
Revenues, Actual on Modified Accrual Basis	1,109,618
Adjustments to revenues	\$ 47,694
Expenditures, Actual on a Budget Basis	\$ 1,422,385
Expenditures, Actual on Modified Accrual Basis	1,440,957
Adjustments to expenditures	\$ (18,572)

See Independent Auditors' Report and Notes to Financial Statements



**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP BUDGETARY  
BASIS) AND ACTUAL – RAPID ACTION FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-	-
Public Service Taxes	-	-	-	-
Franchise Taxes	-	-	-	-
Federal Sources	-	-	-	-
State Sources	25,000	25,000	25,000	-
Local Sources	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	25,000	32,275	18,365	13,910
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>25,000</u>	<u>32,275</u>	<u>18,365</u>	<u>13,910</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(7,275)	6,635	(13,910)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	97	-	(97)
Transfers Out	-	(5,000)	-	5,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(4,903)</u>	<u>-</u>	<u>4,903</u>
<b>Net Increase (Decrease)</b>	<u>-</u>	<u>(12,178)</u>	<u>\$ 6,635</u>	<u>\$ (9,007)</u>
<b>Prior Year Cash Balance Budgeted</b>	<u>\$ -</u>	<u>\$ -</u>		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 25,000
Revenues, Actual on Modified Accrual Basis	<u>50,000</u>
Adjustments to revenues	<u>\$ (25,000)</u>
Expenditures, Actual on a Budget Basis	\$ 18,365
Expenditures, Actual on Modified Accrual Basis	<u>13,604</u>
Adjustments to expenditures	<u>\$ 4,761</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<b>Enterprise Fund</b>	<b>EMS County Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 60,978	\$ 64,994	\$ 125,972
Accounts Receivable, Net	165,883	-	165,883
Due From Other Governments	-	-	-
Due From Other Funds	72	-	72
<b>TOTAL CURRENT ASSETS</b>	<b>226,933</b>	<b>64,994</b>	<b>291,927</b>
<b>NONCURRENT ASSETS</b>			
Capital Assets Being Depreciated	5,240,533	-	5,240,533
Less: Accumulated Depreciation	(2,350,466)	-	(2,350,466)
Capital Assets, Net	2,890,067	-	2,890,067
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Outflows of Resources, Pension Related	130,401	-	130,401
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>130,401</b>	<b>-</b>	<b>130,401</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 3,247,401</b>	<b>\$ 64,994</b>	<b>\$ 3,312,395</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 242	\$ -	\$ 242
Accrued Salaries and Benefits	10,457	-	10,457
Due to Other Funds	-	-	-
Accrued Compensated Absences	6,318	-	6,318
Current Maturity of Bonds and Notes Payable	15,073	-	15,073
Net Pension Liability	297,605	-	297,605
<b>TOTAL CURRENT LIABILITIES</b>	<b>329,695</b>	<b>-</b>	<b>329,695</b>
<b>NONCURRENT LIABILITIES</b>			
Long-Term Debt, Net	141,990	-	141,990
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>141,990</b>	<b>-</b>	<b>141,990</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Inflows, Pension Related	7,130	-	7,130
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,130</b>	<b>-</b>	<b>7,130</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>478,815</b>	<b>-</b>	<b>478,815</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,733,004		2,733,004
Unrestricted	35,582	64,994	100,576
<b>TOTAL NET POSITION</b>	<b>2,768,586</b>	<b>64,994</b>	<b>2,833,580</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 3,247,401</b>	<b>\$ 64,994</b>	<b>\$ 3,312,395</b>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Enterprise Fund</u>	<u>EMS County Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 734,274	\$ 73,525	\$ 807,799
Licenses and Fees	43,045	4,773	47,818
Local Sources	<u>-</u>	<u>100,000</u>	<u>100,000</u>
<b>TOTAL OPERATING REVENUES</b>	<u>777,319</u>	<u>178,298</u>	<u>955,617</u>
<b>OPERATING EXPENSES</b>			
Personal Services	264,840	199,541	464,381
Contractual Services	91,208	-	91,208
Supplies and Purchased Power	110,121	-	110,121
Maintenance and Materials	31,672	-	31,672
Heat, Light and Power	<u>49,005</u>	<u>-</u>	<u>49,005</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>546,846</u>	<u>199,541</u>	<u>746,387</u>
<b>OPERATING INCOME (LOSS)</b>	<u>230,473</u>	<u>(21,243)</u>	<u>209,230</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income	-	-	-
Miscellaneous Income	<u>7,617</u>	<u>-</u>	<u>7,617</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>7,617</u>	<u>-</u>	<u>7,617</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	238,090	(21,243)	216,847
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	46,421	38,468	84,889
Transfers out	<u>(34,190)</u>	<u>-</u>	<u>(34,190)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>12,231</u>	<u>38,468</u>	<u>50,699</u>
<b>CHANGE IN NET POSITION</b>	250,321	17,225	267,546
<b>NET POSITION, BEGINNING</b>	2,715,942	47,769	2,763,711
<b>RESTATEMENT</b>	<u>(197,677)</u>	<u>-</u>	<u>(197,677)</u>
<b>NET POSITION, AS RESTATED</b>	<u>2,518,265</u>	<u>47,769</u>	<u>2,566,034</u>
<b>NET POSITION, ENDING</b>	<u>\$ 2,768,586</u>	<u>\$ 64,994</u>	<u>\$ 2,833,580</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Enterprise Fund</u>	<u>EMS County Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received From User Charges	\$ 777,319	\$ 178,298	\$ 955,617
Cash Payments to Employees for Services	(264,840)	(199,541)	(464,381)
Cash Payments to Suppliers for Goods and Services	<u>(322,341)</u>	<u>24,482</u>	<u>(297,859)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	190,138	3,239	193,377
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Net Transfers	12,231	38,468	50,699
Payments on Long-term Debt	<u>(244,574)</u>	<u>-</u>	<u>(244,574)</u>
<b>NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES</b>	(232,343)	38,468	(193,875)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	<u>7,617</u>	<u>-</u>	<u>7,617</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	7,617	-	7,617
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(34,588)	41,707	7,119
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>95,566</u>	<u>23,287</u>	<u>118,853</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 60,978</u>	<u>\$ 64,994</u>	<u>\$ 125,972</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Change in Net Position	\$ 250,321	\$ 17,225	\$ 267,546
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Changes in assets and liabilities:			
Change in receivables	60,978	(13,986)	46,992
Change in accounts payable	(121,161)	-	(121,161)
Change in accrued salaries and benefits	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES</b>	<u>\$ 190,138</u>	<u>\$ 3,239</u>	<u>\$ 193,377</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUNDS  
JUNE 30, 2017**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>24,220</u>
<b>TOTAL ASSETS</b>	<u>\$ 24,220</u>
<b>LIABILITIES</b>	
Due to Other Taxing Units	\$ <u>24,220</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 24,220</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies**

The Village of Questa (Village) was incorporated in 1971, under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Village of Questa is a body politic and corporate under the name and form of government selected by its qualified electors. The Village may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Village is presented to assist in the understanding of the Village's financial statements. The financial statements and notes are the representation of the Village's management who is responsible for their integrity and objectivity. 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 government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the Village's accounting policies are described below.

**A. Financial Reporting Entity**

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB statements No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discreetly presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the sole 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.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**A. Financial Reporting Entity (continued)**

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. Government-wide and fund financial statements**

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

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

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 or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**B. Government-wide and fund financial statements (continued)**

Governmental fund financial statements 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Governmental 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 fixed assets and the servicing of general long-term debt.

Governmental funds include:

The *General Fund* 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.

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

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

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

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**B. Government-wide and fund financial statements (continued)**

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 consist of the General Fund and Rapid Action Fund. No other funds were required to be presented as major at the discretion of management.

The *General Fund* 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.

The *Rapid Action Fund* is used to account for reserve monies related to the Rapid Action Program.

Additionally, the government reports the following proprietary funds as major funds:

The **ENTERPRISE FUND** accounts for charges for services and services provided to utilities customers and for charges for services and services provided to solid waste customers.

The **EMS (EMERGENCY MEDICAL SERVICES) COUNTY FUND** accounts for the acquisitions of the emergency medical equipment and the operation of the equipment financed through a grant from the State of New Mexico. Authority NMSA 24-10-A & 6-11-6.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services at the Village Utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Village's fiduciary funds are used to account for the collection and payment of motor vehicle fees to other governmental agencies.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**B. Government-wide and fund financial statements (continued)**

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense will specifically identified function and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

**C. Overview of the financial statements**

The Village adopted the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This statement affects the manner in which the Village records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB Statement No. 34 established a reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions, and include the following sections, which were not previously included in the basic financial statements. The governmental fund financial statements continue to be presented as a building block for the GASB Statement No. 34 statements.

- a. Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the Village's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations. The Village has omitted the Management's Discussion and Analysis for the year ended June 30, 2017.
- b. Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the Village's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position - The statement of net position is designed to display the financial position of the primary government (government and business-type activities). The Village reports all capital assets in the government-wide statement of net position and reports depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of the Village is broken down into three categories 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the Village's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the Village has recorded capital and certain other long term assets and liabilities in the statement of net position, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance**

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

State statutes authorize the Village to invest in certificates of deposit, obligations of the U.S. Government, interest-bearing savings accounts, certificates of deposit, bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government and the State Treasurer's Investment Pool.

**Receivables and Payables:** Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the Village may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Taos County bills, collects, and remits the Village of Questa's share of property taxes.

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

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (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 to be 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.

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.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance  
(continued)**

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

<u>Assets</u>	<u>Years</u>
Permanent Buildings	25 - 45
Vehicles	5-10
Computer Equipment	5
Other Furniture and Equipment	5-15

**Unearned Revenues:** Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue.

**Deferred Outflows and Deferred Inflows of Resources:** The Village implemented the provisions of GASB statement No. 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 establishes reporting guidance for certain elements of the financial statements which are distinct from assets and liabilities.

In addition to assets, the statement of financial position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position which applies to a future period and so will not be recognized as an outflow of resources that is expensed, until then. See *Note 9* for a description of the Village's deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until such time. See *Note 9* for a description of the Village's deferred inflows of resources.

**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.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance  
(continued)**

**Compensated Absences:** Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule, depending on their length of service. Employees may accumulate 120 hours of annual leave and carry that leave forward from calendar year to calendar year. Upon termination, employees will be paid for a maximum of 120 hours of accrued annual leave.

Qualified employees are entitled to accumulate sick leave at a rate of twelve days per year. Sick leave can be carried over from year to year. Upon termination employees receive no pay for sick time accumulated.

Vested or accumulated vacation leave that is expected to be liquidated within the next twelve months with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated within the next twelve months are reported in the government-wide statement of net position.

**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 net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Net position is reported as restricted when constraints placed on net position use either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Net position which does not meet the definition of “restricted” and “net investment in capital assets”.

**Fund Balance:** During 2009, GASB adopted Statement No. 54 to clarify the fund balance reporting guidelines of GASB 54. The fund balance reporting established by GASB 54 must be followed by all five of the governmental-type funds used by state and local governments. Based on the requirements of GASB 54, the total fund balance can be conceptually separated into two primary components: 1) Non-spendable fund balance and 2) Spendable fund balance. Fund balance is reported in these five classifications:

Non-spendable – the non-spendable balance includes amounts that cannot be spent because they are not in spendable form or legally, contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; it also includes the long-term amount of interfund loans.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance  
(continued)**

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

*Committed* – This fund balance amount has spending limitations that are constrained by the government's highest level of decision-making authority.

*Assigned* – The assigned fund balance classification is intended to be used for specific purposes such as special revenue funds, capital project funds, debt service funds and permanent funds.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amount not contained in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Village applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Fund Balance for Subsequent Years Expenditures:** According to New Mexico State Statute and the New Mexico Department of Finance and Administration (DFA), the Village is required to reserve 1/12th of the General Fund's expenditures (\$92,750) for subsequent year expenditures to maintain an adequate cash flow. The Village is in compliance with these DFA requirements.

**Interfund 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 interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund 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.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2. Stewardship, Compliance, and Accountability**

*Budgetary Information*

Annual budgets of the Village are prepared prior to June 1 and must be approved by resolution of the Village Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Village Councilors and the Department of Finance and Administration. The legal level of budgetary control is at the fund level. 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 the 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, Debt Service Funds, and Capital Projects Funds, where applicable.

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

The Village Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 is presented.

The reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund are shown on each budgetary statement.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3. Cash and Cash Equivalents**

State statutes authorize the investment of Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the Village properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Village's deposits.

	<b><u>Centinel Bank</u></b>	<b><u>U.S. Bank</u></b>	<b><u>People's Bank of Red River</u></b>	<b><u>Questa Credit Union</u></b>	<b><u>Total</u></b>
Total Deposits in Bank	\$ 500	\$ 15,000	\$ 850,112	\$ 90,000	\$ 955,612
Less: FDIC Coverage	<u>(500)</u>	<u>(15,000)</u>	<u>(250,000)</u>	<u>(90,000)</u>	<u>(355,500)</u>
<b>Total Uninsured Public Funds</b>	-	-	600,112	-	600,112
50% Collateralization Requirement	-	-	300,056	-	300,056
Pledged Collateral	<u>100,000</u>	<u>-</u>	<u>344,049</u>	<u>-</u>	<u>444,049</u>
<b>Excess of Pledged Collateral</b>	<b><u>\$ 100,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 43,993</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 143,993</u></b>

The collateral pledged is listed in the back of these financial statements. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, district or political subdivision of the State of New Mexico.



**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3. Cash and Cash Equivalents (Continued)**

Reconciliation of Cash and Temporary Investments:

Cash and Cash Equivalents per:	
Statement of Net Position - Governmental Activities	\$ 782,992
Statement of Fiduciary Assets and Liabilities - Agency Funds	24,220
Statement of Net Position - Business-Type Activities	<u>125,972</u>
<b>Total</b>	<b><u>\$ 933,184</u></b>

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$600,112 was exposed to custodial credit risk. The Village's banks had sufficient pledge collateral to cover this balance.

**Concentration of Credit Risk:** The Village does not have a policy for concentration of credit risk.

**Interest Rate Risk and Credit Rating:** The Village does not have a formal investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**NOTE 4. Receivables**

Receivables as of June 30, 2017, are as follows:

**Governmental Activities:**

	<u>General Fund</u>	<u>Rapid Action Fund</u>	<u>Non-Major funds</u>	<u>Total</u>
Receivables				
Property Taxes	\$ 4,179	\$ -	\$ -	\$ 4,179
Gross Receipts and Taxes	68,805	-	1,534	70,339
Due from Other Governments	-	-	243,036	243,036
Accounts Receivable, Net	-	-	-	-
Other	<u>15,721</u>	<u>-</u>	<u>1,850</u>	<u>17,571</u>
Receivables, Net	<u>\$ 88,705</u>	<u>\$ -</u>	<u>\$ 246,420</u>	<u>\$ 335,125</u>

Allowance for uncollectible accounts at June 30, 2017 was \$0 for governmental activities.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4. Receivables (Continued)**

**Business-Type Activities:**

	<b>Business- Type Activities</b>
Accounts Receivable	303,035
Less: Allowance for Uncollectable Accounts	(137,152)
Accounts Receivable, Net	\$ 165,883

Allowance for uncollectible accounts at June 30, 2017 was \$137,152 for business-type activities.

**NOTE 5. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows (Land and Construction in Progress is not subject to depreciation):

**Governmental Activities:**

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 45,237	\$ -	\$ -	\$ 45,237
Construction in Progress	6,102,878	-	-	6,102,878
Total Capital Assets Not Being Depreciate	6,148,115	-	-	6,148,115
<b>Capital Assets Being Depreciated:</b>				
Furniture, Fixtures and Equipment	1,476,549	501,057	-	1,977,606
Vehicles	1,558,617	40,827	-	1,599,444
Buildings and Improvements	4,170,617	116,897	-	4,287,514
Total Capital Assets Being Depreciated	7,205,783	658,781	-	7,864,564
Total Capital Assets	13,353,898	658,781	-	14,012,679
<b>Accumulated Depreciation:</b>				
Furniture, Fixtures and Equipment	315,313	-	-	315,313
Vehicles	826,948	-	-	826,948
Buildings and Improvements	113,831	-	-	\$ 113,831
Total Accumulated Depreciation	1,256,092	-	-	1,256,092
<b>Capital Assets, Net</b>	<b>\$ 12,097,806</b>	<b>\$ 658,781</b>	<b>\$ -</b>	<b>\$ 12,756,587</b>

The Village did not record depreciation expense for the year ended June 30, 2017.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5. Capital Assets (Continued)**

**Business-Type Activities:**

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>
Capital Assets Being Depreciated:				
Plant in Service	\$ 4,209,293	\$ 157,441	\$ -	\$ 4,366,734
Furniture, Fixtures and Equipment	701,542	-	-	701,542
Vehicles	<u>172,257</u>	<u>-</u>	<u>-</u>	<u>172,257</u>
Total Capital Assets Being Depreciated	5,083,092	157,441	-	5,240,533
Accumulated Depreciation:				
Plant in Service	1,959,029	-	-	1,959,029
Furniture, Fixtures and Equipment	256,979	-	-	256,979
Vehicles	<u>134,458</u>	<u>-</u>	<u>-</u>	<u>134,458</u>
Total Accumulated Depreciation	<u>2,350,466</u>	<u>-</u>	<u>-</u>	<u>2,350,466</u>
<b>Capital Assets, Net</b>	<b><u>\$ 2,732,626</u></b>	<b><u>\$ 157,441</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,890,067</u></b>

The Village did not record depreciation expense related to business-type activities for the year ended June 30, 2017.

**NOTE 6. Long-Term Debt**

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

**Governmental Activities:**

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>	<b>Due Within One Year</b>
1.707%, Maturity 5/1/12 NMFA Fire Truck	\$ 220,500	\$ -	\$ 24,250	\$ 196,250	\$ 25,250
Maturity 5/1/2024 NMFA Fire Equipment Loan	44,801	-	5,615	39,186	5,619
0% State Board of Finance Loan Maturity November 2017	54,239	-	5,000	49,239	5,000
0% State Board of Finance Emergency Loan	<u>-</u>	<u>71,973</u>	<u>-</u>	<u>71,973</u>	<u>3,599</u>
Subtotal	319,540	71,973	34,865	356,648	39,468
Compensated Absences Payable	<u>13,968</u>	<u>9,474</u>	<u>12,412</u>	<u>11,030</u>	<u>11,030</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 333,508</u></b>	<b><u>\$ 81,447</u></b>	<b><u>\$ 47,277</u></b>	<b><u>\$ 367,678</u></b>	<b><u>\$ 50,498</u></b>

Interest expense paid on long-term debt for governmental activities totaled \$15,626 for the year ended June 30, 2017.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 6. Long-Term Debt (Continued)**

The annual requirements to amortize the NMFA Fire Truck and the State Board of Finance Loan as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 39,468	\$ 5,834	\$ 45,302
2019	40,445	5,207	45,652
2020	41,451	4,519	45,970
2021	42,363	3,751	46,114
2022	42,962	2,908	45,870
2023-2027	113,974	3,048	117,022
2028-2032	17,993	-	17,993
2033-2037	17,992	-	17,992
Total	<u>\$ 356,648</u>	<u>\$ 25,267</u>	<u>\$ 381,915</u>

**Business-Type Activities:**

The Water and Sewer Fund has incurred various forms of debt, which were used for the purpose of constructing, expanding, repairing and making improvements to its property plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2017:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
\$140,000 original issue Series 1981 Water and Sewer Revenue Bonds payable in annual installments each June 1st through the year 2022. Interest is at 5% per annum.	\$ 39,000	\$ -	\$ 7,000	\$ 32,000	\$ 7,000
.25% NMFA Loan Payable Maturity June 2032	90,715	-	5,564	85,151	5,578
0% NM Environment Department Maturity June 2033	42,406	-	2,494	39,912	2,495
Subtotal	172,121	-	15,058	157,063	15,073
Compensated Absences Payable	4,052	6,450	4,184	6,318	6,318
<b>Total Long-Term Debt</b>	<u>\$ 176,173</u>	<u>\$ 6,450</u>	<u>\$ 19,242</u>	<u>\$ 163,381</u>	<u>\$ 21,391</u>

Interest expense paid on long-term debt for business-type activities totaled \$2,127 for the year ended June 30, 2017.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 6. Long-Term Debt (Continued)**

The annual requirements to amortize the bonds and loans above at June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 15,073	\$ 1,763	\$ 16,836
2019	16,087	1,399	17,486
2020	16,101	985	17,086
2021	16,115	571	16,686
2022	8,129	157	8,286
2023-2027	40,854	573	41,427
2028-2032	41,211	215	41,426
2033-2037	3,493	-	3,493
Total	<u>\$ 157,063</u>	<u>\$ 5,663</u>	<u>\$ 162,726</u>

Each of the utility bonds has debt service and repair and replacement reserve requirements. At June 30, 2017 the following schedule shows the maximum reserves and actual reserves held by the Village:

<u>Series</u>	<u>Required Minimum Reserves</u>			<u>Actual at June 30, 2017</u>		
	<u>Payment Until Maximum</u>	<u>Debt Service</u>	<u>Repair and Replacement</u>	<u>Total</u>	<u>Debt Service</u>	<u>Repair and Replacement</u>
1981	\$232 per month	\$ 15,550	\$ -	\$ 15,550	\$ 15,900	\$ -
Total		<u>\$ 15,550</u>	<u>\$ -</u>	<u>\$ 15,550</u>	<u>\$ 15,900</u>	<u>\$ -</u>

**NOTE 7. Risk Management**

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Village of Questa participates in the New Mexico Self-Insurer's Fund risk pool. The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued. At June 30, 2017, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Village of Questa.

New Mexico Self-Insurers' Fund has not provided information on an entity-by-entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

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

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures as part of the Combining Statements - Overview of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds: No funds had a deficit fund balance as of June 30, 2017.
- B. There was no excess expenditures over budget for any fund for the year ended June 30, 2017.

**NOTE 9. Pension Plan – Public Employees Retirement Association**

**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, 2015 available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financialreports/CAFR-2015.pdf>

**Contributions**

The contribution requirements of defined benefit plan members and the Village 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 FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 21 through 23 of the PERA FY15 annual audit report at [http://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf). The PERA coverage options that apply to Village are: General Division and Police Division.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9. Pension Plan – Public Employees Retirement Association (Continued)**

Statutorily required contributions to the pension plan from the Village were \$46,470 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2017.

***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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 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, 2016, the Village reported a liability of \$733,328 for its proportionate share of the net pension liability. At June 30, 2017, the Village’s proportion was 0.0459 percent, which decreased by .0014 percent from its proportion measured as of June 30, 2016.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9. Pension Plan – Public Employees Retirement Association (Continued)**

For the year ended June 30, 2017, the Village recognized PERA Fund Division Municipal General Pension expense of \$81,862. 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 36,640	\$ 7,157
Changes of assumptions	43,001	122
Net difference between projected and actual earnings on pension plan investments	134,931	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	46,367	11,061
The Village's contributions subsequent to the measurement date	<u>35,931</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 296,870</u></b>	<b><u>\$ 18,340</u></b>

\$35,931 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 62,413
2019	62,413
2020	83,953
2021	33,820
2022	-
Thereafter	-
Total	<u>\$ 242,599</u>

For PERA Fund Division Municipal Police, at June 30, 2017, the Village reported a liability of \$368,915 for its proportionate share of the net pension liability. At June 30, 2017, the Village's proportion was 0.0500 percent, which decreased by .0004 percent from its proportion measured as of June 30, 2016.



**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9. Pension Plan – Public Employees Retirement Association (Continued)**

For the year ended June 30, 2017, the Village recognized PERA Fund Division Municipal Police pension expense of \$49,629. At June 30, 2017, the Village reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,084	\$ -
Changes of assumptions	24,435	6,653
Net difference between projected and actual earnings on pension plan investments	58,346	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	55,689	1,415
The Village's contributions subsequent to the measurement date	<u>20,539</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 186,093</u></b>	<b><u>\$ 8,068</u></b>

\$20,539 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2017	\$ 49,150
2018	49,150
2019	44,298
2020	14,888
2021	-
Thereafter	-
Total	<u>\$ 157,486</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9. 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, 2016 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

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

The 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:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	<u>20.00%</u>	7.35%
Total	100.0%	

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9. Pension Plan – Public Employees Retirement Association (Continued)**

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

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

**Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate:** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Village's net pension liability in each PERA Fund Division that the Village 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.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.48%)</u>
The Village's proportionate share of the net pension liability	\$ 1,093,326	\$ 733,328	\$ 434,727

  

<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.48%)</u>
The Village's proportionate share of the net pension liability	\$ 542,765	\$ 368,914	\$ 226,725

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report.

Payables to the pension plan. At June 30, 2017 there were no contributions due and payable to PERA for the Village.

**NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan**

Plan Description – The Village contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (Continued)**

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Village's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$10,241, \$10,402 and \$10,224, respectively, which equal the required contributions for each year.

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11. Contingent Liabilities**

The Village is party to various claims and lawsuits arising in the normal course of business. Management and the Village's attorney are unaware of any material pending or threatened litigation, claims or assessments against the Village which are not covered by the Village's insurance as described in *Note 7*.

**NOTE 12. Federal and State Grants**

The Village of Questa participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Village of Questa may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Village of Questa.

**NOTE 13. Related Parties**

The Village has entered into various related party transactions in the normal course of business. We are required to review those transactions to ensure that they are considered "arm's length" and are required to disclose those related party transactions that might have a material effect on the financial statements as a whole. The following related parties are deemed to have a material effect on the financial statements. These transactions appear to be "arm's length".

<u>Name</u>	<u>Nature of Transactions</u>	<u>Amount</u>
Robles, Rael and Anaya, P.C.	Legal services	\$ 79,836
Universal Professional Services	Lobbying services	\$ 51,219

**NOTE 14. Joint Power Agreements**

**A. Public Information Marquee**

Purpose: Village of Questa agrees to provide the land for a Public School Marquee sign to be used by both the School District and the Village of Questa.

Participants: Questa Independent Schools and the Village of Questa

Responsible Party for Operation and Audit: Questa Independent Schools

Beginning and Ending Date of Agreement: November 1, 2016 to October 31, 2019

Total Estimated Amount of Project and Actual Amount Contributed: Unknown

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 14. Joint Power Agreements (Continued)**

**B. DWI Roadblocks**

Purpose: To provide cooperation between municipal and county officials to provide additional law enforcement activities to combat DWI offenses.

Participants: Town of Taos, County of Taos, Town of Red River, and Village of Questa

Responsible Party for Operation and Audit: Taos County

Beginning and Ending Date of Agreement: July 01, 2009 to termination of agreement

Total Estimated Amount of Project and Actual Amount Contributed: Unknown

**C. Establishment of the Taos Regional Landfill**

Purpose: Village of Questa agrees for establishing, financing and operating the Taos Regional Landfill Facility.

Participants: County of Taos, Town of Taos, Village of Questa, Village of Red River and Village of Taos Ski Valley.

Responsible Party for Operation and Audit: Town of Taos

Beginning and Ending Date of Agreement: February 2000 to termination of agreement

Total Estimated Amount of Project and Actual Amount Contributed: Unknown

**NOTE 15. Oversight Fund**

During the year ended June 30, 2017, Chevron Mining Inc. (CMI) entered into an agreement with the Village of Questa to:

- Reimburse the Village for “legal oversight costs” up to \$16,700 a month for regulatory and legal oversight with respect to CMI’s mining operations.
- The agreement also allows reimbursement up to \$10,000 a month - not to exceed \$120,000 annually of “technical expertise” related to CMI’s mining operations.

Under the agreement, CMI “reserves the right to offer to renew the agreement at any time, offer to renew the agreement with modifications, or not renew it, at CMI’s sole discretion” These amounts are reported under the “Oversight Fund”. CMI has previously extended this agreements for the past several years but it is unclear as to whether they will continue to do so. They decide on an annual basis.

Revenues for this fund are reported under “Miscellaneous” and expenditures are reported under “General Government”.

See Independent Auditors’ Report

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 16. Tax Abatements**

The Village of Questa has evaluated GASB 77 with regard to tax abatements and has determined that the Village is not a party to any agreements that abate taxes.

**NOTE 17. Subsequent Events**

The Village of Questa has evaluated subsequent events through December 14, 2017, which is the date the financial statements were available to be issued.

**NOTE 18. Reconciliation of Budget Basis to GAAP Basis Financial Statements**

For funds where the actual revenues or expenditures on a budget basis were different from actual revenues or expenditures on a modified accrual basis, a reconciliation at the bottom of the respective budget and actual statements is provided.

**NOTE 19. Restatement**

During fiscal year 2017, the Village implemented a new accounting system. As a result of this, there were changes in accounting funds presented: The governmental net position was restated by (\$69,304). The Proprietary net position was restated by (\$197,677).

**REQUIRED SUPPLEMENTARY INFORMATION**



**STATE OF NEW MEXICO**  
**VILLAGE OF QUESTA**  
**Required Supplementary Information**  
**SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY OF PERA FUND DIVISION - MUNICIPAL GENERAL**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\* 2017**

**MUNICIPAL GENERAL FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village's proportion of the net pension liability	0.0459%	0.0473%	0.0392%
Village's proportionate share of the net pension liability	\$ 733,328	\$ 482,264	\$ 305,802
Village's covered-employee payroll	\$ 376,236	\$ 395,717	\$ 391,818
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	194.91%	121.87%	78.05%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

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

See Independent Auditors' Report

**STATE OF NEW MEXICO**  
**VILLAGE OF QUESTA**  
**Required Supplementary Information**  
**SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY OF PERA FUND DIVISION - MUNICIPAL POLICE**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\* 2017**

**MUNICIPAL POLICE FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village's proportion of the net pension liability	0.0500%	0.0504%	0.0281%
Village's proportionate share of the net pension liability	\$ 368,915	\$ 242,351	\$ 91,603
Village's covered-employee payroll	\$ 108,669	\$ 99,505	\$ 98,795
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	339.49%	243.56%	92.72%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

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

See Independent Auditors' Report

**STATE OF NEW MEXICO**  
**VILLAGE OF QUESTA**  
**Required Supplementary Information**  
**SCHEDULE OF VILLAGE'S CONTRIBUTIONS - PERA FUND DIVISION MUNICIPAL**  
**GENERAL**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\* 2017**

**MUNICIPAL GENERAL FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 35,931	\$ 37,791	\$ 37,419
Contributions in relation to the contractually required contribution	<u>35,931</u>	<u>37,791</u>	<u>37,366</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53</u>
Village's covered-employee payroll	\$ 376,236	\$ 395,717	\$ 391,818
Contributions as a percentage of covered-employee payroll	9.55%	9.55%	9.54%

\*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 will present information for those years for which information is available.

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**STATE OF NEW MEXICO**  
**VILLAGE OF QUESTA**  
**Required Supplementary Information**  
**SCHEDULE OF VILLAGE'S CONTRIBUTIONS - PERA FUND DIVISION MUNICIPAL**  
**POLICE**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\* 2017**

**MUNICIPAL POLICE FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 20,539	\$ 18,806	\$ 18,672
Contributions in relation to the contractually required contribution	<u>20,539</u>	<u>18,806</u>	<u>18,661</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>
Village's covered-employee payroll	\$ 108,669	\$ 99,505	\$ 98,795
Contributions as a percentage of covered-employee payroll	18.90%	18.90%	18.89%

\*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 will present information for those years for which information is available.

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

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

**Assumptions.** The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>.

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**NON MAJOR GOVERNMENTAL FUNDS**

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS  
JUNE 30, 2017**

**SPECIAL REVENUE FUNDS**

**LOCAL CORRECTIONS FUND** – to establish an additional source of funds to municipalities to offset the costs of corrections. The source of the fund is a five dollar fee, which must be paid by all persons violating the law relating to the operations of a motor vehicle. Authority is NMSA 33-0-3.

**ENVIRONMENTAL GROSS RECEIPTS TAX FUND** – to account for the collection of one-eighth of one percent gross receipt tax dedicated for these acquisition, construction, operation, and maintenance of the solid waste facilities, water facilities, waste water facilities, or sewer systems. Authority NMSA Chapter 7, Article 20E.

**EMS FIRE FUND**– to account for grant revenues and expenditures for the purchase of medical supplies. Authority EMS Fund Act, DOH .24.4 NMAC.

**FIRE PROTECTION FUND**– to account for grant revenues received through the New Mexico Fire Protection Fund, Authority Section 59A-53-1 through 19, NMSA 1978.

**BEAUTIFICATION FUND** – to account for the proceeds of a State Appropriation for Economic Development planning purposes. Authority is granted in prior years by the State of New Mexico.

**LAW ENFORCEMENT PROTECTION FUND** – to account for grant funds used for maintenance and development of the Village's police force. Financing is provided by a grant from the State of New Mexico. Such revenue provides for purchase and repairs of equipment as well as classes to update the training of police personnel and may be used only for these purposes. Authority is NMSA 29-13-1.

**OVERSIGHT FUND**– to account for grant revenues received through the state of New Mexico for Oversight. Authority Section 59A-53-1 through 19, NMSA 1978.

**MUNICIPAL JUDGE FUND** – to account for the collection of court fines and forfeitures. Authority is the NMSA Chapter 7, Article 20E.

**MUNICIPAL STREET FUND** – to account for various projects funded by co-operative agreements with New Mexico State Department of Transportation.

**RECREATION FUND** – to account for the operation and maintenance of recreational facilities in the Village. Financing is provided by a specific annual cigarette tax levy. Authority NMSA 7-12-1 & 7-12-15.

**LIBRARY FUND** – is used to account for the operations and maintenance of the Village Library. Funding is provided by a state grant under Section 18-2-4B NMSA, 1978.

**YOUTH FACILITY FUND** – to account for the revenues and expenditures of the youth facilities activities of the Village. Authority is the Village Council Action.

**QUESTA CREDIT UNION FUND** – to account for the funds held by the Questa Credit Union.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS  
JUNE 30, 2017**

**POLICE DEPARTMENT JUSTICE FUND**– to account for grant funds used for maintenance and development of the Village’s police force. Financing is provided by a grant from the State of New Mexico. Such revenue provides for purchase and repairs of equipment as well as classes to update the training of police personnel and may be used only for these purposes. Authority NMSA 29-13-1.

**INTERGOVERNMENTAL GRANTS FUND** – to account for funds received through other governmental entities.

**CAPITAL PROJECTS FUNDS**

**CDBG** – is used to account for receipt of grant proceeds to help fund neighborhood improvement projects to provide adequate services to the community. Authority is Section 9-14-4 NMSA 1978.

**DEBT SERVICE FUNDS**

**REVENUE BOND FUND** – to account for monies related to revenue bonds.

**DEBT SERVICE FUND** – to account for servicing the debt of the Village.



**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	Special Revenue			
	Local Corrections Fund	Environmental Gross Receipts Fund	NM EMS Fund	Fire Protection Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 15,920	\$ 24,250	\$ -	\$ 15,320
Accounts and Taxes Receivable	-	1,534	-	-
Due From Other Governments	-	-	-	-
Due From Other Funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 15,920</u>	<u>\$ 25,784</u>	<u>\$ -</u>	<u>\$ 15,320</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 168
Accrued Salaries and Benefits	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168</u>
<b>FUND BALANCES</b>				
Restricted for:				
Special Revenue Funds	15,920	25,784	-	15,152
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Unassigned:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>15,920</u>	<u>25,784</u>	<u>-</u>	<u>15,152</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 15,920</u>	<u>\$ 25,784</u>	<u>\$ -</u>	<u>\$ 15,320</u>

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
(continued)  
JUNE 30, 2017**

	Special Revenue			
	Law Enforce- ment Protection Fund	Oversight Fund	Municipal Judge Fund	Inter- Governmental Grants
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1	\$ 10,771	\$ 1,182	\$ 305,927
Accounts and Taxes Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
Due From Other Funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1</u>	<u>\$ 10,771</u>	<u>\$ 1,182</u>	<u>\$ 305,927</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted for:				
Special Revenue Funds	1	10,771	1,182	305,927
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Unassigned:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>1</u>	<u>10,771</u>	<u>1,182</u>	<u>305,927</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1</u>	<u>\$ 10,771</u>	<u>\$ 1,182</u>	<u>\$ 305,927</u>

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
(continued)  
JUNE 30, 2017**

	<u>Special Revenue</u>			<u>Capital Projects</u>
	<u>Municipal Street Fund</u>	<u>Recreation Fund</u>	<u>Library Grant</u>	<u>Capital Projects Fund</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 30,660	\$ 1,408	\$ -	\$ -
Accounts and Taxes Receivable	1,850	-	-	243,036
Due From Other Governments	-	-	-	-
Due From Other Funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 32,510</u>	<u>\$ 1,408</u>	<u>\$ -</u>	<u>\$ 243,036</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 219,749
Accrued Salaries and Benefits	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,749</u>
<b>FUND BALANCES</b>				
Restricted for:				
Special Revenue Funds	32,510	1,408	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	23,287
Unassigned:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>32,510</u>	<u>1,408</u>	<u>-</u>	<u>23,287</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 32,510</u>	<u>\$ 1,408</u>	<u>\$ -</u>	<u>\$ 243,036</u>

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
(continued)  
JUNE 30, 2017**

	<u>Debt Service</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Revenue Bonds</u>	<u>Other Debt Service</u>	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ -	\$ 405,439
Accounts and Taxes Receivable	-	-	246,420
Due From Other Governments	-	-	-
Due From Other Funds	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 651,859</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 219,917
Accrued Salaries and Benefits	-	-	-
Due to Other Funds	-	-	-
Unearned Revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>219,917</u>
 <b>FUND BALANCES</b>			
Restricted for:			
Special Revenue Funds	-	-	408,655
Debt Service Funds	-	-	-
Capital Projects Funds	-	-	23,287
Unassigned:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Debt Service Funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>431,942</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 651,859</u>

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue			
	Local Corrections Fund	Environmental Gross Receipts Fund	NM EMS Fund	Fire Protection Fund
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	10,216	-	-
Public Service Taxes	-	-	-	-
Franchise Taxes	-	-	-	-
Federal Sources	-	-	-	-
State Sources	-	-	7,567	108,856
Local Sources	440	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>440</u>	<u>10,216</u>	<u>7,567</u>	<u>108,856</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	7,567	57,448
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>7,567</u>	<u>57,448</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	440	10,216	-	51,408
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	(9,075)	-	(36,256)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(9,075)</u>	<u>-</u>	<u>(36,256)</u>
<b>NET CHANGE IN FUND BALANCES</b>	440	1,141	-	15,152
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>15,480</u>	<u>24,643</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 15,920</u>	<u>\$ 25,784</u>	<u>\$ -</u>	<u>\$ 15,152</u>

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (continued)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue			
	Law Enforce- ment Protection Fund	Oversight Fund	Municipal Judge Fund	Inter- Governmental Grants
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-	-
Public Service Taxes	-	-	-	-
Franchise Taxes	-	-	-	-
Federal Sources	-	-	-	-
State Sources	21,200	-	-	1,061,709
Local Sources	-	-	-	-
Charges for Services	-	-	-	43,275
Licenses and Fees	-	-	1,854	-
Investment Income	-	-	-	-
Miscellaneous	-	58,773	-	-
<b>TOTAL REVENUES</b>	<u>21,200</u>	<u>58,773</u>	<u>1,854</u>	<u>1,104,984</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	67,674	-	12,008
Public Safety	2,172	-	1,795	253,419
Public Works	-	-	-	21,183
Culture and Recreation	-	-	-	99,711
Capital Outlay	40,827	-	-	487,791
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>42,999</u>	<u>67,674</u>	<u>1,795</u>	<u>874,112</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(21,799)	(8,901)	59	230,872
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	162,869
Transfers out	-	-	-	(117,724)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,145</u>
<b>NET CHANGE IN FUND BALANCES</b>	(21,799)	(8,901)	59	276,017
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>21,800</u>	<u>19,672</u>	<u>1,123</u>	<u>29,910</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1</u>	<u>\$ 10,771</u>	<u>\$ 1,182</u>	<u>\$ 305,927</u>

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (continued)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue			Capital Projects
	Municipal Street Fund	Recreation Fund	Library Grant	Capital Projects Fund
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-	-
Public Service Taxes	24,473	-	-	-
Franchise Taxes	-	-	-	-
Federal Sources	-	-	-	-
State Sources	-	-	-	449,510
Local Sources	1,297	140	-	-
Charges for Services	-	-	710	-
Licenses and Fees	-	-	86	-
Investment Income	-	-	-	-
Miscellaneous	-	-	201	-
<b>TOTAL REVENUES</b>	<u>25,770</u>	<u>140</u>	<u>997</u>	<u>449,510</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	21,294	-	-	321,177
Culture and Recreation	-	6,767	29,717	-
Capital Outlay	13,266	-	-	116,897
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>34,560</u>	<u>6,767</u>	<u>29,717</u>	<u>438,074</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(8,790)	(6,627)	(28,720)	11,436
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	3,362	25,045	54,647
Transfers out	-	-	-	(87,395)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>3,362</u>	<u>25,045</u>	<u>(32,748)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(8,790)	(3,265)	(3,675)	(21,312)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>41,300</u>	<u>4,673</u>	<u>3,675</u>	<u>44,599</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 32,510</u>	<u>\$ 1,408</u>	<u>\$ -</u>	<u>\$ 23,287</u>

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (continued)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Debt Service</u>		<u>Total Nonmajor Governmental Total</u>
	<u>Revenue Bonds</u>	<u>Other Debt Service</u>	
<b>REVENUES</b>			
Property Taxes	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	10,216
Public Service Taxes	-	-	24,473
Franchise Taxes	-	-	-
Federal Sources	-	-	-
State Sources	-	-	1,648,842
Local Sources	-	-	1,877
Charges for Services	-	-	43,985
Licenses and Fees	-	-	1,940
Investment Income	-	-	-
Miscellaneous	-	-	58,974
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>1,790,307</u>
<b>EXPENDITURES</b>			
Current			
General Government	-	-	79,682
Public Safety	-	-	322,401
Public Works	-	-	363,654
Culture and Recreation	-	-	136,195
Capital Outlay	-	-	658,781
Debt Service Principal	-	34,865	34,865
Debt Service Interest	950	14,676	15,626
<b>TOTAL EXPENDITURES</b>	<u>950</u>	<u>49,541</u>	<u>1,611,204</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(950)	(49,541)	179,103
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	9,075	49,541	304,539
Transfers out	-	-	(250,450)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>9,075</u>	<u>49,541</u>	<u>54,089</u>
<b>NET CHANGE IN FUND BALANCES</b>	8,125	-	233,192
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>(8,125)</u>	<u>-</u>	<u>198,750</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,942</u>

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## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
FOR PUBLIC FUNDS  
JUNE 30, 2017**

<u>Name of Depository</u>	<u>Type of Security</u>	<u>CUSIP #</u>	<u>Fair Market Value, June 30, 2017</u>	<u>Par Value, June 30, 2017</u>	<u>Maturity Date</u>
Centinel Bank	Bloomfield SCH - 4%	094077KL7	\$ 100,000	100,000	9/1/2017
		Total	\$ 100,000		
		Collateralization Amount Required	-		
		Amount Overcollateralized	<u>\$ 100,000</u>		
Peoples Bank	FHR 3533 CY - 4.5%	31398CWF1	\$ 59,616	\$ 55,510	5/15/2029
Peoples Bank	FHR 3650 KP - 4%	31398JHY2	161,562	152,453	11/15/1936
Peoples Bank	FHR 2010-135 A - 4%	31398SJ20	77,877	76,061	12/25/1938
Peoples Bank	FHR 2673 PE - 5.5%	31394JKA4	<u>44,994</u>	40,523	9/15/2033
		Total	344,049		
		Collateralization Amount Required	<u>300,056</u>		
		Amount Overcollateralized	<u>\$ 43,993</u>		

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS  
JUNE 30, 2017**

<b>Bank Account Type / Name</b>	<b>Centinel Bank</b>	<b>U.S. Bank</b>	<b>People's Bank of Red River</b>	<b>Questa Credit Union</b>	<b>Total</b>
Checking - General	\$ -	\$ -	\$ 609,234	\$ 90,000	\$ 699,234
Checking - Water, Sewer, Solid Waste	-	-	49,246	-	49,246
Checking - Motor Vehicle Division	-	-	2,423	-	2,423
Checking - Payroll Account	-	-	11,697	-	11,697
Checking - Municipal Court	-	-	1,116	-	1,116
Checking - Water Rights	-	-	25,839	-	25,839
Checking - Oversight Accounts	-	-	15,964	-	15,964
Checking - Fire Protection Fund	-	-	16,105	-	16,105
Checking - Law Enforcement Protection	-	-	549	-	549
Checking - Ambulance	500	-	67,939	-	68,439
Certificate of Deposit	-	15,000	50,000	-	65,000
Total on Deposit	500	15,000	850,112	90,000	955,612
Reconciling Items	-	-	(22,628)	-	(22,628)
Reconciled Balance, June 30, 2017	<u>\$ 500</u>	<u>\$ 15,000</u>	<u>\$ 827,484</u>	<u>\$ 90,000</u>	932,984
Cash on Hand - Front Office					100
Cash on Hand - MVD Office					100
<b>Total Cash and Cash Equivalents at June 30, 2017</b>					<u>\$ 933,184</u>
Cash - Statement of Net Position - Governmental					\$ 782,992
Cash - Statement of Net Position - Business-Type					125,972
Fiduciary Cash					24,220
<b>Total Cash</b>					<u>\$ 933,184</u>

See Independent Auditors' Report

## **FIDUCIARY FUNDS**

**STATE OF NEW MEXICO**  
**VILLAGE OF QUESTA**  
**AGENCY FUND**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**JUNE 30, 2017**

	<u>Balance June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 24,183	\$ 37	\$ -	\$ 24,220
<b><u>LIABILITIES</u></b>				
Deposits Held in Trust for Others	\$ 24,183	\$ 37	\$ -	\$ 24,220

## **COMPLIANCE SECTION**



**INDEPENDENT AUDITORS' 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**

Honorable Wayne Johnson  
New Mexico State Auditor  
Santa Fe, New Mexico  
and

To the Honorable Mayor and the Village Council  
Village of Questa  
Questa, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major governmental funds of the State of New Mexico, Village of Questa (Village), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds presented as supplemental information and have issued our report dated December 14, 2017.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. [2011-008, 2016-001, 2017-001]

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items: [2014-001]

### **Village's Response to Findings**

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we do not express an 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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kubiak Melton & Associates, LLC*

Kubiak Melton & Associates, LLC  
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico  
December 14, 2017



**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section I – CURRENT YEAR FINANCIAL STATEMENT FINDINGS**

**2011-008 – Capital Asset Depreciation Schedule – Material Weakness**

**Condition:** The Village of Questa did not maintain their depreciation schedule detailing all of the capital assets and the related depreciation expense of the Village. The Village did not post the entries for current year depreciation.

**Criteria:** A depreciation schedule with corresponding depreciation expense accrual is required by Generally Accepted Accounting Principles. In addition, control over the Village's capital assets is exercised through the maintenance of a detail capital asset schedule.

**Effect:** The financial statements of the Village do not appear to reflect the annual depreciation expense and the balance sheet does not appear to reflect an accurate capital asset costs and related accumulated depreciation amounts.

**Cause:** The Village contracted with a fee accountant to help them on the schedule which is incomplete as of the audit date.

**Auditors' Recommendation:** It is our recommendation that the Village update the depreciation schedule the Village does have to reflect all current capital assets and accumulated depreciation. In addition, we recommend that the Village implement procedures to maintain the schedules as the Village moves forward.

**Management's Response:** Management has a capital asset list and depreciation schedule from the FY2010 auditor. We will gather documentation to substantiate the capital and fixed assets through the FY2010 audited financial statements. We will then develop a comprehensive Asset List and Depreciation Schedule through the current year

**Management's Progress:** We hired a contractor to establish an asset management plan for infrastructure assets; this is complete. We have a capital asset list and depreciation schedule from the FY2010 auditor. We have an appraisal for fixed assets as of 6/1/2010.

**Responsible Party:** The Administrator and Finance Director will develop and implement a plan for the comprehensive Asset List and Depreciation Schedule. The Finance Director will be tasked with maintaining and updating the asset list and depreciation schedules annually.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**2014-001 – Capital Asset Inventory – Material Noncompliance**

**Condition:** The Village did not conduct an annual capital asset inventory.

**Criteria:** In accordance 12-6-10(A) NMSA 1978 the Village must conduct a capital asset inventory to provide accountability for the safeguard of movable chattels and equipment at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the Village's Auditors.

**Effect:** Lack of conducting a capital asset inventory can result in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity.

**Cause:** Annual inventory process is not being initiated by the Village.

**Auditors' Recommendation:** We recommend that the Village conduct a capital asset inventory at the end of each fiscal year.

**Management's Response:** Management has a capital asset list from the FY2010 auditor. We will develop a comprehensive Asset List through the current year and sort it by department. We will have 2 people go through each list and verify location and condition of capital assets.

**Management's Progress:** We have a capital asset list from the FY2010 auditor. We have a list of assets that have been purchased through June 30, 2017.

**Responsible Party:** The Administrator and Finance Director will develop and implement a plan for the comprehensive Asset List. The Finance Director will be tasked with going to each department head and together they will verify the Asset List. Annually, the Finance Director will assign two people to go through each department to verify all assets assigned to each department.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**2016-001- Payments made under existing contracts - Material Weakness**

**Condition:** During of our test work of contracts in operation during fiscal year 2017, we noted the following: (1) One vendor was being paid under a contract originally issued in on August 21, 2012 for Geotechnical Services. We noted that there has been several formal annual amendments to the original contract to extend the term beyond three years in totality. (2) One vendor was being paid two different rates under a contract for distinctively separate services in which that contract does not expressly delineate.

**Criteria:** For (1) above, the State Procurement Code, Section 13-1-1 to 13-1-199 NMSA 1978, and the State Purchasing Regulations 1.4.1 NMAC contain various requirements for the expenditure of public monies. Contract extensions should be limited to three years total and should be clearly described on the contract executed. The Village would be able to initiate a formal RFP process to continue these services with the successful bidder. *Note that best practices dictate that a contract for professional services should be formally procured every three years, thereby allowing the Village to get the best services for the cost.* For (2) above, amounts paid to vendors with executed contracts should be paid based on the contract and the Village should obtain all relevant information required on the invoices as dictated by the contract.

**Effect:** Expenditures were made by the Village of Questa without the proper compliance with the procurement laws and regulations. This could affect the Village's ability to collect grant monies and awards in the future.

The Village currently has one contract for two distinctively different services provided by attorneys. The contract is written in a way that it is difficult to differentiate the differences in services required and the relevant fees associated with those services.

**Cause:** The individual(s) responsible for the Village's procurement did not know nor did they understand the state statues and/or the details of contracts entered into by the Village.

**Auditors' Recommendation:** For (1) above: We recommend that the contract term be up to 3 years with annual renewal clauses. Thereby, allowing the Village to seek quotes or formal bids every third year in an effort to receive the best fees for services provided.

For (2) above: It is our recommendation that the Village go through the formal procurement process to either separate these two contracts or to more clearly delineate the different services provided in one contract.

**Management's Response:** For (1) above: We will go out for RFP every three years to be in compliance with State Statute (by May 2017). For (2) above: We will work at separating the two service contracts and go through the formal procurement process for each to be in compliance with State Statute (by May 2018).

**Management's Progress:** Management did not make any progress on this finding during FY2017.

**Responsible Parties:** Chief Procurement officer/Village Administrator

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**2017-001 – Utility Billing – Material Weakness**

**Condition:** During our test work of controls over utility billing we found two instances where a commercial customer was not billed in accordance with the utility billing ordinance rate for Commercial Class I. The total, including tax, was \$132.65

**Criteria:** The Village of Questa's utility billing ordinance 2015-041, dated January 26, 2016, specifies that Commercial Class 1 customers be charged \$31.90 for the first 5000 gallons (the base) and 2.74 for each additional 1000 gallons over the base.

**Effect:** The Village has consistently under billed all commercial customers since January 2016.

**Cause:** Management had not updated the utility billing system to reflect ordinance 2015-041.

**Auditors' Recommendation:** We recommend that management implement proper internal controls over utility billings such that rates in the utility system reflect ordinance 2015-041.

**Management's Response:** The Management will assign the Utility Clerk to update the rates appropriately for Commercial Class 1.

**Management's Progress:** New finding in FY2017.

**Responsible Party:** The Utility Clerk, will be responsible for updating the rates appropriately in the software system used by the Village. The Village Administrator will follow up to make sure it is complete.

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II –STATUS OF PRIOR YEAR AUDIT FINDINGS**

2011-008 – Capital Asset Depreciation Schedule – Material Weakness – Repeated

2012-001 – Segregation of Duties – Significant Deficiency – Resolved

2014-001 – Capital Asset Inventory – Material Noncompliance – Repeated

2014-003 – Internal Controls over Receipts and Deposits – Significant Deficiency - Resolved

2016-001 – Payments made under existing contracts – Material Weakness - Repeated

**STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2017**

An exit conference was held on December 14, 2017 to discuss the results of the audit. Attending were the following:

Representing the Village:

Mark Gallegos, Mayor  
Lawrence Ortega, Councilor  
Nicholas Maestas, Village Administrator  
Karen Shannon, Finance Director

Representing the Independent Auditors:

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA  
Andrew Quintana, CPA

Note: The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Office's Administrator. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles. Management has reviewed and approved the financial statements.