

STATE OF NEW MEXICO
VILLAGE OF QUESTA

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

FOR THE YEAR ENDED JUNE 30, 2018



**STATE OF NEW MEXICO
VILLAGE OF QUESTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION:	
Official Roster	iv
FINANCIAL SECTION	
Independent Auditors' Report	1 - 3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	6
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	9
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non- GAAP Budgetary Basis) and Actual (Non-GAAP Budgetary Basis): General.....	10
Statement of Revenues Expenditures and Changes in Fund Balance – Budget (Non- GAAP Budgetary Basis) and Actual (Non-GAAP Budgetary Basis): Other Special Revenue Fund	11
Proprietary Funds - Statement of Net Position	12
Proprietary Funds - Statement of Revenues, Expenditures and Changes in Net Position.....	13

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS (continued)

Proprietary Funds - Statement of Cash Flows.....	14
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	15
NOTES TO FINANCIAL STATEMENTS.....	16-48
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Village’s Proportionate Share of Net Pension Liability of PERA Fund – Municipal General	50
Schedule of Village’s Proportionate Share of Net Pension Liability of PERA Fund – Municipal Police	51
Schedule of Village’s Contributions to PERA - Fund Division Municipal General	52
Schedule of Village’s Proportionate Share of Net Pension Liability of PERA Fund – Municipal Police	53
Schedule of the Village’s Proportionate Share of the Net OPEB Liability	54
Schedule of the Village’s OPEB Contributions.....	55
Notes to Required Supplementary Information	56
SUPPLEMENTARY INFORMATION	
Non-major Fund Descriptions	58-59
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Balance Sheets – Nonmajor Funds	60-63
Combining Statements of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Funds.....	64–67
SUPPORTING SCHEDULES	
Schedule of Collateral Pledged by Depository for Public Funds.....	69
Schedule of Cash and Temporary Investment Accounts	70

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS (continued)

FIDUCIARY FUNDS

Schedule of Changes in Assets and Liabilities – Agency Funds..... 72

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* 74-75

Schedule of Findings and Responses..... 76-78

Exit Conference..... 79

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
OFFICIAL ROSTER
AS OF JUNE 30, 2018**

VILLAGE COUNCIL

Mark Gallegos Mayor
Brent Jaramillo Councilor
Louise T. Gallegos Councilor
John Anthony Ortega Councilor
Charlie I. Gonzales Councilor

VILLAGE OFFICIALS

Nicholas A. Maestas Village Administrator
Renee Martinez 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 special revenue fund of the Village of Questa (Village), New Mexico, as of and for the year ended June 30, 2018, 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.

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2018, 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 funds 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 *Village's Proportionate Share of the Net Pension Liability* and their *Proportionate Share of the OPEB Liability* on pages 50, 51 and 54, the *Schedule of the Village's Contributions* on pages 52, 53 and 55, and the notes to the required supplementary information, on page 56 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 and historical context. We have applied certain limited procedures to the Schedule of the *Village's Proportionate Share of the Net Pension Liability* and *Village's Proportionate Share of the OPEB Liability* 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 for all nonmajor funds, and the budgetary comparisons. The other schedules 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 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, 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 11, 2018 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 11, 2018

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 721,950	\$ 195,141	\$ 917,091
Accounts and Taxes Receivable	128,580	189,419	317,999
Due from Other Governments	61,970	-	61,970
Total Current Assets	<u>912,500</u>	<u>384,560</u>	<u>1,297,060</u>
Noncurrent Assets:			
Capital Assets			
Capital Assets Not Being Depreciated	903,803	82,881	986,684
Capital Assets Being Depreciated	6,299,274	2,498,087	8,797,361
Less: Accumulated Depreciation	(4,424,364)	(1,348,299)	(5,772,663)
Total Noncurrent Assets	<u>2,778,713</u>	<u>1,232,669</u>	<u>4,011,382</u>
Deferred Outflows of Resources:			
Deferred Outflows of Resources, Pension Related	208,303	65,780	274,083
Deferred Outflows of Resources, OPEB Related	6,884	2,174	9,058
Total Deferred Outflows of Resources	<u>215,187</u>	<u>67,954</u>	<u>283,141</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 3,906,400</u>	<u>\$ 1,685,183</u>	<u>\$ 5,591,583</u>
LIABILITIES AND NET POSITION			
Current Liabilities:			
Accounts Payable	\$ 70,575	\$ 11,019	\$ 81,594
Accrued Salaries and Benefits	18,036	12,525	30,561
Accrued Compensated Absences	14,040	4,505	18,545
Current Portion of Loans and Bonds Payable	40,445	16,087	56,532
Total Current Liabilities	<u>143,096</u>	<u>44,136</u>	<u>187,232</u>
Noncurrent Liabilities:			
Net OPEB Liability	409,500	129,316	538,816
Net Pension Liability	669,478	211,414	880,892
Loans and Bonds Payable, Long-term	276,735	125,903	402,638
Total Noncurrent Liabilities	<u>1,355,713</u>	<u>466,633</u>	<u>1,822,346</u>
TOTAL LIABILITIES	<u>1,498,809</u>	<u>510,769</u>	<u>2,009,578</u>
Deferred Inflows of Resources:			
Deferred Inflows of Resources, Pension Related	100,697	31,799	132,496
Deferred Inflows of Resources, OPEB Related	93,201	29,432	122,633
Total Deferred Inflows of Resources	<u>193,898</u>	<u>61,231</u>	<u>255,129</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>1,692,707</u>	<u>572,000</u>	<u>2,264,707</u>
NET POSITION			
Net Investment in Capital Assets	2,461,533	1,090,679	3,552,212
Restricted for Special Revenue	409,184	-	409,184
Restricted for Capital Projects	23,287	-	23,287
Restricted for Debt Service	-	-	-
Unrestricted	(680,311)	22,504	(657,807)
Total Net Position	<u>2,213,693</u>	<u>1,113,183</u>	<u>3,326,876</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,906,400</u>	<u>\$ 1,685,183</u>	<u>\$ 5,591,583</u>

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, 2018**

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
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 1,346,822	\$ 41,751	\$ 131,704	\$ -	\$ (1,173,367)	\$ -	\$ (1,173,367)
Public Safety	192,771	103	309,214	-	116,546	-	116,546
Public Works	126,530	-	203,618	553,401	630,489	-	630,489
Culture and Recreation	132,439	104	19,556	-	(112,779)	-	(112,779)
Interest on Long-Term Debt	5,833	-	-	-	(5,833)	-	(5,833)
Total Governmental Activities	<u>1,804,395</u>	<u>41,958</u>	<u>664,092</u>	<u>553,401</u>	<u>(544,944)</u>	<u>-</u>	<u>(544,944)</u>
Business-Type Activities							
Joint Utility Fund	672,481	769,870	-	-	-	97,389	97,389
Ambulance Enterprise Fund	202,215	118,276	100,000	-	-	16,061	16,061
Total Business-Type Activities	<u>\$ 874,696</u>	<u>\$ 888,146</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,450</u>	<u>\$ 113,450</u>
General Revenues:							
Taxes:							
Property Taxes levied for general purposes					165,953	-	165,953
Franchise Taxes					55,092	-	55,092
Public Service Taxes					25,083	-	25,083
Gross Receipts Taxes					458,826	-	458,826
Interest Income					344	(1,073)	(729)
Transfers In					137,214	48,865	186,079
Transfers Out					(186,079)	-	(186,079)
Miscellaneous Income					497,422	-	497,422
Subtotal, General Revenues					<u>1,153,855</u>	<u>47,792</u>	<u>1,201,647</u>
Change in Net Position					608,911	161,242	770,153
Net Position, Beginning					12,753,396	2,833,580	15,586,976
Restatement					(11,148,614)	(1,881,639)	(13,030,253)
Net Position, as Restated					<u>1,604,782</u>	<u>951,941</u>	<u>2,556,723</u>
Net Position, Ending					<u>\$ 2,213,693</u>	<u>\$ 1,113,183</u>	<u>\$ 3,326,876</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>	<u>Other Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 290,247	\$ 47,685	\$ 384,018	\$ 721,950
Accounts and Taxes Receivable	107,902	-	20,678	128,580
Due From Other Governments	-	-	61,970	61,970
Due From Other Funds	-	-	-	-
TOTAL ASSETS	<u>\$ 398,149</u>	<u>\$ 47,685</u>	<u>\$ 466,666</u>	<u>\$ 912,500</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 11,890	\$ 57,843	\$ 842	\$ 70,575
Accrued Salaries and Benefits	17,205	831	-	18,036
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES	<u>29,095</u>	<u>58,674</u>	<u>842</u>	<u>88,611</u>
FUND BALANCES				
Restricted for:				
Subsequent Year Expenditures	-	-	-	-
Special Revenue Funds	-	-	449,902	449,902
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	16,053	16,053
Unassigned	369,054	(10,989)	(131)	357,934
TOTAL FUND BALANCES	<u>369,054</u>	<u>(10,989)</u>	<u>465,824</u>	<u>823,889</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 398,149</u>	<u>\$ 47,685</u>	<u>\$ 466,666</u>	<u>\$ 912,500</u>

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, 2018**

\$ 823,889

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	7,203,077	
Less: Accumulated Depreciation	<u>(4,424,364)</u>	
Capital Assets, Net		2,778,713

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

Deferred Outflows, Pension Related		208,303
Deferred Outflows, OPEB Related		6,884
Deferred Inflows, Pension Related		(100,697)
Deferred Inflows, OPEB Related		(93,201)

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	(14,040)	
Net Pension Liability	(669,478)	
Net OPEB Liability	(409,500)	
Long-Term Debt	<u>(317,180)</u>	
Total		<u>(1,410,198)</u>

Net Position of Governmental Activities **\$ 2,213,693**

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Other Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
Property Taxes	\$ 165,953	\$ -	\$ -	\$ 165,953
Gross Receipts Taxes	448,779	-	10,047	458,826
Public Service Taxes	1,415	-	23,668	25,083
Franchise Taxes	55,092	-	-	55,092
Federal Sources	-	-	-	-
State Sources	131,704	50,000	1,035,789	1,217,493
Local Sources	8,500	-	54,622	63,122
Charges for Services	34,165	7,793	-	41,958
Licenses and Fees	74,053	51,174	-	125,227
Investment Income	344	-	-	344
Miscellaneous	3,491	305,582	-	309,073
TOTAL REVENUES	<u>923,496</u>	<u>414,549</u>	<u>1,124,126</u>	<u>2,462,171</u>
EXPENDITURES				
Current				
General Government	854,255	329,233	-	1,183,488
Public Safety	-	43,290	79,134	122,424
Public Works	32,963	-	81,994	114,957
Culture and Recreation	-	89,265	24,332	113,597
Capital Outlay	-	-	845,489	845,489
Debt Service Principal	-	-	39,468	39,468
Debt Service Interest	-	-	5,833	5,833
TOTAL EXPENDITURES	<u>887,218</u>	<u>461,788</u>	<u>1,076,250</u>	<u>2,425,256</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>36,278</u>	<u>(47,239)</u>	<u>47,876</u>	<u>36,915</u>
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Transfers in	25,533	23,768	87,913	137,214
Transfers out	(96,125)	-	(89,954)	(186,079)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(70,592)</u>	<u>23,768</u>	<u>(2,041)</u>	<u>(48,865)</u>
NET CHANGE IN FUND BALANCES	(34,314)	(23,471)	45,835	(11,950)
FUND BALANCE, BEGINNING OF YEAR	<u>403,368</u>	<u>12,482</u>	<u>419,989</u>	<u>835,839</u>
FUND BALANCE, END OF YEAR	<u>\$ 369,054</u>	<u>\$ (10,989)</u>	<u>\$ 465,824</u>	<u>\$ 823,889</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, 2018**

Net Changes in Fund Balance - Governmental Funds \$ (11,950)

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	845,489
Depreciation Expense	(169,525)

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	(71,137)
OPEB Expense	(9,394)

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):

Debt Service Principal	39,468
Change in Compensated Absences	<u>(14,040)</u>

Change in Net Position of Governmental Activities **\$ 608,911**

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE –
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property Taxes	\$ 157,858	\$ 164,916	\$ 164,915	\$ (1)
Gross Receipts Taxes	536,409	536,409	424,827	(111,582)
Public Service Taxes	-	-	7,947	7,947
Franchise Taxes	36,460	57,249	57,248	(1)
Federal Sources	-	-	-	-
State Sources	95,000	131,704	131,704	-
Local Sources	-	-	8,500	8,500
Charges for Services	10,890	10,890	34,165	23,275
Licenses and Fees	35,983	71,938	71,159	(779)
Investment Income	323	345	344	(1)
Miscellaneous	33,897	45,192	3,569	(41,623)
TOTAL REVENUES	<u>906,820</u>	<u>1,018,643</u>	<u>904,378</u>	<u>(114,265)</u>
EXPENDITURES				
Current				
General Government	999,330	970,992	875,115	95,877
Public Safety	-	-	-	-
Public Works	-	35,000	32,558	2,442
Culture and Recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	<u>999,330</u>	<u>1,005,992</u>	<u>907,673</u>	<u>98,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(92,510)</u>	<u>12,651</u>	<u>(3,295)</u>	<u>(212,584)</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	-	-
Transfers In	46,210	29,232	25,533	(3,699)
Transfers Out	(79,965)	(106,421)	(96,125)	10,296
TOTAL OTHER FINANCING SOURCES (USES)	<u>(33,755)</u>	<u>(77,189)</u>	<u>(70,592)</u>	<u>6,597</u>
Net Increase (Decrease)	<u>(126,265)</u>	<u>(64,538)</u>	<u>\$ (73,887)</u>	<u>\$ (205,987)</u>
Prior Year Cash Balance Budgeted	<u>\$ 126,265</u>	<u>\$ -</u>		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 929,911
Revenues, Actual on Modified Accrual Basis	<u>949,029</u>
Adjustments to Revenues	<u>\$ (19,118)</u>
Expenditures, Actual on a Budget Basis	\$ 1,003,798
Expenditures, Actual on Modified Accrual Basis	<u>983,343</u>
Adjustments to Expenditures	<u>\$ 20,455</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE –
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL –
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-	-
Public Service Taxes	-	-	-	-
Franchise Taxes	-	-	-	-
Federal Sources	-	-	-	-
State Sources	70,925	414,552	50,000	(364,552)
Local Sources	-	-	-	-
Charges for Services	118,791	156,020	7,793	(148,227)
Licenses and Fees	2,040	51,174	51,174	-
Investment Income	-	-	-	-
Miscellaneous	610	257,874	305,582	47,708
TOTAL REVENUES	<u>192,366</u>	<u>879,620</u>	<u>414,549</u>	<u>(465,071)</u>
EXPENDITURES				
Current				
General Government	-	30,000	279,133	(249,133)
Public Safety	100,895	387,640	51,331	336,309
Public Works	-	260,000	-	260,000
Culture and Recreation	100,895	163,886	85,502	78,384
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	<u>201,790</u>	<u>841,526</u>	<u>415,966</u>	<u>425,560</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(9,424)</u>	<u>38,094</u>	<u>(1,417)</u>	<u>(890,631)</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	-	-
Transfers In	-	5,868	23,768	17,900
Transfers Out	-	(5,868)	-	5,868
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>23,768</u>	<u>23,768</u>
Net Increase (Decrease)	<u>(9,424)</u>	<u>38,094</u>	<u>\$ 22,351</u>	<u>\$ (866,863)</u>
Prior Year Cash Balance Budgeted	<u>\$ 9,424</u>	<u>\$ -</u>		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 438,317
Revenues, Actual on Modified Accrual Basis	<u>438,317</u>
Adjustments to Revenues	<u>\$ -</u>
Expenditures, Actual on a Budget Basis	\$ 415,966
Expenditures, Actual on Modified Accrual Basis	<u>461,788</u>
Adjustments to Expenditures	<u>\$ (45,822)</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, 2018**

	Joint Utility Fund	Ambulance Enterprise Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 95,154	\$ 99,987	\$ 195,141
Accounts Receivable, Net	168,211	21,208	189,419
Due From Other Governments	-	-	-
Due From Other Funds	-	-	-
TOTAL CURRENT ASSETS	<u>263,365</u>	<u>121,195</u>	<u>384,560</u>
NONCURRENT ASSETS			
Capital Assets Not Being Depreciated	82,881	-	82,881
Capital Assets Being Depreciated	2,498,087	-	2,498,087
Less: Accumulated Depreciation	<u>(1,348,299)</u>	<u>-</u>	<u>(1,348,299)</u>
Capital Assets, Net	<u>1,232,669</u>	<u>-</u>	<u>1,232,669</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources, Pension Related	65,780	-	65,780
Deferred Outflows of Resources, OPEB	<u>2,174</u>	<u>-</u>	<u>2,174</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>67,954</u>	<u>-</u>	<u>67,954</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1,563,988</u>	<u>\$ 121,195</u>	<u>\$ 1,685,183</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 11,019	\$ -	\$ 11,019
Accrued Salaries and Benefits	12,525	-	12,525
Due to Other Funds	-	-	-
Accrued Compensated Absences	4,505	-	4,505
Current Maturity of Bonds and Notes Payable	<u>16,087</u>	<u>-</u>	<u>16,087</u>
TOTAL CURRENT LIABILITIES	<u>44,136</u>	<u>-</u>	<u>44,136</u>
NONCURRENT LIABILITIES			
Net OPEB Liability	129,316	-	129,316
Net Pension Liability	211,414	-	211,414
Long-Term Debt, Net	<u>125,903</u>	<u>-</u>	<u>125,903</u>
TOTAL NONCURRENT LIABILITIES	<u>466,633</u>	<u>-</u>	<u>466,633</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows, Pension Related	31,799	-	31,799
Deferred Inflows, OPEB	<u>29,432</u>	<u>-</u>	<u>29,432</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>61,231</u>	<u>-</u>	<u>61,231</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>572,000</u>	<u>-</u>	<u>572,000</u>
NET POSITION			
Net Investment in Capital Assets	1,090,679	-	1,090,679
Unrestricted	<u>(98,691)</u>	<u>121,195</u>	<u>22,504</u>
TOTAL NET POSITION	<u>991,988</u>	<u>121,195</u>	<u>1,113,183</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,563,988</u>	<u>\$ 121,195</u>	<u>\$ 1,685,183</u>

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, 2018**

	Joint Utility Fund	Ambulance Enterprise Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 735,095	\$ 118,276	\$ 853,371
Licenses and Fees	34,775	-	34,775
Local Sources	-	100,000	100,000
TOTAL OPERATING REVENUES	<u>769,870</u>	<u>218,276</u>	<u>988,146</u>
OPERATING EXPENSES			
Personal Services	252,721	137,854	390,575
Contractual Services	216,869	22,566	239,435
Supplies and Purchased Power	83,723	9,671	93,394
Maintenance and Materials	38,939	32,124	71,063
Heat, Light and Power	41,326	-	41,326
Depreciation Expense	38,903	-	38,903
TOTAL OPERATING EXPENSES	<u>672,481</u>	<u>202,215</u>	<u>874,696</u>
OPERATING INCOME (LOSS)	<u>97,389</u>	<u>16,061</u>	<u>113,450</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Expense	(1,938)	-	(1,938)
Interest Income	-	-	-
Miscellaneous Income	865	-	865
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(1,073)</u>	<u>-</u>	<u>(1,073)</u>
EXCESS OF REVENUES OVER EXPENSES	96,316	16,061	112,377
OTHER FINANCING SOURCES (USES):			
Transfers in	17,011	40,140	57,151
Transfers out	(8,286)	-	(8,286)
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,725</u>	<u>40,140</u>	<u>48,865</u>
CHANGE IN NET POSITION	105,041	56,201	161,242
NET POSITION, BEGINNING	2,768,586	64,994	2,833,580
RESTATEMENT	(1,881,639)	-	(1,881,639)
NET POSITION, AS RESTATED	<u>886,947</u>	<u>64,994</u>	<u>951,941</u>
NET POSITION, ENDING	<u>\$ 991,988</u>	<u>\$ 121,195</u>	<u>\$ 1,113,183</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, 2018**

	Joint Utility Fund	Ambulance Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received From User Charges	\$ 769,870	\$ 218,276	\$ 988,146
Cash Payments to Employees for Services	(252,721)	(137,854)	(390,575)
Cash Payments to Suppliers for Goods and Services	(475,552)	(85,569)	(561,121)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>41,597</u>	<u>(5,147)</u>	<u>36,450</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Net Transfers	8,725	40,140	48,865
Payments on Long-term Debt	(15,073)	-	(15,073)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>(6,348)</u>	<u>40,140</u>	<u>33,792</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	(1,073)	-	(1,073)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,073)</u>	<u>-</u>	<u>(1,073)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,176	34,993	69,169
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	60,978	64,994	125,972
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 95,154</u>	<u>\$ 99,987</u>	<u>\$ 195,141</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Change in Net Position	\$ 105,041	\$ 56,201	\$ 161,242
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation Expense	38,903	-	38,903
Pension Expense	22,464	-	22,464
OPEB Expense	2,967	-	2,967
Changes in assets and liabilities:			
Change in receivables	(2,256)	(61,348)	(63,604)
Change in accounts payable	10,377	-	10,377
Change in accrued salaries and benefits	(135,899)	-	(135,899)
NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES	<u>\$ 41,597</u>	<u>\$ (5,147)</u>	<u>\$ 36,450</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, 2018**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>24,207</u>
TOTAL ASSETS	\$ <u><u>24,207</u></u>
LIABILITIES	
Due to Other Taxing Units	\$ <u>24,207</u>
TOTAL LIABILITIES	\$ <u><u>24,207</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies

The Village of Questa (Village) was incorporated in 1964, 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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 *Other Special Revenue Fund* is used to account for the *Rapid Action Program, Library, Municipal Court, Oversight Fund and Chevron Mining, Inc. for Professional Services Fund*.

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

The *Joint Utility Fund* accounts for charges for services and services provided to utilities customers and for charges for services for water, waste water, solid waste and water rights.

The *Ambulance Enterprise Fund* accounts third party billing for ambulance needs in the Village as well as a contribution from Taos County to keep that service in operation.

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 as an in-house reserve for the re-payment of the Sewer System Bond. The bank account increases each year by interest earned in two CD's (\$5,000 and \$10,000). The checking account cash balance on June 30, 2018 is \$9,207.08.

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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018.
- 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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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
FOR THE YEAR ENDED JUNE 30, 2018**

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.

Deferred Outflows of Resources: In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The Village has three types of items that qualify for reporting in this category related to GASB No. 68 and one type related to GASB No. 75: changes in proportion, net difference between expected and actual experience and employer contributions subsequent to measurement date. These total \$283,141 and have been reported as deferred outflows of resources. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

The Village has three types of deferred inflows which arise due to the implementation of GASB No. 68 and the related net pension liability and GASB No. 75 and the related postemployment benefits other than pensions liability (OPEB). Accordingly, these items, net difference between projected and actual investment earnings, change in assumptions, and differences between expected and actual experience, are reported on the Statement of Net Position in the amount of \$255,129 as of June 30, 2018. Net difference between expected and actual investment earnings are amortized into expense over a five year period. Changes in assumptions are amortized into pension expense over the average remaining service life of the employee participants. Differences between expected and actual experience are amortized into pension expense over the five-year period. Detail is found in the notes and the required supplementary information.

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.

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

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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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.

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.

See Independent Auditors’ Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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 \$75,639 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
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018 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
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018.

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.

	<u>U.S. Bank</u>	<u>Hillcrest Bank</u>	<u>Questa Credit Union</u>	<u>Total</u>
Total Deposits in Bank	\$ 15,000	\$ 892,788	\$ 90,270	\$ 998,058
Less: FDIC Coverage	<u>(15,000)</u>	<u>(250,000)</u>	<u>(90,270)</u>	<u>(355,270)</u>
Total Uninsured Public Funds	-	642,788	-	642,788
50% Collateralization Requirement	-	321,394	-	321,394
Pledged Collateral	<u>-</u>	<u>464,095</u>	<u>-</u>	<u>464,095</u>
Excess of Pledged Collateral	<u>\$ -</u>	<u>\$ 142,701</u>	<u>\$ -</u>	<u>\$ 142,701</u>

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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3. Cash and Cash Equivalents (Continued)

Reconciliation of Cash and Temporary Investments:

Cash and Cash Equivalents per:	
Statement of Net Position - Governmental Activities	\$ 721,950
Statement of Fiduciary Assets and Liabilities - Agency Funds	24,207
Statement of Net Position - Business-Type Activities	<u>195,141</u>
Total	<u>\$ 941,298</u>

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, 2018, \$642,789 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, 2018, are as follows:

Governmental Activities:

	<u>General Fund</u>	<u>Other Special Revenue Fund</u>	<u>Non-Major funds</u>	<u>Total Governmental Activities</u>
Receivables				
Property Taxes	\$ 5,215	\$ -	\$ 5,215	\$ 10,430
Gross Receipts and Taxes	92,758	-	15,463	108,221
Due from Other Governments	-	-	61,970	61,970
Accounts Receivable, Net	-	-	-	-
Other	<u>9,929</u>	<u>-</u>	<u>-</u>	<u>9,929</u>
Receivables, Net	<u>\$ 107,902</u>	<u>\$ -</u>	<u>\$ 82,648</u>	<u>\$ 190,550</u>

Allowance for uncollectible accounts at June 30, 2018 was \$0 for governmental activities as management deems them to be fully collectable.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4. Receivables (Continued)

Business-Type Activities:

	Business- Type Activities
Accounts Receivable	\$ 327,176
Less: Allowance for Uncollectable Accounts	(137,757)
Accounts Receivable, Net	\$ 189,419

Allowance for uncollectible accounts at June 30, 2018 was \$137,757 for business-type activities.

NOTE 5. Interfund Receivables, Payables and Transfers

This schedule is reported on the government-wide basis of accounting due to the transfers among governmental funds and business-type funds:

Fund	Transfers In	Transfers Out
General Fund	\$ 25,533	\$ 96,125
Other Special Revenue Fund	23,768	-
Local Corrections Fund	-	2,000
Environmental Gross Receipts	-	8,725
Fire Protection Fund	-	37,244
Intergovernmental Grants	20,722	3,387
Municipal Street Fund	10,371	18,452
Recreation Fund	11,519	-
Capital Projects Fund	-	20,146
Other Debt Service	45,301	-
Total Governmental	137,214	186,079
Joint Utility Fund	17,011	8,286
Ambulance Enterprise Fund	40,140	-
Total Proprietary	57,151	8,286
Total	\$ 194,365	\$ 194,365

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows (Land and Construction in Progress is not subject to depreciation):

Governmental Activities:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Adjustment</u>	<u>Balance June 30, 2018</u>
Capital Assets Not Being Depreciated:					
Land	\$ 45,237	\$ -	\$ -	\$ 508,481	\$ 553,718
Construction in Progress	<u>6,102,878</u>	<u>801,692</u>	<u>-</u>	<u>(6,554,485)</u>	<u>350,085</u>
Total Capital Assets Not Being Depreciated	<u>6,148,115</u>	<u>801,692</u>	<u>-</u>	<u>(6,046,004)</u>	<u>903,803</u>
Capital Assets Being Depreciated:					
Furniture, Fixtures and Equipment	1,977,606	-		(1,436,414)	541,192
Vehicles	1,599,444	43,797	7,500	(440,312)	1,195,429
Buildings and Improvements	<u>4,287,514</u>	<u>-</u>	<u>-</u>	<u>275,139</u>	<u>4,562,653</u>
Total Capital Assets Being Depreciated	<u>7,864,564</u>	<u>43,797</u>	<u>7,500</u>	<u>(1,601,587)</u>	<u>6,299,274</u>
Total Capital Assets	<u>14,012,679</u>	<u>845,489</u>	<u>7,500</u>	<u>(7,647,591)</u>	<u>7,203,077</u>
Accumulated Depreciation:					
Furniture, Fixtures and Equipment	315,313	32,302		1,867	349,482
Vehicles	826,948	63,129	7,500	126,542	1,009,119
Buildings and Improvements	<u>113,831</u>	<u>74,094</u>	<u>-</u>	<u>2,877,838</u>	<u>3,065,763</u>
Total Accumulated Depreciation	<u>1,256,092</u>	<u>169,525</u>	<u>7,500</u>	<u>3,006,247</u>	<u>4,424,364</u>
Capital Assets, Net	<u>\$ 12,756,587</u>	<u>\$ 675,964</u>	<u>\$ -</u>	<u>\$ (10,653,838)</u>	<u>\$ 2,778,713</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6. Capital Assets (Continued)

Depreciation expense for the year ended June 30, 2018 was \$169,525 and was allocated function to the following functions:

General Government	\$	68,763
Public Safety		70,347
Public Works		11,573
Culture and Recreation		18,842
Total	\$	<u>169,525</u>

Business-Type Activities:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Adjustment</u>	<u>Balance June 30, 2018</u>
Capital Assets Not Being Depreciated:					
Land	\$ -	\$ -	\$ -	\$ 82,881	\$ 82,881
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,881</u>	<u>82,881</u>
Capital Assets Being Depreciated:					
Plant in Service	4,366,734	-	-	(2,737,110)	1,629,624
Furniture, Fixtures and Equipment	701,542	-	-	(255,209)	446,333
Vehicles	172,257	-	-	249,873	422,130
Total Capital Assets Being Depreciated	<u>5,240,533</u>	<u>-</u>	<u>-</u>	<u>(2,742,446)</u>	<u>2,580,968</u>
Accumulated Depreciation:					
Plant in Service	1,959,029	25,016	-	(1,504,209)	479,836
Furniture, Fixtures and Equipment	256,979	-	-	189,354	446,333
Vehicles	134,458	13,887	-	273,785	422,130
Total Accumulated Depreciation	<u>2,350,466</u>	<u>38,903</u>	<u>-</u>	<u>(1,041,070)</u>	<u>1,348,299</u>
Capital Assets, Net	<u>\$ 2,890,067</u>	<u>\$ (38,903)</u>	<u>\$ -</u>	<u>\$ (1,701,376)</u>	<u>\$ 1,232,669</u>

Depreciation expense related to business-type activities for the year ended June 30, 2018 was \$36,903.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7. Long-Term Debt

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

Governmental Activities:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
1.707%, Maturity 5/1/12 NMFA Fire Truck	\$ 196,250	\$ -	\$ 25,250	\$ 171,000	\$ 26,250
Maturity 5/1/2024 NMFA Fire Equipment Loan	39,186	-	5,619	33,567	5,596
0% State Board of Finance Loan Maturity November 2017	49,239	-	5,000	44,239	5,000
0% State Board of Finance Emergency Loan	<u>71,973</u>	<u>-</u>	<u>3,599</u>	<u>68,374</u>	<u>3,599</u>
Subtotal	<u>356,648</u>	<u>-</u>	<u>39,468</u>	<u>317,180</u>	<u>40,445</u>
Compensated Absences Payable	<u>11,030</u>	<u>11,071</u>	<u>8,061</u>	<u>14,040</u>	<u>14,040</u>
Total Long-Term Debt	<u>\$ 367,678</u>	<u>\$ 11,071</u>	<u>\$ 47,529</u>	<u>\$ 331,220</u>	<u>\$ 54,485</u>

Interest expense paid on long-term debt for governmental activities totaled \$5,833 for the year ended June 30, 2018.

The annual requirements to amortize the NMFA Fire Truck, Equipment Loan and the State Board of Finance Loan as of June 30, 2018, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	43,967	2,008	45,975
2024-2028	73,606	1,040	74,646
2029-2033	17,992	-	17,992
2034-2038	<u>14,394</u>	<u>-</u>	<u>14,394</u>
Total	<u>\$ 317,180</u>	<u>\$ 19,433</u>	<u>\$ 336,613</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7. Long-Term Debt (Continued)

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, 2018:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due</u> <u>Within</u> <u>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.	\$ 32,000	\$ -	\$ 7,000	\$ 25,000	\$ 8,000
.25% NMFA Loan Payable					
Maturity June 2032	85,151	-	5,578	79,573	5,592
0% NM Environment Department					
Maturity June 2033	39,912	-	2,495	37,417	2,495
Subtotal	<u>157,063</u>	<u>-</u>	<u>15,073</u>	<u>141,990</u>	<u>16,087</u>
Compensated Absences Payable	<u>6,318</u>	<u>4,706</u>	<u>6,519</u>	<u>4,505</u>	<u>4,505</u>
Total Long-Term Debt	<u>\$ 163,381</u>	<u>\$ 4,706</u>	<u>\$ 21,592</u>	<u>\$ 146,495</u>	<u>\$ 20,592</u>

Interest expense paid on long-term debt for business-type activities totaled \$1,938 for the year ended June 30, 2018.

The annual requirements to amortize the bonds and loans above at June 30, 2018, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	8,143	143	8,286
2024-2028	40,926	502	41,428
2029-2033	36,489	144	36,633
2034-2038	-	-	-
Total	<u>\$ 141,990</u>	<u>\$ 3,901</u>	<u>\$ 145,891</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7. Long-Term Debt (Continued)

Each of the utility bonds has debt service and repair and replacement reserve requirements. At June 30, 2018 the following schedule shows the maximum reserves and actual reserves held by the Village:

Series	Required Minimum Reserves			Actual at June 30, 2018		
	Payment Until Maximum	Debt Service	Repair and Replacement	Total	Debt Service	Repair and Replacement
1981	\$232 per month	\$ 9,200	\$ -	\$ 9,200	\$ 8,550	\$ -
Total		\$ 9,200	\$ -	\$ 9,200	\$ 8,550	\$ -

NOTE 8. 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, 2018, 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.

NOTE 9. 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: As of June 30, 2018, *Other Special Revenue Fund* had \$10,989 deficit fund balance, and *NM EMS Fund* had a \$521 deficit fund balance..
- B. There were no excess expenditures over budget for any fund for the year ended June 30, 2018.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10. 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, 2016 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 FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 22 of the PERA FY17 annual audit report at:

<https://www.saonm.org/media/audits/366-B- NM PERA Schedule of Employer Allocation FY2017.pdf>

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, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10. Pension Plan – Public Employees Retirement Association (Continued)

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, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2018, the Village reported a liability of \$588,109 for its proportionate share of the net pension liability. At June 30, 2018, the Village's proportion was 0.0428 percent, which decreased by 0.0031 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Village recognized PERA Fund Division Municipal General Pension expense of \$79,252. At June 30, 2018, the Village reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,108	\$ 30,121
Changes of assumptions	27,121	6,077
Net difference between projected and actual earnings on pension plan investments	48,251	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	25,574	33,829
The Village's contributions subsequent to the measurement date	31,875	-
Total	\$ 155,929	\$ 70,027

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10. Pension Plan – Public Employees Retirement Association (Continued)

\$31,875 is reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2018 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>
2019	\$ 24,769
2020	43,773
2021	(415)
2022	(14,100)
2023	-
Thereafter	-
Total	\$ 54,027

For PERA Fund Division Municipal Police, at June 30, 2018, the Village reported a liability of \$292,783 for its proportionate share of the net pension liability. At June 30, 2018, the Village's proportion was 0.0527 percent, which increased by 0.0027 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Village recognized PERA Fund Division Municipal Police pension expense of \$64,214. At June 30, 2018, 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	\$ 17,781	\$ 54,704
Changes of assumptions	17,420	6,808
Net difference between projected and actual earnings on pension plan investments	23,580	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	41,358	957
The Village's contributions subsequent to the measurement date	18,015	-
Total	\$ 118,154	\$ 62,469

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10. Pension Plan – Public Employees Retirement Association (Continued)

\$18,015 is reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2018 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>
2019	\$ 27,094
2020	23,019
2021	(5,548)
2022	(6,895)
2023	-
Thereafter	-
Total	<u>\$ 37,670</u>

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, 2017
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	4 Year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.51% annual rate
Projected benefit payment	100 years
Payroll growth	2.75% to 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% to 2.75% annual rate
Mortality assumption	RP-2000 Mortality tables (combined table for healthy post-retirements, employee table for active members, and disabled table for disabled retirees before retirement age) with projection to 2018 using scale AA.

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10. Pension Plan – Public Employees Retirement Association (Continued)

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

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<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%	

Discount rate: A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10. Pension Plan – Public Employees Retirement Association (Continued)

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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
The Village's proportionate share of the net pension liability	\$ 921,760	\$ 588,109	\$ 310,631

<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
The Village's proportionate share of the net pension liability	\$ 466,908	\$ 292,783	\$ 149,888

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY17 PERA financial report.

Payables to the pension plan. At June 30, 2018 there were no contributions due and payable to PERA for the Village.

NOTE 11. Post-Employment Benefits – Other Than Pensions

General Information

Plan description. Employees of the Village are provided with Postemployment Benefits Other Than Pensions (OPEB) through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11: Post-Employment Benefits – Other Than Pensions (continued)

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

Employees covered by benefit terms – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	\$ 51,208
Inactive and eligible for deferred benefits	11,478
Current Active Members	<u>97,349</u>
	<u>\$ 160,035</u>
Active membership	
State general	\$ 19,593
State police and corrections	1,886
Municipal General	21,004
Municipal Police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>\$ 97,349</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Village were \$88,139 for the year ended June 30, 2018.

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

At June 30, 2018, the Village reported a liability of \$538,816 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Village’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Village’s proportion was 0.01189 percent.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11: Post-Employment Benefits – Other Than Pensions (continued)

For the year ended June 30, 2018, the Village recognized OPEB expense of \$21,422. At June 30, 2018 the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 20,677
Changes of Assumptions	-	94,205
Difference between actual and projected earnings on OPEB plan investments	-	7,751
Contributions made after the measurement date	9,058	-
Total	\$ 9,058	\$ 122,633

Deferred outflows of resources totaling \$9,058 represent the Village's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30,		
2019	\$	(26,073)
2020		(26,073)
2021		(26,073)
2022		(26,073)
2023		(18,341)
Total	\$	(122,633)

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11: Post-Employment Benefits – Other Than Pensions (continued)

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.5% for ERB
Projected payroll increases	3.5%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 year for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females)

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Rate of Return</u>
U.S core fixed income	20%	4.1%
U.S equity - large cap	20%	9.1%
Non U.S. - emerging markets	15%	12.2%
Non U.S - developed equities	12%	9.8%
Private equity	10%	13.8%
Credit and structured finance	10%	7.3%
Real estate	5%	6.9%
Absolute return	5%	6.1%
U.S equity - small / mid cap	3%	9.1%

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11: Post-Employment Benefits – Other Than Pensions (continued)

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Village, as well as what the Village's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease (2.81%)	Current Discount (3.81%)	1% Increase (4.81%)
\$ 653,575	\$ 538,816	\$ 448,777

The following presents the net OPEB liability of the Village, as well as what the Village's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rates	1% Increase
\$ 458,300	\$ 538,816	\$ 601,598

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the Village reported a payable of \$0 for outstanding contributions due to NMRHCA.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12. 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.

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.

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, 2018, 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.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, 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, 2018, 2017 and 2016 were \$9,059 \$10,241 and \$10,402, respectively, which equal the required contributions for each year.

NOTE 13. 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 14. 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, 2018, 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 15. 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	\$ 270,729
Universal Professional Services	Lobbying services	\$ 37,226

See Independent Auditors’ Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 16. 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

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

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 17. Oversight Fund (accounted for in the *Other Special Revenue Fund*)

During the year ended June 30, 2018, 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”.

NOTE 18. 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 19. Subsequent Events

The Village of Questa has evaluated subsequent events through December 11, 2018, which is the date the financial statements were available to be issued. There were no significant events to report.

NOTE 20. 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 21. Restatement

During fiscal year 2018, the capital asset was upgraded to a reliable schedule, resulting in the need for a restatement. In addition, the implementation of GASB 75 (see note 10) resulted in an additional restatement. Therefore were changes in accounting funds presented: The governmental net position was restated by (\$11,148,614). The Proprietary net position was restated by (\$1,881,639).

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* 2018

MUNICIPAL GENERAL FUND	<u>2018</u>	<u>2017</u>
Village's proportion of the net pension liability	0.0428%	0.0459%
Village's proportionate share of the net pension liability	\$ 588,109	\$ 733,328
Village's covered-employee payroll	\$ 333,766	\$ 376,236
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	176.20%	194.91%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%
	<u>2016</u>	<u>2015</u>
Village's proportion of the net pension liability	0.0473%	0.0392%
Village's proportionate share of the net pension liability	\$ 482,264	\$ 305,802
Village's covered-employee payroll	\$ 395,717	\$ 391,818
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.87%	78.05%
Plan fiduciary net position as a percentage of the total pension liability	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.

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* 2018

MUNICIPAL POLICE FUND	<u>2018</u>	<u>2017</u>
Village's proportion of the net pension liability	0.0527%	0.0500%
Village's proportionate share of the net pension liability	\$ 292,783	\$ 368,915
Village's covered-employee payroll	\$ 95,316	\$ 108,669
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	307.17%	339.49%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%
	<u>2016</u>	<u>2015</u>
Village's proportion of the net pension liability	0.0504%	0.0281%
Village's proportionate share of the net pension liability	\$ 242,351	\$ 91,603
Village's covered-employee payroll	\$ 99,505	\$ 98,795
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	243.56%	92.72%
Plan fiduciary net position as a percentage of the total pension liability	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.

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* 2018

MUNICIPAL GENERAL FUND	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 31,875	\$ 35,931
Contributions in relation to the contractually required contribution	<u>31,875</u>	<u>35,931</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Village's covered-employee payroll	\$ 333,766	\$ 376,236
Contributions as a percentage of covered-employee payroll	9.55%	9.55%
	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 37,791	\$ 37,419
Contributions in relation to the contractually required contribution	<u>37,791</u>	<u>37,366</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 53</u>
Village's covered-employee payroll	\$ 395,717	\$ 391,818
Contributions as a percentage of covered-employee payroll	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.

See Independent Auditors' Report

**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* 2018**

MUNICIPAL POLICE FUND	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 18,015	\$ 20,539
Contributions in relation to the contractually required contribution	<u>18,015</u>	<u>20,539</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Village's covered-employee payroll	\$ 95,316	\$ 108,669
Contributions as a percentage of covered-employee payroll	18.90%	18.90%
	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 18,806	\$ 18,672
Contributions in relation to the contractually required contribution	<u>18,806</u>	<u>18,661</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 11</u>
Village's covered-employee payroll	\$ 99,505	\$ 98,795
Contributions as a percentage of covered-employee payroll	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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
STATEMENT OF THE VILLAGE'S PROPORTIONATE SHARE
OF NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018*</u>
Village's proportion of the net OPEB liability	0.01189%
Village's proportionate share of the net OPEB liability	\$ 538,816
Village's covered employee payroll	\$ 429,083
Village's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	125.57%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

*This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the Village will present information for available years.

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
SCHEDULE OF THE VILLAGE'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

	2018*
Contractually required contribution	\$ 9,058
Less: Contributions in relation to the contractually required contributions	9,058
	\$ -
Village's covered employee payroll	\$ 429,083
Contributions as a percentage of covered employee payroll	2.11%

*This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the Village will present information for available years.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

Changes of benefit terms.

The Public Employees Retirement Association's (PERA) COLA and retirement eligibility benefits changes in recent years are described in *Note 1* of PERA's CAFR. <https://www.saonm.org>.

The Retiree Health Care Authority (RHCA) COLA and age eligibility benefits changes in recent years are described in the Notes to the RHCA FY18 audit available at [http://saonm.org/](http://saonm.org) using the Audit Search function for agency 343.

Assumptions.

The Public Employees Retirement Association (PERA) of New Mexico's Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>.

The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2017 report is available at <http://saonm.org/> using the Audit Search function for agency 343.

NON MAJOR GOVERNMENTAL FUNDS

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

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.

NM 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.

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.

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

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 transfers from the General Fund.

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.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUND – 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 BONDS FUND – to account for monies related to revenue bonds.

OTHER 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, 2018**

	Special Revenue			
	Local Corrections Fund	Environmental Gross Receipts Fund	NM EMS Fund	Fire Protection Fund
ASSETS				
Cash and Cash Equivalents	\$ 25,020	\$ 25,028	\$ -	\$ 37,248
Accounts and Taxes Receivable	-	2,078	-	-
Due From Other Governments	-	-	-	-
Due From Other Funds	-	-	-	-
TOTAL ASSETS	<u>\$ 25,020</u>	<u>\$ 27,106</u>	<u>\$ -</u>	<u>\$ 37,248</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 521	\$ 321
Accrued Salaries and Benefits	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>521</u>	<u>321</u>
FUND BALANCES				
Restricted for:				
Subsequent Year Expenditures	-	-	-	-
Special Revenue Funds	25,020	27,106	-	36,927
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Unassigned	-	-	(521)	-
TOTAL FUND BALANCES	<u>25,020</u>	<u>27,106</u>	<u>(521)</u>	<u>36,927</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,020</u>	<u>\$ 27,106</u>	<u>\$ -</u>	<u>\$ 37,248</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
(continued)
JUNE 30, 2018**

	Special Revenue	
	Law Enforce- ment Protection Fund	Inter- Governmental Grants
ASSETS		
Cash and Cash Equivalents	\$ 390	\$ 265,934
Accounts and Taxes Receivable	-	-
Due From Other Governments	-	61,970
Due From Other Funds	-	-
TOTAL ASSETS	\$ 390	\$ 327,904
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ -	\$ -
Accrued Salaries and Benefits	-	-
Due to Other Funds	-	-
Unearned Revenue	-	-
TOTAL LIABILITIES	-	-
FUND BALANCES		
Restricted for:		
Subsequent Year Expenditures	-	-
Special Revenue Funds	-	327,904
Debt Service Funds	-	-
Capital Projects Funds	-	-
Unassigned	390	-
TOTAL FUND BALANCES	390	327,904
TOTAL LIABILITIES AND FUND BALANCES	\$ 390	\$ 327,904

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
(continued)
JUNE 30, 2018**

	Special Revenue			Capital Projects
	Municipal Street Fund	Recreation Fund	Library Grant	Capital Projects Fund
ASSETS				
Cash and Cash Equivalents	\$ 22,618	\$ 7,780	\$ -	\$ -
Accounts and Taxes Receivable	2,547	-	-	16,053
Due From Other Governments	-	-	-	-
Due From Other Funds	-	-	-	-
TOTAL ASSETS	\$ 25,165	\$ 7,780	\$ -	\$ 16,053
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Restricted for:				
Subsequent Year Expenditures	-	-	-	-
Special Revenue Funds	25,165	7,780	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	16,053
Unassigned	-	-	-	-
TOTAL FUND BALANCES	25,165	7,780	-	16,053
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,165	\$ 7,780	\$ -	\$ 16,053

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
(continued)
JUNE 30, 2018**

	<u>Debt Service</u>		<u>Total</u>
	<u>Revenue</u>	<u>Other</u>	<u>Nonmajor</u>
	<u>Bonds</u>	<u>Debt</u>	<u>Governmental</u>
		<u>Service</u>	<u>Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ 384,018
Accounts and Taxes Receivable	-	-	20,678
Due From Other Governments	-	-	61,970
Due From Other Funds	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,666</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 842
Accrued Salaries and Benefits	-	-	-
Due to Other Funds	-	-	-
Unearned Revenue	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>842</u>
FUND BALANCES			
Restricted for:			
Subsequent Year Expenditures	-	-	-
Special Revenue Funds	-	-	449,902
Debt Service Funds	-	-	-
Capital Projects Funds	-	-	16,053
Unassigned	-	-	(131)
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>465,824</u>
TOTAL LIABILITIES			
AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,666</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, 2018**

	Special Revenue			
	Local Corrections Fund	Environmental Gross Receipts Fund	NM EMS Fund	Fire Protection Fund
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	10,047	-	-
Public Service Taxes	-	-	-	-
Franchise Taxes	-	-	-	-
Federal Sources	-	-	-	-
State Sources	-	-	7,470	114,026
Local Sources	11,100	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>11,100</u>	<u>10,047</u>	<u>7,470</u>	<u>114,026</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	7,991	55,007
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>7,991</u>	<u>55,007</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,100</u>	<u>10,047</u>	<u>(521)</u>	<u>59,019</u>
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(2,000)	(8,725)	-	(37,244)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,000)</u>	<u>(8,725)</u>	<u>-</u>	<u>(37,244)</u>
NET CHANGE IN FUND BALANCES	9,100	1,322	(521)	21,775
FUND BALANCE, BEGINNING OF YEAR	<u>15,920</u>	<u>25,784</u>	<u>-</u>	<u>15,152</u>
FUND BALANCE, END OF YEAR	<u>\$ 25,020</u>	<u>\$ 27,106</u>	<u>\$ (521)</u>	<u>\$ 36,927</u>

See Independent Auditors' Report

**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, 2018**

	Special Revenue	
	Law Enforce- ment Protection Fund	Inter- Governmental Grants
REVENUES		
Property Taxes	\$ -	\$ -
Gross Receipts Taxes	-	-
Public Service Taxes	-	-
Franchise Taxes	-	-
Federal Sources	-	-
State Sources	21,800	377,591
Local Sources	38,522	-
Charges for Services	-	-
Licenses and Fees	-	-
Investment Income	-	-
Miscellaneous	-	-
TOTAL REVENUES	<u>60,322</u>	<u>377,591</u>
EXPENDITURES		
Current		
General Government	-	-
Public Safety	16,136	-
Public Works	-	59,062
Culture and Recreation	-	14,185
Capital Outlay	43,797	299,702
Debt Service Principal	-	-
Debt Service Interest	-	-
TOTAL EXPENDITURES	<u>59,933</u>	<u>372,949</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>389</u>	<u>4,642</u>
OTHER FINANCING SOURCES (USES):		
Loan Proceeds	-	-
Transfers in	-	20,722
Transfers out	-	(3,387)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>17,335</u>
NET CHANGE IN FUND BALANCES	389	21,977
FUND BALANCE, BEGINNING OF YEAR	<u>1</u>	<u>305,927</u>
FUND BALANCE, END OF YEAR	<u>\$ 390</u>	<u>\$ 327,904</u>

See Independent Auditors' Report

**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, 2018**

	Special Revenue			Capital Projects
	Municipal Street Fund	Recreation Fund	Library Grant	Capital Projects Fund
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-	-
Public Service Taxes	23,668	-	-	-
Franchise Taxes	-	-	-	-
Federal Sources	-	-	-	-
State Sources	-	-	-	514,902
Local Sources	-	5,000	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>23,668</u>	<u>5,000</u>	<u>-</u>	<u>514,902</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	22,932	-	-	-
Culture and Recreation	-	10,147	-	-
Capital Outlay	-	-	-	501,990
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	<u>22,932</u>	<u>10,147</u>	<u>-</u>	<u>501,990</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	736	(5,147)	-	12,912
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Transfers in	10,371	11,519	-	-
Transfers out	(18,452)	-	-	(20,146)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(8,081)</u>	<u>11,519</u>	<u>-</u>	<u>(20,146)</u>
NET CHANGE IN FUND BALANCES	(7,345)	6,372	-	(7,234)
FUND BALANCE, BEGINNING OF YEAR	<u>32,510</u>	<u>1,408</u>	<u>-</u>	<u>23,287</u>
FUND BALANCE, END OF YEAR	<u>\$ 25,165</u>	<u>\$ 7,780</u>	<u>\$ -</u>	<u>\$ 16,053</u>

See Independent Auditors' Report

**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, 2018**

	<u>Debt Service</u>		<u>Total Nonmajor Governmental Total</u>
	<u>Revenue Bonds</u>	<u>Other Debt Service</u>	
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	10,047
Public Service Taxes	-	-	23,668
Franchise Taxes	-	-	-
Federal Sources	-	-	-
State Sources	-	-	1,035,789
Local Sources	-	-	54,622
Charges for Services	-	-	-
Licenses and Fees	-	-	-
Investment Income	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>1,124,126</u>
EXPENDITURES			
Current			
General Government	-	-	-
Public Safety	-	-	79,134
Public Works	-	-	81,994
Culture and Recreation	-	-	24,332
Capital Outlay	-	-	845,489
Debt Service Principal	-	39,468	39,468
Debt Service Interest	-	5,833	5,833
TOTAL EXPENDITURES	<u>-</u>	<u>45,301</u>	<u>1,076,250</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(45,301)</u>	<u>47,876</u>
OTHER FINANCING SOURCES (USES):			
Loan Proceeds	-	-	-
Transfers in	-	45,301	87,913
Transfers out	-	-	(89,954)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>45,301</u>	<u>(2,041)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>45,835</u>
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>419,989</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 465,824</u>

See Independent Auditors' Report

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2018**

Name of Depository	Type of Security	CUSIP #	Fair Market Value, June 30, 2018	Par Value, June 30, 2018	Maturity Date
Hillcrest Bank	FNM 17099 PA - 3.00%	3136AY3N1	431,203	433,422	10/25/2042
Hillcrest Bank	FHR 2013 26 QK - 1.25%	3136DVH9	32,892	34,812	8/25/2027
		Total	464,095		
		Collateralization Amount Required	321,395		
		Amount Overcollateralized	\$ 142,701		

See Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2018**

<u>Bank Account Type / Name</u>	<u>U.S. Bank</u>	<u>Hillcrest Bank</u>	<u>Questa Credit Union</u>	<u>Total</u>
Checking - General	\$ -	\$ 523,959	\$ 90,270	\$ 614,229
Checking - Water, Sewer, Solid Waste	-	98,444	-	98,444
Checking - Motor Vehicle Division	-	2,249	-	2,249
Checking - Payroll Account	-	14,215	-	14,215
Checking - Municipal Court	-	14,335	-	14,335
Checking - Water Rights	-	27,739	-	27,739
Checking - Oversight Accounts	-	19,270	-	19,270
Checking - Sewer System Reserve	-	9,207	-	9,207
Checking - EMS Fire Fund	-	557	-	557
Checking - Fire Protection Fund	-	38,140	-	38,140
Checking - Law Enforcement Protection	-	606	-	606
Checking - Ambulance	-	94,067	-	94,067
Checking - Airport Fund	-	-	-	-
Certificate of Deposit	15,000	50,000	-	65,000
Checking - CDBG Account	-	-	-	-
Total on Deposit	15,000	892,788	90,270	998,058
Reconciling Items	-	(56,960)	-	(56,960)
Reconciled Balance, June 30, 2018	<u>\$ 15,000</u>	<u>\$ 835,828</u>	<u>\$ 90,270</u>	941,098
Cash on Hand - Front Office				100
Cash on Hand - MVD Office				100
Total Cash and Cash Equivalents at June 30, 2018				<u>\$ 941,298</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, 2018

	<u>Balance June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 24,220	\$ 4,800	\$ 4,813	\$ 24,207
<u>LIABILITIES</u>				
Deposits Held in Trust for Others	\$ 24,220	\$ 4,800	\$ 4,813	\$ 24,207

See Independent Auditors' Report

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, 2018, 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 11, 2018.

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 a material weaknesses 2016-001.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 11, 2018

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Section I – CURRENT YEAR FINANCIAL STATEMENT FINDINGS

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

Condition: During of our test work of contracts in operation during fiscal year 2018, 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.

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Management's Response: The Village has taken two independent steps to resolve its finding 2016-001- Payments made under existing contracts –Material Weakness. The Village has issued two separate Requests for Proposal. The contract includes language for a contract term allowing the contract to be extended beyond termination date on a yearly basis for an additional two years.

1 - RFP #2018-03 Legal Oversight to Chevron Mining Operation and Economic Development was published on May 10, 2018 and proposal submittal due date was June 1, 2018.

2 - RFP #2018-04 Geotechnical Engineering Consulting Services and Oversight was published on May 10, 2018 and the proposal submittal due date was on June 1, 2018.

Management's Progress: Management followed the process outlined above and believes this is sufficient to resolve any material weakness that existed. A Contract for RFP #2018-03 was fully executed on August 24, 2018. A contract for RFP #2018-004 was fully executed on July 13, 2018.

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, 2018**

Section II –STATUS OF PRIOR YEAR AUDIT FINDINGS

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

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

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

2017-001 – Noncompliance with Water Utility Rates – Other Noncompliance - Resolved

**STATE OF NEW MEXICO
VILLAGE OF QUESTA
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018**

An exit conference was held on December 11, 2018 to discuss the results of the audit. Attending were the following:

Representing the Village:

Mark Gallegos, Mayor
Charlie Gonzales, Councilor
Nicholas Maestas, Village Administrator
Karen Shannon, Finance Director
Renee Martinez, Village Clerk

Representing the Independent Auditors:

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

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.